

## **CURRENT REPORT No. 18/09**

### **Date of Report:**

16 June 2009

### **Re:**

Report on Operations of Supervisory Board of Emperia Holding S.A. in 2008 Pursuant to Good Practices of Public Companies Listed on Stock Exchange in Warsaw and Opinion on Distribution of Dividend.

### **Legal Basis:**

Rule III.1.2) of the Good Practices of Public Companies Listed on Stock Exchange in Warsaw

### **Update:**

Pursuant to Rule III.1.2) of the Good Practices of Public Companies Listed on Stock Exchange in Warsaw which are binding on companies listed on the Stock Exchange, the Supervisory Board hereby submits to the Ordinary General Meeting of Emperia Holding S.A. as follows:

## **Report on Operations of Supervisory Board of Emperia Holding S.A. in 2008**

The operations of the Supervisory Board of Emperia Holding S.A. ("Company") are governed under the Commercial Companies Code, Articles of Association of the Company, and the Supervisory Board Regulations.

### **1. Self-assessment of the Supervisory Board's operations with an assessment of the internal control system and system of managing risks significant for the Company**

Initially, in 2008, the Supervisory Board was comprised of:

1. Mr Ireneusz Zięba;
2. Mr Zenon Mierzejewski;
3. Mr Tomasz Krysztofiak;
4. Mr Piotr Długosz;
5. Mr Piotr Kawa;
6. Mr Wincenty Mura.

On 3 January 2008, the General Meeting dismissed Mr Wincenty Mura from the Supervisory Board and appointed Mr Piotr Laskowski.

At the end of the financial year, the composition of the Supervisory Board was as follows:

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

Two of the Supervisory Board members have links with the main shareholders vested with the right to over 5 percent of votes at the General Meeting. There is one independent member sitting on the Supervisory Board. The composition of the Supervisory Board ensures that a variety of views on the operations of the Management Board and the Company's business are represented.

In 2008, the Supervisory Board of Emperia Holding S.A. held 11 meetings. The meetings of the Supervisory Board were held on 31 January, 27 February, 29 April, 13 and 27 May, 11 and 26 June, 11 July, 7 October, 5 November, and 18 December. In 2008 the Supervisory Board adopted 44 resolutions, including 2 resolutions by circulation. The attendance at all the meetings was sufficient to adopt valid resolutions.

The responsibilities vested in the various Committees were dealt with by the Supervisory Board acting collectively.

In the period covered by the Report, the Supervisory Board exercised continuous supervision over the Company in all areas of its business, opined on the day-to-day and prospective actions, analysed the economic and financial standing of Emperia Holding, and reviewed the financial performance of the Company and of the Group's members, with special emphasis upon the quarterly, semi-annual, and annual financial statements.

As required by the Good Practices of Public Companies Listed on Stock Exchange in Warsaw, the Supervisory Board issued a recommendation for the draft resolutions of the General Meeting of Shareholders on 26 June 2008 as well as preparing the Assessment of the Company's Standing in 2007 and the Report on the Operations of Supervisory Board of Emperia Holding S.A. in 2007.

The detailed scope of activities and resolutions adopted by the Supervisory Board in 2008 is reflected in the minutes of Supervisory Board meetings which are available at the Company's registered office in Lublin, ul. Mełgiewska 7-9.

As regards the internal control system and the system of management of risks that are significant for the Company, 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.

## **2. Report on Examination of Company's Financial Statements for Financial Year 2008, Management Board Report and on Profit Distribution.**

Pursuant to Article 382 § 3 of the Commercial Companies Code and in conjunction with Article 53(1) of the Act on Accounting of 29 September 1994 (Journal of Laws No. 121, item 591, as subsequently amended), the Company's Supervisory Board has examined the Company's financial statements for the financial year 2008 ending on 31 December 2008, comprised of the balance sheet, profit and loss account, statement of changes in equity, notes to financial statements, and a cash flow statement. In addition, the Supervisory Board examined the Management Board's report on the operations of the Company in 2008 with the Management Board's motion regarding the distribution of profit generated in 2008, and reviewed the auditor's (BDO Numerica Sp. z o.o. with its seat in Warsaw, ul. Postępu 12) opinion and report on the audit of the financial statements for 2008 with respect to the integrity and reliability of the 2008 financial statements.

The Supervisory Board moves that the Ordinary General Meeting of Shareholders of Emperia Holding S.A. approve the Management Board report on the operations of the Company in 2008 and the Company's financial statements for the financial year commencing on 1 January 2008 and ending on 31 December 2008, comprised of the balance sheet prepared at as 31 December 2008, reporting total assets and liabilities of **PLN 598,036,059.75** (in words: five hundred and ninety-eight million thirty-six thousand fifty-nine and 75/100 zloty); profit and loss account for the period from 1 January 2008 to 31 December 2008 reporting a net profit of **PLN 1,422,341.63** (in words: one million four hundred and twenty-two thousand three hundred and forty-one and 63/100 zloty); statement of changes in equity reporting an increase in equity of **PLN 1,843,836.79** (in words: one million eight hundred and forty-three thousand eight hundred and thirty-six and 79/100 zloty); cash flow statement for the period from 1 January 2008 to 31 December 2008 reporting a reduction in net cash during the financial year 2008 by **PLN 29,398,562.76** (in words: twenty-nine million three hundred and ninety-eight thousand five hundred and sixty-two and 76/100 zloty).

The Supervisory Board has approved the motion of the Management Board regarding the distribution of net profit generated by the Emperia Holding in 2008.

The Management Board moved that in 2008 PLN 8,917,944.99 be distributed among the shareholders as dividend, including net profit generated by Emperia Holding in 2008 of PLN 1,422,341.63 and PLN 7,495,603.36 from the reserve capital.

The Supervisory Board approves the Management Board's motion to set 25 August 2009 as the record date and 9 September 2009 as the dividend payment date.

The Supervisory Board further moves that the Ordinary General Meeting of Shareholders of Emperia Holding S.A. acknowledge satisfactory performance of duties in the financial year 2008 by the Company's corporate bodies represented by: Mr Artur Kawa, Chairman of Management Board; Mr Jarosław Wawerski, Vice-Chairman of Management Board; Mr Dariusz Kalinowski, member of Management Board; Mr Jacek Dudzik, member of Management Board; Ms Renata Bronisz-Czyż, member of Management Board; Mr Jarosław Rudnicki, member of Management Board; Mr Lesław Syguła, member of Management Board; Mr Piotr Laskowski, member of Management Board; Mr Marek Wesołowski, member of Management Board, Mr Grzegorz Wawerski, member of Management Board.

### **3. Report on Examination of Emperia Holding Group's Consolidated Financial Statements for Financial Year 2008**

Pursuant to Article 14(2)(a) of the Articles of Association of Emperia Holding S.A., the Company's Supervisory Board, in its capacity as the supervisory body of the Emperia Holding Group's dominant entity, in accordance with Article 63c(4) of the Act on Accounting

of 29 September 1994 (Journal of Laws No. 121 of 1994, item 591, as subsequently amended), has examined the Emperia Holding Group's consolidated financial statements for the financial year 2008, comprised of the notes to the financial statements, consolidated balance sheet, consolidated profit and loss account, statement of changes in consolidated equity, and a consolidated cash flow statement. In addition, the Supervisory Board reviewed the auditor's (BDO Numerica Sp. z o.o. with its seat in Warsaw, ul. Postępu 12) opinion and report on the audit of the financial statements for 2008 with respect to the integrity and reliability of the 2008 consolidated financial statements.

The Supervisory Board moves that the Ordinary General Meeting of Shareholders of Emperia Holding S.A. approve the Emperia Holding Group's consolidated financial statements for the financial year commencing on 1 January 2008 and ending on 31 December 2008, comprised of the consolidated balance sheet prepared at as 31 December 2008, reporting total assets and shareholders equity and liabilities of **PLN 1,725,268,000** (in words: one billion seven hundred and twenty-five million two hundred and sixty-eight thousand zloty); consolidated profit and loss account for the period from 1 January 2008 to 31 December 2008 reporting a net profit of **PLN 59,206,000** (in words: fifty-nine million two hundred and six thousand zloty); consolidated statement of changes in equity for the period from 1 January 2008 to 31 December 2008 reporting an increase in equity by **PLN 55,761,000** (in words: fifty-five million seven hundred and sixty-one thousand zloty); and consolidated cash flow statement reporting a reduction in net cash in the period from 1 January 2008 to 31 December 2008 by **PLN 42,384,000** (forty-two million three hundred and eighty-four thousand zloty).