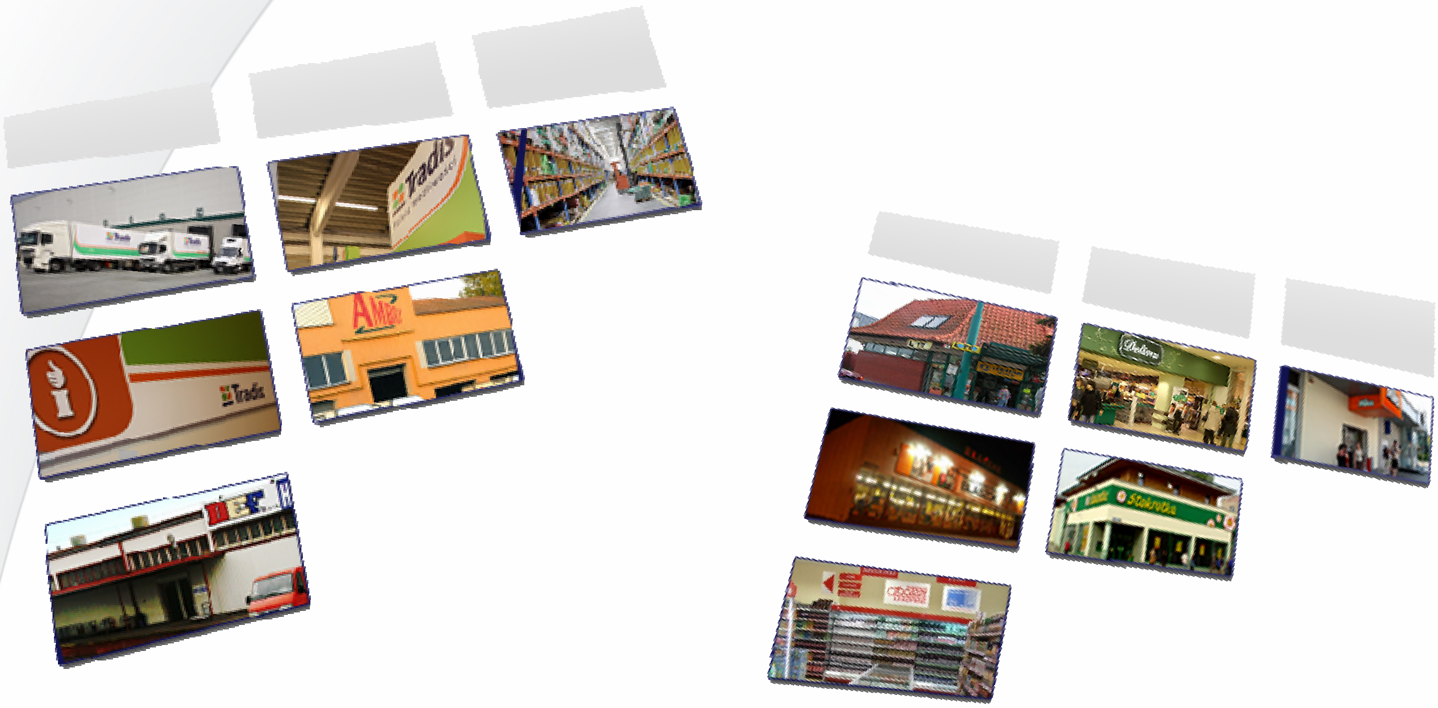
Emperia Holding



CONSOLIDATED FINANCIAL STATEMENT

ANNUAL REPORT 2009

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, 30 APRIL 2010

Table of Contents

1. Chairman's Letter

Dear Shareholders,

In 2009, the global financial crisis combined with economic recession and intensifying competition did not create good conditions for rapid development of Emperia Trading Group. Despite the adverse market conditions however, the Emperia Group succeeded in strengthening its leadership among Polish trading companies engaging in wholesale distribution and retail marketing of FMCG. The sales revenues of the Emperia Group increased by 5.1 percent to PLN 5.5 billion, with a concurrent improvement in EBITDA and net profit. EBITDA increased by 18.5 percent to PLN 176.5 million and net profit by 17.2 percent to PLN 69.4 million. Investment outlays were in excess of PLN 165.3 million.

In 2009, Emperia focused its efforts mainly on the continued Group restructuring process, development of the retail business as well as mergers and acquisitions.

On 1 July 2009, Emperia completed the most significant stage of the wholesale business reorganisation process, that is the merger of seven subsidiaries operating all over Poland into a single company, Tradis. In addition, the network of traditional and cash&carry warehouses was streamlined, and a new organisational structure for the wholesale business head office put in place. Following these changes, the operations of Tradis fall into seven geographical regions based on modern wholesale centres supported by self-service cash&carry locations.

Three distribution centres and three warehouses were launched last year. At the end of 2009, the Emperia Group's wholesale network boasted 70 locations.

Arsenal with its seat in Białystok, whose operations were inconsistent with the strategic objectives formulated by Emperia, was sold. While in accounting terms the transaction produced a negative figure of PLN -4.2 million, it was the right decision to divest the subsidiary.

As regards the retail business, Emperia Trading Group continued rapid development of retail chains combined with rationalisation of their structure and format. In 2009, the number of retail outlets managed by Emperia Trading Group's retail chains went up by 1,500 locations. During the past year, Emperia Trading Group added 224 new Groszek outlets, 188 Euro Sklep outlets and 621 Lewiatan supermarkets to its chain membership. The Stokrotka chain expanded by 31 locations, and Delima launched sixth deli supermarket.

Partnerski Serwis Detaliczny, a company established to liaise with Retail Cooperatives, signed further contracts with Cooperatives. At the end of last year, PSD partnered with 372 stores operated by 42 Społem Retail Cooperatives.

In order to provide retail chains with state-of-the-art IT outlet management systems Rego central system was launched, the certification process for the first retail outlet management system, eXpedient, was completed, and certification of further systems got underway.

The first half of 2009 also saw conclusion of a property development project and sale of the completed shopping mall in Łomża, with a black figure of PLN 13.4 million.

Emperia Trading Group also continued its development strategy based on the active consolidation of the retail market. In the past year Emperia was joined by further companies: Alfa of Lublin, Ambra of Czechowice-Dziedzice, Przedsiębiorstwo Handlowe Centrum Społem Sanok Lewiatan Północ and Lewiatan Opole.

On 9 September 2009, Emperia Holding S.A. distributed another time dividend among its shareholders, representing some 15 percent of the profit generated in 2008, that is PLN 8,917,944.99 (PLN 0.59 per share). The Management Board can see nothing to hinder the company from maintaining its dividend policy and earmarking some 15 percent of the consolidated net profit generated by the Group in 2009 to be distributed as dividend.

The plans for 2010 assume fuller utilisation of the effects of the Group's restructuring, continued organic growth and further consolidation of the FMCG market. We are assuming sale revenues to be up by 8.6 percent to PLN 6 billion and intend to maintain a high level of investment outlays and to improve net profit.

Ahead is yet another tough year. However, I am convinced that the effects of the consistently pursued restructuring of the Emperia Group combined with cost discipline and continued interest in mergers and acquisitions will help us improve financial performance and ensure further strengthening of Emperia's position in the market.

Thanks are due to the employees, customers and business partners for yet another year of their joint effort and contribution to the building and development of our business. I would like to thank the shareholders for their support and confidence in Emperia's Management Board. I believe that the management team motivated to work hard and the growth strategy adopted and consistently pursued will improve further the value of Emperia Trading Group for its shareholders.

Artur Kawa
Chairman of Management Board

(in PLN 000s, unless indicated otherwise)

2. Selected Financial Highlights

	SELECTED FINANCIAL HIGHLIGHTS (current year)	PLN		EUR	
		For period 01.01.2009 to 31.12.2009	For period 01.01.2008 to 31.12.2008	For period 01.01.2009 to 31.12.2009	For period 01.01.2008 to 31.12.2008
I.	Net revenues from sale of products, goods and materials	5 525 656	5 257 118	1 273 017	1 488 383
II.	Profit (loss) on operating activity	113 183	96 012	26 075	27 183
III.	Profit (loss) before tax	92 239	80 443	21 250	22 775
IV.	Profit (loss) for period	69 366	59 206	15 981	16 762
V.	Net cash flows from operating activity	101 346	30 101	23 348	8 522
VI.	Net cash flows from investing activity	(127 774)	(176 565)	(29 437)	(49 989)
VII.	Net cash flows from financing activity	16 460	103 937	3 792	29 426
VIII.	Total net cash flows	(9 968)	(42 527)	(2 297)	(12 040)
IX.	Total assets	1 830 168	1 725 268	445 491	413 495
X.	Liabilities and provisions against liabilities	1 024 331	980 185	249 338	234 921
XI.	Long-term liabilities	160 730	306 221	39 124	73 392
XII.	Short-term liabilities	863 601	673 964	210 214	161 529
XIII.	Equity	805 837	745 083	196 153	178 574
XIV.	Initial capital	15 115	15 115	3 679	3 623
XV.	Number of shares	15 115 161	15 115 161	15 115 161	15 115 161
XVI.	Weighted average number of shares	15 115 161	15 064 149	15 115 161	15 064 149
XVII.	Profit (loss) per ordinary share annualized (PLN\EURO)*	4,59	3,93	1,06	1,11
XVIII.	Diluted profit (loss) per ordinary share annualized* (PLN\EURO)	4,59	3,93	1,06	1,11
XIX.	Book value per share (PLN/EUR)**	53,31	49,29	12,98	11,81
XX.	Diluted book value per share (PLN/EUR)**	53,31	49,29	12,98	11,81
XXI.	Declared or distributed dividend per share (PLN/EUR)**	0,59	0,88	0,14	0,21

* 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 2009: in January-December 15 115 161;
– in 2008: in January-May 14 992 732, June-December 15 115 161;

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 4,3406 PLN/EUR in 2009, and 3,5321 PLN/EUR in 2008;
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 4,1082 PLN/EUR on 31 December 2009 and 4.1724 PLN/EUR on 31 December 2008.

(in PLN 000s, unless indicated otherwise)

3. Management Board Statement

The Management Board of Emperia Holding S.A. represents that, to the best of its knowledge, the annual consolidated financial statements and comparable data have been prepared in compliance with the accounting policies and that they provide a true, reliable and clear reflection of the assets and financial standing of the issuer's group of companies and its financial performance, and that the report on the operations of the issuer's group of companies contains a true picture of the development and achievements as well as of the standing of the issuer's group of companies, including a description of fundamental threats and risks.

The Management Board of Emperia Holding S.A. further represents that the entity licensed to audit financial statements (auditor), auditing the consolidated annual financial statements, has been appointed in compliance with the law and that the entity and the auditors performing the audit of such financial statements have met the conditions necessary to express an impartial and independent opinion on the audited consolidated annual financial statements, in compliance with the regulations in force and professional standards.

Lublin, April 2010 rok

Signatures of members of Management Board:

2010-04-30	Artur Kawa	Chairman of Management Board	.... signature
2010-04-30	Jarosław Wawerski	Vice-Chairman of Management Board	.... signature
2010-04-30	Dariusz Kalinowski	Member of Management Board – Financial Director	.... signature
2010-04-30	Marek Wesołowski	Member of Management Board – Retail Business Director	.... signature
2010-04-30	Grzegorz Wawerski	Member of Management Board – Retail Business Development Director	.... signature

Signature of person responsible for maintaining the accounts:

2010-04-30	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. 31.12.2009.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. 31.12.2009.pdf"

(in PLN 000s, unless indicated otherwise)

6. Consolidated Statement of Financial Position

	Note	31 December 2009	31 December 2008
Fixed Assets		**944 641**	**851 288**
Tangible fixed assets	10.3.1 and 10.3.2	658 407	579 644
Investment real property	10.3.3	16 992	17 711
Intangible assets	10.3.4 and 10.3.5	7 796	6 367
Goodwill	10.3.6	203 354	189 827
Shares in equity method	10.3.7a	3 982	3 997
Financial assets	10.3.7 and 10.3.7b	11 178	8 664
Long-term loans	10.3.8	1 114	1 667
Long-term receivables and other deferred income	10.3.9	26 068	22 326
Deferred income tax assets	10.3.10	15 750	21 085
Current Assets		**885 527**	**873 980**
Inventory	10.3.11	455 272	415 801
Receivables	10.3.12	366 702	396 840
Income tax withholding		15 504	3 920
Short-term securities			
Prepaid expenses	10.3.13	7 996	7 196
Cash	10.3.14	40 053	50 023
Other financial assets	10.3.15		200
Assets earmarked for sale			
Total Assets		**1 830 168**	**1 725 268**
Equity		**805 837**	**745 083**
Share capital	10.3.16	15 115	15 115
Share premium capital		549 559	549 559
Supplementary capital		98 394	90 862
Supplementary capital from the evaluation of managerial options		1 035	596
Reserve capital		59 150	59 873
Revaluation capital			(1 681)
Treasury shares			
Retained profit	10.3.17	82 482	30 367
Total equity allocated to shareholders of dominant entity		**805 735**	**744 691**
Equity of minority shareholders		102	392
Long-term liabilities		**160 730**	**306 221**
Credit facilities, loans and debt securities	10.3.18	137 106	285 263
Long-term liabilities	10.3.19	5 959	5 498
Provisions	10.3.20	2 843	2 362
Provision against deferred income tax	10.3.21	14 822	13 098
Short-term liabilities		**863 601**	**673 964**
Credit facilities, loans and debt securities	10.3.22	223 620	29 315
Short-term liabilities	10.3.23	616 928	615 740
Income tax liabilities		4 200	6 715
Provisions	10.3.20	16 250	21 030
Deferred income	10.3.24	2 603	1 164
Total liabilities		**1 830 168**	**1 725 268**

Off-balance sheet items are described in note 10.3.39

(in PLN 000s, unless indicated otherwise)

Book value	805 837	745 083
Number of shares	15 115 161	15 115 161
Diluted number of shares	15 115 161	15 115 161
Book value per share (PLN)	53,31	49,29

Lublin, April 2010

Signatures of members of Management Board:

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2010-04-30	Grzegorz Wawerski	Member of Management Board – Retail Business Development Director	.... signature

Signature of person responsible for maintaining the accounts:

2010-04-30	Elżbieta Świniarska	Economic Director	.... signature

(in PLN 000s, unless indicated otherwise)

7. Consolidated Statement of Comprehensive Income

Profit and Loss Account	Note	12 months ended 31 December 2009	12 months ended 31 December 2008
Sales revenues		**5 525 656**	**5 257 118**
- including related entities		*9 543*	*2 763*
Sales of products and services	10.3.25	174 063	107 565
Sales of goods and materials	10.3.26	5 351 593	5 149 553
Cost of goods sold		**(4 638 213)**	**(4 444 290)**
- including related entities		*(8 491)*	*(2 541)*
Cost of manufactured products sold		(88 752)	(63 977)
Cost of goods and materials sold		(4 549 461)	(4 380 313)
Profit on sales		**887 443**	**812 828**
Other operating income	10.3.27	29 912	18 486
Selling expense	10.3.28	(700 216)	(618 248)
General administrative expense	10.3.28	(89 333)	(100 673)
Other operating expense	10.3.29	(14 623)	(16 381)
Profit on operations		**113 183**	**96 012**
Financial income	10.3.30	2 650	3 145
Financial expense	10.3.31	(23 594)	(18 714)
Profit before tax		**92 239**	**80 443**
Income tax		**(22 858)**	**(19 656)**
Current tax	10.3.32	(15 092)	(22 798)
Deferred tax	10.3.33	(7 766)	3 142
Share in financial result entities valued using the equity method		(15)	(1 581)
Profit for period		**69 366**	**59 206**
Including: profit for shareholders of dominant entity		69 343	58 969
Profit for minority shareholders		23	237

Profit (loss) for period (annualised)	69 366	59 206
Weighted average number of ordinary shares *	15 115 161	15 064 149
Diluted weighted average number of ordinary shares *	15 115 161	15 064 149
Profit (loss) per ordinary share (PLN) (annualised)	4,59	3,93

* The weighted average number of shares:
  – in 2009: in January- December 15 115 161;
  – in 2008: in January-May 14 992 732, June-December 15 115 161

(in PLN 000s, unless indicated otherwise)

Statement of total income	12 months ended 31 December 2009	12 months ended 31 December 2008
Profit for period	**69 366**	**59 206**
Other total income:		
Security of Cash Flow	635	(2 075)
Income tax on the other comprehensive income	(121)	394
Other total net income	**514**	**(1 681)**
Total income for period	**69 880**	**57 525**
Total income for shareholders of parent company	69 862	57 288
Total income for minority shareholders	23	237

Lublin, April 2010

Signatures of all Members of the Management Board

2010-04-30	Artur Kawa	Chairman of Management Board	.... Signature
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2010-04-30	Grzegorz Wawerski	Member of Management Board – Retail Business Development Director	.... Signature

Signature of person responsible for maintaining the accounts:

2010-04-30	Elżbieta Świniarska	Economic Director	.... Signature

(in PLN 000s, unless indicated otherwise)

8. Consolidated Statement Of Changes In Equity

	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 2009	**15 115**	**549 559**	**90 862**	**596**	**59 873**	**(1 681)**	**30 367**	**392**	**745 083**
Correction of error for 2008							(387)		**(387)**
1 January 2009 adjusted	**15 115**	**549 559**	**90 862**	**596**	**59 873**	**(1 681)**	**29 980**	**392**	**744 696**
Profit for 12 months until 31 December 2009						514	69 342	23	**69 879**
Settlement of acquisition shares in Spolem Tychy								(313)	**(313)**
Settlement of sales and redemption of shares of Arsenal Sp. z o.o.						1 167	(1 167)		
Distribution of 2008 profit - Centrum Sanok (transfer to capital inStokrotka Sp. z o.o.)							54		**54**
Valuation of management option				439					**439**
Distribution of 2008 profit – allocation to capital funds			7 532		6 773		(14 305)		
Dividend for shareholders as part of 2008 profit distribution					(7 496)		(1 422)		**(8 918)**
31 December 2009	**15 115**	**549 559**	**98 394**	**1 035**	**59 150**		**82 482**	**102**	**805 837**

(in PLN 000s, unless indicated otherwise)

	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 terror for 2007							(321)		**(321)**
- including taking hold of the cost on account of the monetary bonus given in 2007 in Lewiatan Podlasie							(157)		**(157)**
- reverses of valuation to fair value of stocks in subsidiary 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**

(in PLN 000s, unless indicated otherwise)

Lublin, April 2010

Signatures of all Members of the Management Board:

2010-04-30	Artur Kawa	Chairman of Management Board	.... Signature
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Signature of person responsible for maintaining the accounts:

2010-04-30	Elżbieta Świniarska	Economic Director	.... Signature

(in PLN 000s, unless indicated otherwise)

9. Consolidated Statement Of Cash Flows

	Note	12 months ended 31 December 2009	12 months ended 31 December 2008
Profit (loss) for period		**69 366**	**59 206**
Adjustments for:		**31 980**	**(29 105)**
Share in net (profits) losses of entities consolidated using equity method		15	1 581
Depreciation		63 349	52 928
(Gain) loss on exchange rate differences		1	(139)
Interest and share in profit (dividends)		9 511	15 580
Income tax		22 858	19 656
Profit (loss) on investing activity		(5 449)	(11 479)
Change in provisions	10.3.36	(4 304)	676
Change in stock	10.3.36	(33 767)	(52 414)
Change in receivables	10.3.36	1 235	(27 384)
Change in accruals	10.3.36	(3 066)	(9 763)
Change in short-term liabilities	10.3.36	10 254	3 726
Other adjustments	10.3.36	688	510
Income tax paid		(29 345)	(22 583)
Net cash flows from operating activity		**101 346**	**30 101**
Income		**81 923**	**26 507**
Sale of fixed and intangible asset		41 478	11 863
Sale of financial assets		195	6 667
Disposal of subsidiaries		18 034	
Interest received		1 761	102
Repayment of loans granted		15 553	
Cash from acquired companies		2 230	6 493
Other income		2 672	1 382
Expenditures		**(209 697)**	**(203 072)**
Purchase of fixed and intangible assets		(165 287)	(182 197)
Investments in real property		(481)	(4 250)
Purchase of subsidiaries and associated entities		(27 460)	(12 474)
Purchase of financial assets			(91)
Loans granted		(15 000)	(200)
Cash in subsidiaries at date of sale		(455)	
Other expenditures		(1 014)	(3 860)
Net cash flows from investing activity		**(127 774)**	**(176 565)**
Income		**183 484**	**199 766**
Income from credit facilities and loans contracted		126 384	174 357
Issue of short-term debt securities		57 008	11 466
Share issue			13 455
Other income		92	488
Expenditures		**(167 024)**	**(95 829)**
Repayment of credit facilities and loans		(82 593)	(52 916)
Redemption of short-term debt securities		(53 500)	(12 000)
Payment of liabilities under financial leases		(3 046)	(986)
Interest and charges paid		(17 986)	(16 125)
Dividends paid		(8 918)	(13 301)
Other		(981)	(501)

(in PLN 000s, unless indicated otherwise)

Net cash flows from financial activity		**16 460**	**103 937**
Change in cash		**(9 968)**	**(42 527)**
Exchange differences		(2)	143
Cash at beginning of period	10.3.35	**50 023**	**92 407**
Cash at end of period	10.3.35	**40 053**	**50 023**

Lublin, April 2010

Signatures of all Members of the Management Board:

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Signature of person responsible for maintaining the accounts:

2010-04-30	Elżbieta Świniarska	Economic Director	.... Signature

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 2009 to 31 December 2009, with comparable data for the period from 1 January 2008 to 31 December 2008. 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.

<u>Consolidation details</u>

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 2009, Emperia Holding S.A. and fourteen 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., DEF Sp. z o.o., Ambra Sp. z o.o., PSD S.A.*, Lewiatan Podlasie Sp. z o.o., Maro Markety Sp. z o.o., Społem Tychy Sp. z o.o., Euro Sklep S.A., Emperia Info Sp. z o.o., Projekt Elpro 1 Sp. z o.o. (in this Projekt Elpro 2 Sp. z o.o. and Projekt Elpro 3 Sp. z o.o.)

In 2009 the composition of the Emperia Holding Group (compared to the 2008) changed. As a result of mergers in Group, composition of Group has changed about Centrum Sp. z o.o. with seat in Bartoszyce and Alfa Sp. z o.o. with seat in Lublinie which was acquired by Stokrotka Sp. z o.o. with seat in Lublinie. The Group composition has grown of Ambra Sp. z o.o. due to purchase of its shares by Tradis Sp. z o.o. and decreased of Arsenal Sp. z o.o. due to sale of its shares by Emperia Holding S.A. As a result of completion of integration process of distribution companies, BOS S.A, Sygel-Jool S.A. and DLS S.A. were acquired by Tradis Sp. z o.o. with it seat in Lublin. Additionaly Projekt Elpro 1 took over Projekt Elpro 2 Sp. z o.o. (previous nameAlpaga-Xema Sp. z o.o.) and Projekt Elpro 3 Sp. z o.o. (previous nameExpress Podlaski Sp. z o.o.).

*At 31.12.2009 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.

(in PLN 000s, unless indicated otherwise)

The data presented in this Report as at 31 December 2009 includes stand-alone results of the following subsidiaries subject to consolidation in financial statements.

	Subsidiary name	Logo	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)	Stokrotka	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.	infinite nieograniczone możliwości twórcze	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.	Detal Koncept	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.	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.	Tradis	20-952 Lublin, Mełgiewska 7-9	Food wholesaling	272382, District Court in Lublin, XI Commercial Division of NCR	Subsidiary	Full	2007-01-23	100,00%	100,00%
6	"DEF" Sp. z o.o. (2)	DEF	15-399 Białystok, Handlowa 6	Food wholesaling	48125, District Court in Białystok, XII Commercial Division of NCR	Subsidiary	Full	2007-01-02	100,00%	100,00%
7	"Lewiatan Podlasie" Sp. z o.o. (2)	LEWIATAN PODLASIE	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%
8	„Społem Tychy" Sp. z o.o. (3)	„SPOŁEM" TYCHY Spółka z o.o.	43-100 Tychy, Damrota 72	Food product retailing	164604, District Court in Katowice, VIII Commercial Division of NCR	Subsidiary	Full	2007-07-06	99,22%	99,22%

(in PLN 000s, unless indicated otherwise)

	Subsidiary name	Logo	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
9	„Maro-Markety" Sp. z o.o.		61-615 Poznań, Skwierzyńska 20	Food product retailing	102596, District Court in Poznan, XX Commercial Division of NCR	Subsidiary	Full	2007-09-12	100,00%	100,00%
10	"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%
11	„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%
12	„Ambra" Sp. z o.o.(2)		43-502 Czechowice-Dziedzice Hutnicza 7	wholesaling of household chemistry articles and cosmetics	254307, District Court in Katowice, VIII Commercial Division of NCR	Subsidiary	Full	2009-03-11	100,00%	100,00%
13	„Partnerski Serwis Detaliczny" S.A. (PSD S.A.)		02-739 Warszawa, ul. Grażyny 15	Partner chain management	280288, District Court for the Capital City Warsaw in Warsaw XIII Commercial Division of NCR	Subsidiary	Equity method	2007-12-20	100,00%	100,00%
14	„Projekt Elpro 1" Sp. z o.o. (previous name „Sydo" Sp. z o.o.) (4)		42-202 Częstochowa, ul. Bór 66 F	Property development	71049, District Court in Wrocław, VI Commercial Division of NCR	Subsidiary	Full	2007-11-29	100,00%	100,00%

(1) directly by Emperia (98.482 shares, 95,93%)and indirectly by Tradis Sp. z o.o. (1.254 shares, 1,22%) and "Lewiatan Podlasie" Sp. z o.o.(2.927 shares, 2,85%)
(2) indirectly by "Tradis" Sp. z o.o.
(3) directly by Emperia Holding S.A. (140.282 shares, 81,91%) indirectly by Tradis Sp. z o.o. (29.645 shares, 17,31%)
(4) directly by Emperia Holding S.A. (98 shares, 60,00%) indirectly by Tradis Sp. z o.o. (64 shares, 40,00%)

(in PLN 000s, unless indicated otherwise)

List of subsidiaries at the balance sheet date 31 December 2009 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. in liquidation (1)	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.(3)	10-680 Olsztyn, Lubelska 33		100,00%	100,00%
"Lewiatan Kujawy" Sp. z o.o. (2)	87-800 Włocławek, Komunalna 6		50,00%	50,00%
"Lewiatan Śląsk" Sp. z o.o.(2a)	41-200 Sosnowiec, Chemiczna 12		100,00%	100,00%
"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		38,20%	38,20%
"Piccolo" Sp. z o.o. (4)	43-100 Tychy, ul. Grota Roweckiego 60		50,00%	50,00%
"Lewiatan Wielkopolska" Sp. z o.o. (5)	60-479 Poznań, ul. Strzeszyńska 23		68,57%	68,57%
"Lewiatan Opole" Sp. z o.o. (5a)	45-325 Opole, ul. Światowida 2		89,21%	89,21%
"Lewiatan Zachód" Sp. z o.o.	73-100 Stargard Szczeciński, ul. Przemysłowa 5		100,00%	100,00%
"ZKiP Lewiatan 94 Holding" S.A. (6)	87-800 Włocławek, Zielony Rynek 5		*56,81	*63,25
"Lewiatan Północ" Sp. z o.o.	Gdańsk, ul. Bysewska 30		100,00%	100,00%

* indirectly weighted share

(1) indirectly by Stokrotka Sp. z o.o.

(2) indirectly by Tradis Sp. z o.o.

(2a) indirectly by Tradis Sp. z o.o. (34 shares, 34%), directly by Emperia Holding S.A. (66 shares, 66%)

(3) indirectly by Tradis Sp. z o.o. (59,11% shares) and directly by Emperia Holding S.A. (40,89% shares)

(4) indirectly by Społem Tychy Sp. z o.o.

(5) directly by Emperia Holding (7 shares, 10,0%), indirectly by Maro-Markety Sp. z o.o.(41 shares, 58,57%)

(5a) indirectly by Maro-Markety Sp. z o.o. (901 shares, 89,21%)

(6) directly by Emperia Holding S.A and indirectly by Lewiatan: Kujawy, Podlasie, Śląsk, Orbita, Opole, Wielkopolska, Zachód

(in PLN 000s, unless indicated otherwise)

List of entities other than subsidiaries entities in which associated entities hold less than 20% of shares as at 31 December 2009

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)
"Giełda Rolno-Towarowa" S.A. (2)	Białystok ul. Gen. Wł. Andersa 38	14 805	0,30%	0,36%
"Spółdzielnia Mieszkaniowa Lokatorsko-Własnościowa w Lidzbarku Warmińskim" (1)	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 Tradis Sp. z o.o.
(2) indirectly by Projekt Elpro 1 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 Segment Reporting

IFRS 8 Operating Segments published by the International Accounting Standards Board on 30 November 2006 replaced IAS 14 Reporting Financial Information by Segment and is effective for reporting periods beginning on or after 1 January 2009.

The standard implementation process included an analysis of the Group's management model, of the Group's reporting system, and of the business properties of the Group's members. The findings of the analysis did not indicate any need to make changes to the existing segregation of business segments on which internal and external reporting relies.

The Group's operations fall into three business segments:

1 **Wholesaling** (Wholesale Segment)* comprised of the following subsidiaries: Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., consisting in wholesale distribution of goods and related services;
2 **Retailing** (Retail Segment) comprised 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., Euro Sklep S.A., consisting in retail sale and related services;
3 **Other** include the holding operations of the Issuer's Company and the operation of other subsidiaries: Elpro Sp. z o.o., Projekt Elpro 1 Sp. z o.o. (resulting from merger of „Projekt Elpro 1" Sp. z o.o. – formerly „Sydo" Sp. z o.o., „Projekt Elpro 2" Sp. z o.o. – formerly „Alpaga–Xema" Sp. z o.o. and „Projekt Elpro 3" Sp. z o.o. – formerly „Express Podlaski" Sp. z o.o.) – providing property development and facility management services; Infinite Sp. z o.o., Emperia Info Sp. z o.o. – providing IT services; and PSD S.A. – a partner network management company. Given material consolidation exclusions and their general marginality (the segment fails to meet any of the quantitative thresholds provided for under IFRS 8), these are reported jointly as a single item.

*) While the Wholesale Segment comprises a smaller number of companies compared to mid-2009, its composition has not changed since as part of the integration process the wholesale company Tradis Sp. z o.o. took over the following companies: BOS S.A., Sygel-Jool S.A. oraz DLS S.A.

The Group applies uniform accounting policies for all its segments. Inter-segment business transactions are effected on an arm's length basis. These 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 2009 had no material application to the operations of the Emperia Holding Group. The Company did not change its accounting policies in 2009.

10.2.6 Future Expected Changes in Accounting Policies

<u>The following standards, revisions of existing standards and interpretations became effective for the Group of Companies as of 1 January 2009:</u>

a) IFRS 8 Operating Segments

IFRS 8 standard was published by the International Accounting Standards Board on 30 November 2006 and is effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 Reporting Financial Information by Segment. The standard sets forth new requirements for disclosing business segment information, information on products and services, on geographical areas in which business operations are conducted, and on the key customers. IFRS 8 call for the “management approach” to reporting financial performance of business segments.

b) IAS 23 Borrowing Costs

On 29 March 2007, the International Accounting Standards Board issued the revised IAS 23. The standard prescribes accounting treatment for borrowing costs relating to assets which take a substantial period of time to get ready for their intended use or sale. Under the revised IAS 23, under such circumstances the borrowing costs incurred should be capitalised (prior to the amendment they were directly recognised in profit and loss account). The standard is effective for annual periods beginning on or after 1 January 2009.

c) IFRIC 13 Customer Loyalty Programmes

The IFRIC 13 interpretation, issued on 27 June 2007 by the International Financial Reporting Standards Interpretations Committee, is effective for periods beginning on or after 1 July 2008. The interpretation explains how to account for customer loyalty programmes provided by companies, indicates how to correctly measure their liability arising from the obligation to supply awards to customers as part of their customer loyalty programmes.

d) Amendments to IAS 1 Presentation of Financial Statements

The revised IAS 1 was issued on 6 September 2007 and is effective for annual periods beginning on or after 1 January 2009. The amendments relate to terminological changes and changes to the presentation of financial statements, statement of comprehensive income.

e) Amendments to IFRS 2 Share-based Payment – vesting conditions and cancellations

The revised IFRS 2 was issued on 17 January 2008 and is effective for annual periods beginning on or after 1 January 2009. The amendments to IFRS 2 clarify the definition of vesting conditions and the accounting treatment of cancellations by the parties of a share-based payment agreement.

f) Amendments to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements

The revised IAS 1 was issued on 14 February 2008 and is effective for annual periods beginning on or after 1 January 2009. The changes relate to the classification of financial instruments with an option to sell and the obligations arising only upon liquidation.

g) Amendments to IFRS 2008

On 22 May 2008, the International Accounting Standards Board issued amendments revising 20 effective standards. Most of the changes are effective for annual periods beginning on or after 1 January 2009. This is the first standard issued by IASB as part of the annual revision process, the purpose of which is to make secondary less urgent revisions.

h) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements

The revisions to the standards were issued on 22 May 2008 and are effective for annual periods beginning on or after 1 January 2009. The amendments relate to the measurement of costs of investments in subsidiaries, jointly controlled entities and associates on the first adoption of IFRS and eliminate concerns relating to the requirement of retrospective determination of costs and the application of the cost-based method under IAS 27, which under certain circumstances would require excessive effort on the part of entities adopting IFRS for the first time as well as producing unnecessary costs.

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

The IFRIC 14 interpretation was issued by the International Financial Reporting Standards Interpretations Committee on 5 July 2007. The interpretation prescribes guidelines for recognition of benefit assets, minimum funding requirements and their interactions. The interpretation is effective for annual periods beginning on 1 January 2009.

It is the Group's view that the adoption of the above revised standards and new interpretations will not have any material effect on the consolidated financial statements for 2009.

<u>New standards and interpretations which are not yet effective and have not been applied:</u>

a) IFRIC 12 Service Concession Agreements

The interpretation was issued on 3 July 2008 and is effective for annual periods beginning on or after 29 March 2009. The interpretation lays down the eligibility criteria for service concession agreements concluded between the public and the private sector and the principles for recognition of infrastructure assets.

b) Amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements

The revised IFRS 3 and IAS 27 were issued on 10 January 2008 and are effective for acquisitions and mergers of entities occurring as of 1 July 2009. They relate to changes in recognition of acquisitions, step acquisitions and business combinations, recognition of costs relating to the acquisition transaction and principles of recognition in the event of loss in control.

c) Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Criteria for Recognising an Item as Hedged

The revised IAS 39 was issued on 31 July 2008 and is effective for annual periods beginning on and after 1 July 2009. 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.

d) IFRIC 15 Agreements for the Construction of Real Estate

The interpretation was issued on 3 July 2008 and is effective for annual periods beginning on and after 1 September July 2009. The interpretation relates to accounting for revenues and costs of real estate construction carried out directly by the entity or by 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.

e) IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The interpretation was issued on 3 July 2008 and is effective for annual periods beginning on and after 1 June 2009. The interpretation applies to those entities which hedge exchange risk inherent in net investments in foreign operations and apply hedge accounting in accordance with IAS 39.

f) IFRIC 17 Distributions of Non-cash Assets to Owners

The interpretation was issued on 27 November 2008 and is effective for annual periods beginning on and after 1 July 2009. The interpretation contains guidelines with respect to accounting for distributions of non-cash assets to shareholders: when such dividend payable needs to be recognised, how it should be measured, 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.

g) IFRIC 18 Transfers of Assets from Customers

The interpretation was issued on 29 January 2009 and is effective for annual periods beginning on and after 1 July 2009. 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.

h) Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments to IFRS 5 are effective for annual periods beginning on and after 1 July 2009. The changes relate to the classification of assets and liabilities of a subsidiary following a sale resulting in the loss in control over the subsidiary and the presentation of discontinued operations once the decision to effect a sale resulting in the loss in control over the subsidiary is made.

i) Updated IAS 27 Consolidated and Separate Financial Statements

The updated IAS 27 was published on 10 January 2008 and is effective for annual periods beginning on and after 1 July 2009. The updated standard requires recognition of changes in the size of shares of a subsidiary as equity transactions, and it also changes the recognition of losses incurred by a subsidiary, in excess of the value of investment, as well as recognition of lost control over a subsidiary.

j) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards

The revised IFRS 1 is effective for annual periods beginning on and after 1 July 2009. The purpose of the amendments is to improve the structure of the standard, simplify it and facilitate reception of the standard through reorganisation and relegation of the majority of exceptions to appendices.

k) Amendments to IFRS 2 Share-based Payment

The revised IFRS 2 is effective for annual periods beginning on and after 1 January 2010. The amendments incorporated into the standard relate to share-based payment transactions within the group settled in cash. The amendments specify how to recognise group share-based payments settled in cash in the financial statements of such entities.

l) Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Reclassification of Financial Instruments: effective date and transition and Amendments to IFRS 7 Financial Instruments: Disclosures

The revised IAS 39 is effective for annual periods beginning on and after 1 July 2009. The amendments enable reclassification of certain financial assets other than derivatives recognised in accordance with IAS 39.

m) Amendments to IAS 39 Financial Instruments: Recognition and Measurement, Embedded Derivatives and Amendments to IFRIC 9

The revised MSR 39 is effective for annual periods beginning on and after 1 July 2009. The amendment provides that an option of earlier repayment embedded in the host debt derivative should not be recognised separately as an embedded derivative if the penalties for repayment are designed in such a way as to reward the borrower for lost interest on the remaining part of the host contract.

n) Amendments to IFRS 2009

The International Accounting Standards Board issued 15 amendments to 12 effective standards. Most of the changes are effective for annual periods beginning on and after 1 January 2009. This is another standard issued by IASB as part of the annual revision process, the purpose of which is to make secondary less urgent revisions.

o) Amendments to IAS 32 Financial Instruments: Presentation: Classification of Rights Issues

The revised IAS 32 is effective for annual periods beginning on and after 1 February 2010. The amendment provides for recognition of rights issues.

p) Amendments to IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 introduced improvements in the quality of financial instrument disclosures. They were published on 5 March 2009 and are effective for reporting periods beginning on or after 1 January 2009. The amendments to IFRS 7 introduce a three-tiered hierarchy of fair value disclosures and call for disclosure of additional information by entities on the relative reliability of fair value measurements. The changes additionally clarify and expand the existing liquidity risk disclosure requirements.

q) IFRS 9 Financial Instruments

IFRS 9 addresses the issues of classification and valuation of financial assets. The standard is effective for annual periods beginning on and after 1 January 2013. The standard has not as yet been adopted by the European Union.

r) Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards

The proposed amendment to IFRS 1 introduces a limited exemption from the obligation to disclose comparable data under IFRS 7 for first-time adopters of IFRS. The amendment is effective for annual periods beginning on and after 1 July 2010. The standard has not as yet been adopted by the European Union.

s) IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 explains the accounting policies applicable when, following renegotiations by the entity of the terms of its debt, the liability is extinguished by the debtor issuing equity instruments for the creditor (the so-called "debt-to-equity swap"). The interpretation is effective for annual periods beginning on and after 1 July 2010. The interpretation has not as yet been adopted by the European Union.

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

The amendment removes the unintended effects of IFRIC 14 relating to voluntary pension contributions when minimum financing requirements exist. The amendment is effective for annual periods beginning on and after 1 January 2011. The amendment has not as yet been adopted by the European Union.

u) Amendment to IAS 24 Related Party Disclosures

The amendment to IAS 24 is effective for annual periods beginning on and after 1 January 2011. The amendment removed the requirement for state-related entities to make detailed disclosures on all transactions with the state and other state-related entities. It also clarified and simplified the definition of a related party. The amendment 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 consolidated financial statements, however in its opinion the application of these standards and interpretations will have no material impact upon the consolidated financial statements in the period of their initial application.

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

Errors may relate to the recognition, valuation, presentation or disclosure of information relating to specific items of the financial statements.
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 Merger, acquisition and sale of shares of subsidiaries and other, increase of capital in the business units

<u>**Acquisition of shares in subsidiaries and other**</u>

a) Purchase of Shares in Przedsiebiorstwo Handlowe „Centrum - Społem" Sp. z o.o. in Sanok.

On 5 January 2009 Stokrotka Sp. z o.o. (Stokrotka) acquired 100 percent of shares in a Polish limited liability company, Przedsiebiorstwo Handlowe „Centrum - Społem" Sp. z o.o. ("Company") having its registered office in Sanok. Stokrotka acquired from a Polish joint-stock company, FRAC S.A. having its registered office in Rzeszów ("FRAC"), being a shareholder of the Company, 5,013 shares of the nominal value of PLN 100 each, representing 55.13 percent of the share capital, carrying a right to 55.13 percent of votes at the general meeting of shareholders, and from a retail cooperative, Powszechna Spółdzielnia Spo_ywców having its registered office in Sanok ("PSS"), being a shareholder of the Company, 4,080 shares of the nominal value of PLN 100 each, representing 44.87 percent of the share capital, carrying a right to 44.87 percent of votes at the general meeting of shareholders. In aggregate, the Company acquired from the above entities 9,093 shares of the nominal value of PLN 100 each, representing 100 percent of the share capital, carrying a right to 100 percent of votes at the general meeting of shareholders. Following the above acquisition, Emperia holds—either directly or indirectly through its subsidiaries—100 percent of the Company's share capital, carrying a right to 100 percent of votes at the general meeting of shareholders. The interest has been acquired for the total amount of PLN 5.600.000.
Przedsiebiorstwo Handlowe „Centrum - Społem" Sp. z o.o. is a food and manufactured product retailer. In 2008, the revenues of the Company are estimated at over PLN 12.000.000.
On 1 April was merged of acquired company with Stokrotka Sp. z o.o.

b) Purchase of further shares in Lewiatan Slask Sp. z o.o. in Sosnowiec.

On 7 January 2009 Emperia Holding acquired 10 shares in a Polish limited liability company Lewiatan Slask p. z o.o. having its registered office in Sosnowiec, which—alongside the previously held shares by subsidiary Sygel-Jool S.A. carrying a right to 86,76 percent of votes at the general meeting of shareholders and representing 86,76 percent of the share capital Lewiatan Slask Sp. z o.o.

On 9 January 2009 Emperia Holding acquired subsequent 7 shares in a Polish limited liability company Lewiatan Slask Sp. z o.o. having its registered office in Sosnowiec, which—alongside the previously held shares by subsidiary Sygel-Jool S.A. carrying a right to 97,06 percent of votes at the general meeting of shareholders and representing 97,06 percent of the share capital Lewiatan Slask Sp. z o.o.

On 13 February 2009 Emperia Holding acquired 1 share in a Polish limited liability company Lewiatan Slask Sp. z o.o. having its registered office in Sosnowiec, which—alongside the previously held shares by subsidiary Sygel-Jool S.A. carrying a right to 98,53 percent of votes at the general meeting of shareholders and representing 98,53 percent of the share capital Lewiatan Slask Sp. z o.o.

On 15 July 2009 Emperia Holding SA purchased from an individual 1 share in a share capital of limited liability company Lewiatan Slask Sp. z o.o. with its seat in Sosnowiec, which—alongside the interest previously held by subsidiary Tradis Sp. z o.o. (purchase shares as a result of merger with Sygel-Jool S.A) carries 100 percent of votes at the general meeting of shareholders and represents 100 percent of the share capital of Lewiatan Slask Sp. z o.o.

c) Subscription for and Acquisition of Shares in Newly-Established Company Lewiatan Północ Sp. z o.o. in Gdansk.

On 9 January Emperia subscribed for and acquired an interest in a newly-established Polish limited liability company in orgenisation, Lewiatan Północ Sp. z o.o. ("Company"). Emperia Holding S.A. acquired 600 shares of the nominal value of PLN 500 each, of the totalnominal value of PLN 300,000 (three hundred thousand zloty). The subscription was covered by a cash contribution of PLN 300,000 (three hundred thousand zloty). The shares subscribed for and acquired represent 100 percent of the share capital of Lewiatan Północ Sp. z o.o. and carry a right to 100 votes (100%) at the Company's general meeting. The Company's business comprises the organisation and management of an FMCG franchise of retail outlets. The new company organize activities of more than 150 franchise outlets with a total sales area of. 15 000 sq meters. Creation of Lewiatan Północ Sp. z o.o. implements the development strategy of Emperia Capital Group based on active consolidation of the retail and distribution market in Poland.

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

(in PLN 000s, unless indicated otherwise)

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.

e) 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 Społem Tychy Sp. z o.o. having its registered seat in Tychy, which—alongside the previously held shares carrying a right to 99,22 percent of voting power at the general meeting of shareholders and representing 99,22 percent of the share capital Społem Tychy Sp. z o.o.

f) Acquisition of shares in Ambra Sp. z o.o. with its seat in Czechowice-Dziedzice.

Name and address of business acquired	**Ambra Sp. z o.o.** **Polish limited liability company** **43-502 Czechowice-Dziedzice, ul. Hutnicza 7**
Principal objects of business	wholesaling of household chemical products and cosmetics
Date of acquiring control	11 March 2009
Number and percentage of shares held	16 000 shares, 100.00% of shares
Cost of acquisition	PLN 8,114,000

Settlement of a business combination

Acquisition cost - the cost components:	
Cash	8 000
Directly attributable to costs of purchase:	
Tax on civil law transactions	80
Due diligence	33
Remaining costs related with the transaction	1
Total cost of purchasing	**8 114**

Purchased net assets

	Fair value 11.03.2009	Book value 11.03.2009 (IAS)	Corrections	Book value 11.03.2009 (IAS)
Fixed Assets	**8 685**	**8 685**	**(3 881)**	**12 566**
Tangible fixed assets	7 484	7 484		7 484
Intangible assets	28	28	(4 943)	4 971
Deferred income tax assets	1 173	1 173	1 062	111
Current Assets	**22 687**	**22 687**	**(855)**	**23 542**
Stock	7 289	7 289	(843)	8 132
Short-term Receivables	14 921	14 921		14 921
Income tax withholding	13	13		13
Prepaid expenses	62	62		62
Cash	402	402	(12)	414
Long-term liabilities	**3 141**	**3 141**	**(230)**	**3 371**
Credit facilities, loans and debt securities	2 056	2 056		2 056

(in PLN 000s, unless indicated otherwise)

Long-term liabilities	820	820		820
Provisions	62	62		62
Provision against deferred income tax	203	203	(230)	433
Short-term liabilities	**22 891**	**22 891**	**(12)**	**22 903**
Credit facilities, loans and debt securities	7 764	7 764		7 764
Short-term liabilities	15 001	15 001	(12)	15 013
Income tax liabilities	126	126		126
Net Assets	**5 340**	**5 340**	**(4 494)**	**9 834**
Net assets allocated to acquired share 100%	**5 340**			
Acquisition Cost	**8 114**			
Goodwill at acquisition date	**2 774**			

Goodwill

The goodwill of the subsidiary measured as part of the preliminary settlement as at the day of acquisition was PLN 2,774,000. The recognised goodwill comprises intellectual assets, agreements with customers and attendant relations with customers, however as their fair value could not be established in a reliable manner, in the settlement of the acquisition the subsidiary abstained from their identification as separate intangible assets. As required by IFRS 3(61), the acquiring entity accounts for adjustments of the estimated figures resulting from completion of the preliminary settlement within a period of 12 months after the acquisition.

g) Purchase of shares in Przedsiębiorstwo Handlowe "ALFA" Sp. z o.o. with it seat in Lublinie.

Name and address of business acquired	**ALFA Sp. z o.o. 20-950 Lublin, ul. Jutrzenki 5**
Principal objects of business	food product and manufactured product retailer
Date of acquiring control	10.04.2009
Number and percentage of shares held	170 000 shares, 100,00% shares,
Cost of acquisition	PLN 9 442 000

Settlement of a business combination

Acquisition cost - the cost components:	
Cash	9 422
Directly attributable to costs of purchase:	
Tax on civil law transactions	4
Due diligence	6
Remaining costs related with the transaction	10
Total cost of purchasing	**9 442**

Purchased net assets

	fair value 10.04.2009	book value 10.04.2009
Fixed Assets	**235**	
Tangible fixed assets	235	
Intangible assets		
Deferred income tax assets		
Current Assets	**1 996**	
Stock	669	

(in PLN 000s, unless indicated otherwise)

Short-term Receivables	101
Income tax withholding	
Prepaid expenses	6
Cash	1 218
Long-term liabilities	
Credit facilities, loans and debt securities	
Long-term liabilities	
Provisions	
Provision against deferred income tax	
Short-term liabilities	
Credit facilities, loans and debt securities	945
Short-term liabilities	
Income tax liabilities	
Net Assets	**1 286**
Net assets allocated to acquired share 100%	**1 286**
Net profit for 2009 (till moment of merger)	**693**
Acquisition Cost	**9 442**
Goodwill at acquisition date	**8 849**

Goodwill

Goodwill on acquisition date as a result of final settlement is PLN 8 849 000. The recognised goodwill comprises intellectual assets, agreements with customers and attendant relations with customers, however as their fair value could not be established in a reliable manner, in the settlement of the acquisition the subsidiary abstained from their identification as separate intangible assets. As required by IFRS 3(61), the acquiring entity accounts for adjustments of the estimated figures resulting from completion of the preliminary settlement within a period of 12 months after the acquisition.

h) Purchase of shares in "Lewiatan Dolny Slask" Sp. z o.o.

On 29 May 2009 Emperia Holding S.A. acquired from indywidual 2 shares in a Polish limited liability company Lewiatan Dolny Slask Sp. z o.o. having its registered seat in Zgorzelc, which—alongside the previously held shares carrying a right to 100 percent of votes at the general meeting of shareholders and representing 100 percent of the share capital of Lewiatan Dolny Slask Sp. z o.o.

i) Purchase of shares in "Lewiatan Opole" Sp. z o.o.

On 19 June 2009 Maro Markety Sp. z o.o. acquired 380 shares in a Polish limited liability company Lewiatan Opole Sp. z o.o. having its registered seat in Opole, which—alongside the previously held shares carrying a right to 89,21 percent of votes at the general meeting of shareholders and representing 89,21 percent of the share capital of Lewiatan Opole Sp. z o.o.

j) Increased interest in Lewiatan Mazowsze Sp. z o.o. following share redemption.

Following redemption of a portion of shares in the initial capital of Lewiatan Mazowsze Sp. z o.o., Tradis Sp. z o.o. increased its interest in the company's initial capital from 34 percent to 38.2 percent.

Internal Mergers within Emperia Holding Group and increase of share capitals in subsidiary

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 capital of Stokrotka Sp. z o.o. in exchange for an in-kind contribution comprising an interest in Centrum Sp. z o.o., on 2 January 2009 the merger was effected between both companies, that is Stokrotka Sp. z o.o. with its seat in Lublin and Centrum Sp. z o.o. with its seat in Bartoszyce. Consequently, as of 2 January 2009 Centrum outlets became part of Stokrotka

b) Increased Share Capital of Subsidiary 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 District Court in Lublin of the increased of share capital of its subsidiary limited liability company, Detal Koncept Sp. z o.o. ("Company") by PLN 10,000,000.
On 13 November 2009 The Management Board of Emperia Holding S.A. received a decision of 6 November 2009 of the increased of share capital of its subsidiary limited liability company, Detal Koncept Sp. z o.o. ("Company") by PLN 100,000.
Following the registration of the increase, the share capital of the Company is comprised of 28,806 shares of PLN 500 each, totalling PLN 14,403,000.
Emperia Holding SA holds 100 percent of the share capital of Detal Koncept Sp. z o.o., carrying 100 percent of votes at the general meeting of shareholders.

c) Increased Share Capital of Stokrotka Sp. z o.o. Subsidiary

On 27 January 2009 The Management Board of Emperia Holding S.A received a decision of 20 January 2009 regarding the registration by the District Court in Lublin of the increase of the share capital in its subsidiary limited liability company, Stokrotka Sp. z o.o. ("Company"), by PLN 20,000,000. Following the registration of the increase, the share capital of the Company comprises 82,653 shares of PLN 500 each, totalling PLN 41,326,500.00.
Emperia Holding S.A. holds, either directly or through its subsidiaries, 100 percent of shares in the share capital of Stokrotka Sp. z o.o., carrying 100 percent of votes at the general meeting of shareholders.
On 14 May 2009 was increased by amount of PLN 10 000 000 share capital in subsidiary limited liability company, Stokrotka Sp. z o.o..The share capital of the Company is comprised of 102 653 shares of PLN 500 each, totalling PLN 51 326 500.
Emperia Holding S.A. acquired by cash contribution 20.000 shares of nominal valuePLN 500 each. Emperia Holding S.A. holds, either directly or through its subsidiaries, 100 percent of shares in the share capital of Stokrotka Sp. z o.o., carrying 100 percent of votes at the general meeting of shareholders.

d) Increase of share capital in Lewiatan Północ Sp. z o.o.

On 26 February 2009 was an increase of the share capital in its subsidiary Lewiatan Północ Sp. z o.o. by PLN 250 000. Emperia Holding S.A. acquired 500 shares of the nominal value of PLN 500 each. Emperia Holding S.A. holds 1 100 shares, representing 100 percent of Lewiatan Północ Sp. z o.o share capital. and carrying 100 percent of votes at the general meeting of shareholders. Increase of share capital was registered by the District Court Gdansk- Północ on 10 March 2009.

e) Increase of share capital of Tradis Sp. z o.o. subsidiary.

On 23 April 2009 a subsidiary company BOS SA with its seat in Białystok acquired 19 432 newly issued shares of the nominal value of PLN 500 each in the increased share capital of Tradis Sp. z o.o., in exchange for an in-kind contribution:
- 6 085 000 shares of DLS S.A. with its seat in Płock of the nominal value of PLN 1 each and market value of PLN 47 991 000.
- 17 205 000 shares of Sygel-Jool S.A. with its seat in Czestochowa of the nominal value of PLN 100 each and market value of PLN 16 360 000.

On 13 May 2009 The Management Board of Emperia Holding S.A. received a decision of the District Court in Lublin of 5 May 2009 on the registration of increase of the share capital of Tradis ("Company") by PLN 9 716 000. Following the registration of the increase, the share capital of the Company comprises 159 632 shares of PLN 500 each, of the aggregate value of PLN 79 816 000.

Upon completion of the transaction, Tradis became the owner of 100 percent of shares of DLS S.A. and Sygel-Jool S.A. The transaction is part of the process associated with the merger of the distribution companies described in Paragraphs 10.2.9 pkt g)

f) Acquisition by Emperia Holding S.A. of newly issued shares in Tradis Sp. z o.o. in exchange for an in-kind contribution in subsidiary BOS S.A.

On 14 May 2009, under resolutions adopted by the Extraordinary Meeting of Shareholders of subsidiary Tradis Sp. z o.o., ultimate parent company Emperia acquired 68,894 newly issued shares of the nominal value of PLN 500 each and the issue value of PLN 3,916.25 each in the increased share capital of Tradis Sp. z o.o. in exchange for an in-kind contribution of 33,005 shares in subsidiary BOS S.A. (BOS) with its seat in Białystok of the nominal value of PLN 100 each and the market value of PLN 269,806,000. As a result of the transaction, Tradis became the owner of 100 percent of the share capital of BOS.

On 18 June 2009, the District Court in Lublin registered the increase of the initial capital of subsidiary Tradis Sp. z o.o. by PLN 34,447,000. Following the increase, the initial capital of Tradis comprises 228,526 shares, PLN 500 PLN each, of the aggregate value of PLN 114,263,000.

The acquisition of a further interest in BOS by Tradis is another stage of the wholesale business integration process within the Emperia Group. For details of the wholesale business integration process, see note 10.2.9 g).

g) Merger of the four largest wholesale companies: Tradis Sp. z o.o., BOS S.A., DLS S.A. and Sygel-Jool S.A.

The merger of wholesale companies, largest on record in the history of the Emperia Holding Group, launched in Q1 2008, was successfully completed. On 1 July, the legal merger of Tradis Sp. z o.o. (acquiring company), and BOS S.A., DLS S.A. and Sygel-Jool S.A was effected.

Following the merger, the company operates as Tradis Sp. z o.o.

In connection with the restructuring of the Group and companies under joint control, the company merger transaction was effected by means of share pooling, and it did not result in any changes to the assets and liabilities of the Group companies and the Group's consolidated financial statements were not affected.

h) Merger of retail company Stokrotka Sp. z o.o. and Przedsiebiorstwa Handlowe Alfa Sp. z o.o.

On 1 July in the retail section followed integration of companies Stokrotka Sp. z o.o. and so far not consolidated Alfa Sp. z o.o.. Acquisition of shares of Przedsiebiorstwo Handlowe Alfa Sp. z o.o. took place in second quarter of 2009.

i) Increase of share capital of Lewiatan Slask Sp. z o.o.

On 28 July 2009 was increased of share capital of Lewiatan Śląsk Sp. z o.o limited liability subsidiary Lewiatan Slask Sp. z o.o. of PLN 32 000 to amount of PLN 100,000..All newly created 32 shares of nominal value of PLN 1,000. were taken by Emperia Holding S.A. in exchange for a contribution of value of PLN 941,900. in the form of 196 shares with a total nominal value of PLN 98,000. in Lewiatan Dolny Slask Sp. z o.o. with its seat in Zgorzelc.

Emperia Holding S.A. holds 66 shares of nominal value of PLN 1,000. in share capital of Lewiatan Slask Sp. z o.o., which—alongside the interest previously held by subsidiary Tradis Sp. z o.o. (as a result of merger with Sygel-Jool S.A.) 34 shares of nominal value of PLN 1,000. represents 100 percent of the share capital of Lewiatan Slask Sp. z o.o. The transaction was carried out in connection with the proposed merger of Lewiatan Slask Sp. z o.o. with Lewiatan Dolny Slask Sp. z o.o.

j) Mergers of subsidiaries Lewiatan Śląsk Sp. z o.o. and Lewiatan Dolny Śląsk Sp. z o.o.

On 1 October 2009 District Court Katowice-Wschód in Katowice registered merger of Lewiatan Śląsk Sp. z o.o. and Lewiatan Dolny Śląski Sp. z o.o.. The merger consists of the acquisition by Lewiatan Śląsk Sp. z o.o. z with its seat in Sosnowiec all assets of Lewiatan Dolny Śląsk Sp. z o.o. with its seat in Zgorzelc.

(in PLN 000s, unless indicated otherwise)

k) Mergers of Projekt Elpro 1 Sp. z o.o., Projekt Elpro 2 Sp. z o.o. and Projekt Elpro 3 Sp. z o.o.

On 11 December 2009 was merger „Projekt Elpro 1" Sp. z o.o. (previous name „Sydo" Sp. z o.o.), „Projekt Elpro 2" Sp. z o.o. (previous name „Alpaga–Xema" Sp. z o.o.) and „Projekt Elpro 3" Sp. z o.o. (previous name „Express Podlaski" Sp. z o.o.). Acquiring company is „Projekt Elpro 1" Sp. z o.o., which is general successor of companies being acquired. Emperia Holding S.A. and Tradis Sp. z o.o. have respectively 60 percent and 40 percent in share capital of „Projekt Elpro 1" Sp. z o.o..

<u>Sale of shares in subsidiaries and other</u>

a) 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 percent of the shares in the capital, carrying 9.69 percent of votes at the general meeting of shareholders.

b) Sale of an interest in subsidiary Arsenal Sp. z o.o.

Name and address of the business divested	**Arsenal Sp. z o.o.** **Polish limited liability company** **15-399 Białystok, ul. Handlowa 5**
Principal objects of business	wholesaling of food products
Data of acquiring control	1 January 2007
Date of relinquishing control	30 June 2009
Number and percentage of shares held	16 000 shares, 100,00% of shares
Fee	PLN 17 863 000

On 26 June 2009, subsidiary BOS S.A. sold 100 percent of shares in the share capital of Arsenal Sp. z o.o. with its seat in Białystok. Subsidiary BOS S.A. sold in aggregate 100 percent of share in the company, accounting for 100 percent of the share capital and 100 percent of votes at the meeting of shareholders, to private individuals (new shareholders) and to Arsenal Sp. z o.o.. Consequently, Arsenal Sp. z o.o. ceased to be a member of the Emperia Holding Group.

Under the terms of the transaction:
1. BOS S.A. received the aggregate fee of PLN 17,863,000.
2. BOS S.A. granted to Arsenal Sp. z o.o. a loan of PLN 19,000,000 (the loan had been repaid by the balance sheet date; for details see note 10.3.51(d).
3. BOS S.A. adopted a resolution to increase the share capital of Arsenal Sp. z o.o. by PLN 5,460,000; the newly issued shares were acquired by the new shareholders in return for a cash contribution (PLN 3,000,000) and an in-kind contribution (PLN 2,460,000).

Selling price breakdown:

Cash from private individuals for 621 shares	95
A fee for BOS S.A. from Arsenal Sp. z o.o. for 71,755 shares to be redeemed	10 962
A dividend to BOS S.A. from Arsenal Sp. z o.o. as distribution of profit generated in 2008 and the previous years (before Emperia Holding S.A. acquired control)	6 806
Total	**17 863**

(in PLN 000s, unless indicated otherwise)

Net Assets in subsidiary at the date of sale

	Net Assets at 30.06.2009 before paying dividends and acquisition of own shares for redemption	Net Assets at 30.06.2009 after paying dividends and acquisition of own shares for redemption	Net Assets at 30.06.2009 after increase of capital by new shareholders
Fixed Assets	**661**	**661**	**3 121**
Tangible fixed assets	352	352	352
Financial assets – contribution to increase the capital	0		2 460
Deferred tax assets	309	309	309
Current Assets	**53 440**	**35 672**	**38 672**
Stock	3 927	3 927	3 927
Short-term Receivables, in this:	49 022	31 254	31 254
- cash provided for sale of shares to redemption	*10 962*	*0*	*0*
- cash transferred for dividend at date of sale	*6 806*	*0*	*0*
Prepaid expenses	36	36	36
Cash	455	455	455
Cash from increase of capital		0	3 000
Long-term liabilities	**17 159**	**17 159**	**17 159**
Credit facilities, loans and debt securities	17 063	17 063	17 063
- including loan from BOS SA	*15 000*	*15 000*	*15 000*
Provisions	7	7	7
Provision against deferred income tax	89	89	89
Short-term liabilities	**18 014**	**18 014**	**18 014**
Credit facilities, loans and debt securities	1 367	1 367	1 367
Short-term liabilities	16 484	16 484	16 484
Income tax liabilities	112	112	112
Provisions	51	51	51
Net Assets	**(18 928)**	**(1 160)**	**(6 620)**

Selling price	17 863
Net assets	(18 928)
Goodwill attributable to the subsidiary being divested*	(3 124)
Result on the transaction reported in consolidated financial statements	**(4 189)**

*The subsidiary being divested was part, together with certain other companies, of a single cash flow generating centre. Consequently, the goodwill attributable to the subsidiary being divested was established on the basis of the relative value of the business sold, pro rata to the proportion of the retained part of the cash flow generating centre.

c) Sale of shares by subsidiary

On 4 August Lewiatan Kujawy Sp. z o.o. subsidiary sold 100 percent shares in share Caputa of Pro Media Art. Sp. z o.o. with its seat in Włocławek. Lewiatan Kujawy Sp. z o.o. sold for a legal person 130 shares representing 100 percent of the share capital and 100 percent of votes at the meeting of shareholders for amount PLN 130 000.

Merger, acquisition and sale of shares, increases capital in business units after the balance sheet date.

The mergers and initial capital increases in businesses effected after the balance sheet date are outlined in Note 10.3.47

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

External financing costs are directly recognised by the Group as financial expenses.

The only exception is the financing of a purchase, in-house construction or production of an adapted tangible fixed asset or intangible asset. When external financing is specifically targeted and it is possible to identify a specific expenditure with specific costs of financing the asset, financing costs increase the value of expenditures for the purchase, construction or production of the relevant tangible fixed asset or intangible asset.

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 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) Financial assets recognised at fair value through profit or loss

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.

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

Subsequent to the initial recognition, accounts receivable and other financial receivables are measured at amortised cost based on the effective interest rate, taking into account impairment allowances, with accounts receivable with a maturity within 365 days from the date the receivable arises are not subject to discounting.

Receivables revaluation allowances are established once there is objective evidence that the Group will not be able to recover all amounts receivable arising under the initial terms of the receivables.

The Group establishes 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 establishing receivables revaluation allowances are set fort under the *Terms of Establishing Receivables Revaluation Allowances*. The revaluation allowance is recognised as other costs. The reversal of a previously established 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 expenses 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.

Receivables that are not financial assets are initially recognised at face value and measured as at the balance sheet date at the amount of required payment.

All prepayments, among others, on future deliveries of goods and services, assets under construction, shares, intangible assets, etc. are recognised 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.

Retained profit include following categories:
- undistributed profits and uncovered losses from previous years
- financial result of current financial period

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 that under the terms of the relevant agreement mature in a period of more than 12 month after the balance sheet date are treated by the Group as long-term-credit facilities (including all working capital loans, overdrafts and credit lines).

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.

Accounts payable are carried in the balance sheet at face value. The book value of payables corresponds approximately to their amortised cost based on the effective interest rate. Short-term liabilities with a maturity within 365 days are not subject to discounting.

Liabilities that are not classified as financial liabilities are carried at the amount of required 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.

Provisions against employee benefits are recognised as operating expenses.

10.2.24.1 Share-based payments

I Management Option Programme 2008-2009

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

The Group measured the Programme 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, instrument exercise price of PLN 142, its expected variability at the level of 35 percent, the likelihood of earlier exercise at the level of 0 percent per annum in the case of Company's Management Board members and 3 percent per annum in the case of other eligible officers, expected dividend of PLN 0.90 per share (with assumed dividend increase by 10 percent in the following years), and the risk-free interest rate estimated as the rate of return on the PLN-denominated zero-coupon bills issued by the Polish government readily available on the vesting date.

The fair value of the Programme, valued at the aggregate amount of PLN 1,039,000, is amortised throughout the term of the Programme, starting from 30 October 2008 until the end of 2009. In the financial statements the fair value of the Programme is recognised in the profit and loss account as the costs of the management option programme in correspondence to the increase of supplementary capital. In 2009, PLN 439,000 was charged against costs on account of programme implementation.

Since in the opinion of the Management Board the Programme failed to fulfil its underlying incentive objective due to the overpriced instrument (share) exercise rate which in turn resulted from the slump in share prices at the Warsaw Stock Exchange caused by financial crisis. That is why on 4 March 2010, the Extraordinary Meeting of the ultimate parent company, Emperia Holding S.A., resolved to terminate the Programme ahead of its scheduled expiry date.

II Management Option Programme 2010-2012

On 4 March 2010, the Extraordinary Meeting of Shareholders of the ultimate parent company, Emperia Holding S.A., adopted a resolution to implement another three-year Management Incentive Programme 2010-2012. The Programme is targeted at the company's and subsidiary companies' management board members and key managers. For the detailed terms of the programme, see note 10.3.47(e).

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.

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.

(in PLN 000s, unless indicated otherwise)

10.3 Additional explanatory notes

10.3.1 Tangible fixe assets

TANGIBLE FIXED ASSETS	31 December 2009	31 December 2008
Freehold land	85 529	71 684
- right for perpetual usufruct	*35 969*	*19 426*
Buildings and constructions	397 585	297 879
Equipment and machines	80 059	69 867
Vehicles	35 030	40 741
Other tangible fixed assets	44 990	40 635
Tangible fixed assets in progress	15 214	58 838
Total net tangible fixed assets	**659 407**	**579 644**

TANGIBLE FIXED ASSETS IN PROGRESS	31 December 2009	31 December 2008
Freehold land	20	2 874
- right for perpetual usufruct	*20*	*20*
Buildings and constructions	11 649	52 695
Equipment and machines	2 762	2 437
Vehicles	3	569
Other tangible fixed assets in progress	780	263
Total tangible fixed assets in progress	**15 214**	**58 858**

None of the Group's companies does not produce assets themselves and for their own needs.

TANGIBLE FIXED ASSETS BASED ON RENTAL, LEASING	31 December 2009	31 December 2008
Freehold land	3 808	
- right for perpetual usufruct	507	
Buildings and constructions	1 227 558	976 462
Equipment and machines	11 837	282
Vehicles	40 017	26 881
Other tangible fixed assets in progress		
Total tangible fixed assets based on rental, leasing	**1 283 220**	**1 003 625**

Pledges	31 December 2009	31 December 2008
Pledges:	**1 432**	**2 232**
- bank loans – goods	*1 432*	*2 232*
- bank guarantees		
Mortgage	**205 314**	**101 156**
- bank loans – goods	*205 314*	*93 356*
- bank guarantees		*7 800*
Total pledges	**206 746**	**103 388**

(in PLN 000s, unless indicated otherwise)

10.3.2 Tangible fixe assets – movements - 2009

TANGIBLE FIXED ASSETS – MOVEMENTS	- 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	**74 262**	**353 964**	**119 675**	**64 405**	**68 388**	**58 932**	**739 626**
b) additions:	**17 490**	**132 286**	**26 814**	**12 814**	**17 578**	**127 823**	**334 805**
- purchases	*8*	*1 248*	*8 302*	*6 042*	*6 990*	*126 398*	*148 988*
- purchases as a result of company takeover		*4 864*	*1 053*	*3 171*	*931*	*989*	*11 008*
- transfers from tangible fixed assets in progress	*11 254*	*123 617*	*15 967*	*642*	*9 400*		*160 880*
- donations			*9*	*147*			*156*
- leasing				*735*			*735*
- other	*6 228*	*2 557*	*1 483*	*2 077*	*257*	*436*	*13 038*
- subsidiary included in the capital group - evaluation to fair value							
c) disposals	**(3 350)**	**(12 188)**	**(11 764)**	**(13 480)**	**(5 718)**	**(171 540)**	**(218 040)**
- sale	*(3 348)*	*(10 529)*	*(2 081)*	*(8 735)*	*(4 167)*	*(1 823)*	*(30 683)*
- liquidation		*(9)*	*(1 580)*	*(79)*	*(698)*		*(2 366)*
- division							
- activity transfer		*(389)*					*(389)*
- disposals as a result of sale of entity		*(35)*	*(415)*	*(1 110)*			*(1 560)*
- transfer to tangible fixed assets						*(169 311)*	*(169 311)*
- other	*(2)*	*(1 226)*	*(7 688)*	*(3 556)*	*(853)*	*(406)*	*(13 731)*
d) gross value at the end of the period	**88 402**	**474 062**	**134 725**	**63 739**	**80 248**	**15 215**	**856 391**
e) opening balance of cumulative depreciation	**2 578**	**55 377**	**49 730**	**23 629**	**27 753**		**159 067**
f) depreciation additions	**402**	**20 873**	**17 769**	**14 530**	**10 909**		**64 483**
- planned	*402*	*19 940*	*17 049*	*13 274*	*10 249*		*60 914*
- as a result of company takeover		*933*	*720*	*1 256*	*660*		*3 569*
g) depreciation disposals:	**(107)**	**(771)**	**(12 857)**	**(9 450)**	**(3 404)**		**(26 589)**
- sales	*(106)*	*(387)*	*(5 946)*	*(6 760)*	*(2 382)*		*(15 581)*
- liquidation		*(157)*	*(1 497)*	*(69)*	*(680)*		*(2 403)*
- division							
- disposals as a result of sale of entity		*(35)*	*(293)*	*(783)*			*(1 111)*
- activity transfer		*(11)*					*(11)*
- other	*(1)*	*(181)*	*(5 121)*	*(1 838)*	*(342)*		*(7 483)*
h) closing balance of cumulative depreciation	**2 873**	**75 479**	**54 642**	**28 709**	**35 258**		**196 961**
i) opening balances of value adjustments		**708**	**78**	**35**		**94**	**915**

(in PLN 000s, unless indicated otherwise)

- additions		*402*	*5*			*1*	*408*
- additions as a result of company takeover							
- disposals as a result of sale of entity							
- disposals		*(112)*	*(57)*	*(35)*		*(94)*	*(298)*
j) closing balances of value adjustments		**998**	**24**			**1**	**1 023**
k) closing balance of fixed assets, net value	**85 529**	**397 585**	**80 059**	**35 030**	**44 990**	**15 214**	**658 407**

10.3.2 Tangible fixe assets – movements - 2008

TANGIBLE FIXED ASSETS – MOVEMENTS	- 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)**
- division of fixed assets							
- transferring of activity							
- 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)**

(in PLN 000s, unless indicated otherwise)

- sales	*(21)*	*(1 741)*	*(3 345)*	*(7 121)*	*(2 154)*		**(14 382)**
- liquidation		*(132)*	*(2 376)*	*(319)*	*(1 084)*		**(3 911)**
- division of fixed assets							
- 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**

The value of land for perpetual usufruct at 31.12.2009 was 11 360 000 PLN and was estimated on the basis of annual fees established by gminę w odniesieniu do property owned by the Treasury.

Group's Companies don't have tangible assets of a limited rights of ownership and use.
Redemption of tangible assets in 2009 was atributed to the general administrative expense and sales costs.
At 31.12.2009 are no contractual liabilities incurred in connection with acquisition of tangible fixed assets.
At 31.12.2009 are no contractual liabilities to state budget or local government units under obtain ownership of buildings and structures..

(in PLN 000s, unless indicated otherwise)

10.3.3 Investments on real estate

INVESTMENTS ON REAL ESTATE	31 December 2009	31 December 2008
Gross value at the beginning of the period	**19 640**	**4 820**
Additions	525	14 820
- purchase	*525*	*4 250*
- purchases as a result of company takeover		
- other		*10 570*
Disposals	(892)	
- alienation	*(892)*	
-other		
Subsequent expenditures capitalized		
Internal displacement (+/-)		
Gross value at end of the period	**19 273**	**19 640**
Value of property, limited for sale		
Opening balance of depreciation	**1 929**	**77**
Additions	404	1 852
planned	*404*	*269*
other (transfer from tangible assets)		*1 583*
as a result of company takeover		
Disposals	*(52)*	
Closing balance of depreciation	**2 281**	**1 929**
Net value at the end of the period	**16 992**	**17 711**
Rental income	1 757	620
Income from sale of investments	1 419	
TOTAL INCOME	**3 176**	**620**
Operating costs relating to investment property	(975)	(741)
Costs of investments sold	(892)	
TOTAL COSTS	**(1 867)**	**(741)**

Investment properties comprise group of commercial real estate, which are subject to leasing or are held because of increase of their value.

10.3.4 Intangible fixe assets

INTANGIBLE FIXED ASSETS	31 December 2009	31 December 2008
Research and development expenditure		
Concessions, patents, licenses and similar assets	4 435	2 196
Other intangible fixed assets	113	152
Intangible fixed assets don't engage to use	3 248	4 019
Intangible fixed assets total	**7 796**	**6 367**

Group has not made revaluation allowances for intangible assets.
Group has no intangible assets used under lease agreements
Group has no intangible assets with limited right of use
Group has no bank credits, which are hedge by intangibles assets.
Group has no intangible assets with indefinite period of use.
Depreciation of intangible assets in 2009 were atributed to general administrative expense
At 31.12.2009 there are no contractual liabilities made in connection with acquisition of intangible assets.

(in PLN 000s, unless indicated otherwise)

10.3.5 Change in intangible assets - 2009

INTANGIBLE FIXED ASSETS - MOVEMENTS	concessions, patents, licenses and similar assets:	other intangible fixed assets	intangible fixed assets didn't passed to use	Total intangible fixed assets
a) gross value at the beginning of the period	**13 713**	**1 853**	**4 019**	**19 585**
b) additions:	**4 468**	**20**	**2 517**	**7 005**
- purchases	*912*	*2*	*2 517*	*3 431*
- purchases as a result of company takeover	*159*			*159*
- transfers from investments	*3 274*	*18*		*3 292*
- leasing				
- other	*123*			*123*
c) disposals	**(556)**	**(187)**	**(3 288)**	**(4 031)**
- sale	*(21)*			*(21)*
- transfer of intangible fixed assets			*(3 288)*	*(3 288)*
- other	*(535)*	*(187)*		*(722)*
d) gross value at the end of the period	**17 625**	**1 686**	**3 248**	**22 559**
e) opening balance of cumulative depreciation	**10 634**	**1 701**		**12 335**
f) depreciation additions	**2 361**	**59**		**2 420**
- planned	*2 242*	*59*		*2 301*
- as a result of company takeover	*119*			*119*
g) depreciation disposals	**(538)**	**(187)**		**(725)**
- sales	*(20)*			*(20)*
- other	*(518)*	*(187)*		*(705)*
h) closing balance of cumulative depreciation	**12 457**	**1 573**		**14 030**
i) opening balances of value adjustments	**883**			*883*
- additions				
- additions as a result of company takeover				
- disposals	*(150)*			*(150)*
j) closing balances of value adjustments	**733**			**733**
k) closing balance of intangible fixed assets, net value	**4 435**	**113**	**3 248**	**7 796**

(in PLN 000s, unless indicated otherwise)

10.3.5 Change in intangible assets - 2008

INTANGIBLE FIXED ASSETS - MOVEMENTS	concessions, patents, licenses and similar assets:	other intangible fixed 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***
- 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**

(in PLN 000s, unless indicated otherwise)

10.3.6 Goodwill

Goodwill	31 December 2009	31 December 2008
Opening balance	189 827	183 182
Additional goodwill as a result of company takeover	16 400	12 996
Reduction by implementation of deferred tax assets		
Written-off after sale of a subsidiary	(3 123)	
As a result of location takeover	250	40
Other changes - adjustment for the final settlement of acquisition of Centrum		(6 391)
Closing balance	**203 354**	**189 827**
Cumulative Revaluation allowances for impairment loss as at beginning of period		
Revaluation allowances for impairment loss		
Write-off after sales of subsidiaries		
Reclassified to assets held for disposal		
Other changes		
Cumulative revaluation allowances for impairment loss as at end of the period		
Book value at the beginning of the period	189 827	183 182
Book value at the end of the period	**203 354**	**189 827**

On 31 December 2009 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 cashgenerating units Utility value was determined by based on cash flows for the 2010 and forecasts , containing period of 2011-2014, planned during creation of budget for 2010. 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 4,5% ,
- premium for risk at level 7%.
- index beta amount of 1,0.

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 2009.

(in PLN 000s, unless indicated otherwise)

10.3.7 Financial assets

FINANCIAL ASSETS	31 December 2009	31 December 2008
Other shares	9 184	7 267
- including related entities	*9 153*	*7 233*
Shares	1 994	1 397
- including related entities	*1 994*	*1 303*
Other securities		
- including related entities		
Loans granted		
- including related entities		
Other financial assets		
- including related entities		
Total financial assets	**11 178**	**8 664**

Note 10.3.7a

Investments in units valued by equity method	31 December 2009	31 December 2008
At beginning of period	**3 997**	
Purchase of shares		5 578
Share in profit entities under the equity method -100%	**(15)**	**(1 581)**
Changes in equity as a result of payment of dividends		
At end of period	**3 982**	**3 997**

Partnerski Serwis Detaliczny S.A.	**01.01.2009- 31.12.2009**	**01.01.2008 - 31.12.2008**
Sales revenues	5 984	2 793
Net profit	(15)	(1 581)
Assets	4 940	3 339
Liabilities and Provisions	3 124	1 507

100% share of net assets of the subsidiary Partnerski Serwis Detaliczny S.A. at 31.12.2009 was valued using the equity metod due to the limited access to financial data.

(in PLN 000s, unless indicated otherwise)

Note 10.3.7 b – current year

Long-term financial assets in related entities - 2009	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,	**7 233**	**1 303**				**8 536**
b) additions:	**25 286**	**691**				**25 977**
- purchases	*25 284*	*691*				**25 975**
- granted loans						
- purchases as a result of company takeover	*2*					**2**
- apport, receive free of charge						
- actualization of value						
- other						
c) disposals	**(23 366)**					**(23 366)**
- sale	*(127)*					**(127)**
- consolidation exclusions	*(23 239)*					**(23 239)**
- repayment of granted loans						
- liquidation						
- actualization of value						
- actualization of value in acquiree entity						
- other						
d) closing balance of long-term financial assets in related entities,	**9 153**	**1 994**				**11 147**

(in PLN 000s, unless indicated otherwise)

Note 10.3.7b – previous year

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,	**28 997**	**1 528**		**182**		**30 707**
b) additions:	**5 259**	**6 313**				**11 572**
- *purchases*	*5 259*	*6 313*				**11 572**
- granted loans						
- *purchases as a result of company takeover*						
- apport, receive free of charge						
- actualization of value						
- *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)**
- liquidation						
- actualization of value						
- *other*		*(960)*				**(960)**
d) closing balance of long-term financial assets in related entities,	**7 233**	**1 303**				**8 536**

(in PLN 000s, unless indicated otherwise)

10.3.8 Long-term loans

Long-term loans	31 December 2009	31 December 2008
Long-term loans granted	1 114	1 667
- including related entities		
Total long-term loans	**1 114**	**1 667**

Position „loans granted" concerns a loan granted by Stokrotka Sp. z o.o. to unrelated entity. rates based on market rate WIBOR + lender's margin. The term of repayment of loan is on March 2011. Loan is hedge by blank bills of exchange with promissory note declaration.

10.3.9 Long-term receivables and prepaid expenses

Long-term receivables and prepaid expenses	31 December 2009	31 December 2008
Long-term receivables	**6 758**	**6 852**
a) deposit on rental fee	6 485	6 442
- including related entities		
b) other long receivables	273	410
- including related entities		
Other prepaid expenses	19 310	15 474
Long-term receivables and other prepaid expenses	**26 068**	**22 326**

Other prepaid expenses	31 December 2009	31 December 2008
Marketing services		
Rent	3 728	3 308
Cost of software manufacturing		
Concessions, licenses	110	88
Compensation	15 465	12 063
Other	7	15
Other prepaid expenses	**19 310**	**15 474**

Deposit are not remunerated. Due to the small value (the criterion of significance) are not discounted.

10.3.10 Deferred tax assets

Deferred tax assets	31 December 2009	31 December 2008
Deferred tax asset at beginning of period	**21 085**	**16 113**
Additions	10 774	19 574
a) posted to net result	*9 531*	*18 752*
b) posted to equity	*160*	*457*
c) acquisition of entities	*1 083*	*365*
Disposals	(16 109)	(14 602)
a) posted to net result	*(15 395)*	*(14 602)*
b) posted to equity		
c) acquisition of entities	*(714)*	
Total deferred tax asset at the end of period	**15 750**	**21 085**

(in PLN 000s, unless indicated otherwise)

Deferred income tax assets from:	31 December 2009	31 December 2008
Trade debtors	2 403	2 235
Salaries to pay	1 892	7 353
Provision for pensions	309	496
Provision for holiday equivalents	1 802	2 360
Provision for premium salary for management	416	723
Bonds discount	66	91
Provision for audit	59	100
Other cost – interests counted	73	41
Revaluation of inventory	3 270	2 790
Valuation of financial instruments		382
Reserve for the restructuring of the employment		316
Other	5 460	4 198
Deferred income tax assets total	**15 750**	**21 085**

10.3.11 Inventory

Inventory	31 December 2009	31 December 2008
Materials	10 126	8 599
Merchandises	462 600	423 217
Finished products	5	3
Half-finished products		4
Revaluation of inventory	(17 459)	(16 022)
Total inventory	**455 272**	**415 801**

Revaluation of inventory	31 December 2009	31 December 2008
Revaluation of inventory – opening balance	*(16 022)*	*(13 040)*
Creating of write- offs - inventory	*(21 347)*	*(20 417)*
Creating of write – offs – as o result of company takeover	*95*	*(785)*
Reversal of write- offs - inventory	*19 815*	*18 220*
Revaluation of inventory – closing balance	**(17 459)**	**(16 022)**

Revaluation allowances for inventory were created in connection with bonuses calculated from the purchases and as a result of creating of provisions against inventory shortages. Total of revaluation has been allocated to profit and loss account in 2009

Pledges	31 December 2009	31 December 2008
Deposits:	**155 424**	**174 782**
- bank loans	*146 156*	*170 977*
- warranty	*9 268*	*3 805*
Pledges:		**36 567**
- bank loans		*30 009*
- warranty		*6 558*
Cession:	**111**	
- under bank credit facilities		
- under bank guarantees	*111*	
Total pledges	**155 535**	**211 349**

(in PLN 000s, unless indicated otherwise)

10.3.12 Receivables

Receivables	31 December 2009	31 December 2008
Trade debtors	363 930	360 507
including: related entities	829	1 585
Taxation, subsidy and social security debtors	19 105	41 066
Subject to legal proceedings	4 171	12 386
Prepayments	2 294	8 855
Other receivables	8 000	8 439
including: related entities		676
Impairment loss for bad debts	(30 798)	(34 413)
Total receivables	**366 702**	**396 840**

In Emperia Holding Capital Group receivables from subsidiaries not consolidated under supplies and services were PLN 829 000. A detailed description of transactions of Emperia Holding SA with related entities are in note 10.3.43. Receivables from supplies and services are not remunerated.

Change in impairment for current bad debts	31 December 2009	31 December 2008
Opening balance – at the beginning of the period	**(33 081)***	**(29 577)**
- including related entities		*(218)*
Additions	(16 783)	(14 997)
- including related entities	*(12)*	*(1)*
Additions as a result of company takeover	(568)	(560)
Disposals	19 068	10 161
- including related entities	*10*	*219*
Reversal	*12 892*	*10 161*
- including related entities	*10*	*219*
- including: disposals as a result of sale of entity	*2 607*	
Not written off profit and loss	*6 175***	
- including related entities		
Closing balance – at the end of the year	**(30 796)**	**(34 413)**
- including related entities	**(2)**	

* difference in the opening balance for 2009 compared to previous reports results from changes in presenting of value of the interest and court cost relating to overdue debts. From the third quarter of 2009, the issuer does not related them to revaluation allowances for receivables but have been attributed directly to the value of receivables.
** written receivables on which has been previously establishment revaluation allowances and irrecoverable of which has been documented.

Pledges	31 December 2009	31 December 2008
Deposit		
- bank loans		
- warranty		
Pledges**:**		**31 200**
- bank loans		*26 500*
- warranty		*4 700*
Cession	**157 606**	**60 562**
- bank loans	*151 700*	*54 300*
- warranty	*5 906*	*6 262*
Total pledges	**157 606**	**91 762**

(in PLN 000s, unless indicated otherwise)

Ageing of trade debtors	31 December 2009	31 December 2008
Due within 1 month	212 864	208 016
Due between 1 and 3 months	36 580	22 321
Due between 3 and 6 moths	307	540
Due between 6 months and 1 year	700	284
Due after 1 year	26	15
Overdue trade debtors	113 453	129 331
Impairment loss for trade debtors	(30 048)	(21 951)
Total net trade debtors	**333 882**	**338 556**

Ageing of overdue trade debtors	31 December 2009	31 December 2008
1 month	70 673	81 987
between 1 and 3 months	16 631	24 203
between 3 and 6 moths	6 324	6 504
between 6 months and 1 year	2 593	2 686
after 1 year	17 232	13 951
Impairment loss for trade debtors	(30 021)	(21 951)
Total net overdue trade debtors	**83 432**	**107 380**

10.3.13 Short term prepaid expenses

Short term prepaid expenses	31 December 2009	31 December 2008
Marketing services	79	11
Insurance	1 234	1 466
Technical assistance	351	212
Alcohol sale license	143	371
Rental costs	2 299	1 657
Road permissions	34	59
Subscriptions, charges and other fees	92	113
Electricity	82	20
Shop pre - opening costs	94	59
Costs to re-invoice	830	550
Compensation	1 833	1 577
Other	925	1 101
Total short term prepaid expenses	**7 996**	**7 196**

(in PLN 000s, unless indicated otherwise)

10.3.14 Cash and cash equivalents

Cash and cash equivalents	31 December 2009	31 December 2008
Cash at cash desk	7 849	5 882
Cash at bank	16 345	23 390
Other	15 763	20 587
Other financial assets	96	164
Total cash and cash equivalents	**40 053**	**50 023**

Position "other cash" included „cash on transit".

10.3.15 Other short term financial assets

Other short term financial assets	31 December 2009	31 December 2008
Investment hedge credit		
Loans		200
including: related entities		
Total other short term financial assets		**200**

(in PLN 000s, unless indicated otherwise)

10.3.16 Structure of share capital

Structure of share capital - at 31.12.2009

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							

* shares „Ł" and „M" series were issued within target capital to acquire shares in Maro Markety Sp. z o.o. and Centrum Sp. z o.o.
** shares „N" series were issued within target capital were part of process of shares acquisition in Sydo Sp. z o.o. and Alpaga-Xema Sp. z o.o.

(in PLN 000s, unless indicated otherwise)

Structure of share capital - 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							

* shares „Ł" and „M" series were issued within target capital to acquire shares in Maro Markety Sp. z o.o. and Centrum Sp. z o.o.
** shares „N" series were issued within target capital were part of process of shares acquisition in Sydo Sp. z o.o. and Alpaga-Xema Sp. z o.o.

(in PLN 000s, unless indicated otherwise)

Supervisory Board of the company Members

Supervisory Board of the company Members	Shares at 31.12.2009	Percentage of share capital *	Change %	Shares at 31.12.2008	Percentage of share capital at 31.12.2008 *
Piotr Laskowski	386 125	2,55%	0,00%	386 125	2,55%
Artur Laskowski*	346 330	2,29%	(10,35%)	386 330	2,56%

* Mr.Artur Laskowski has been appointed with effect 1 July 2009 as a Supervisory Board Member.

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 31.12.2008	Percentage of share capital at 31.12.2008	Votes at the OGMS at the date of the report	Percentage of votes at the OGMS at the date of the report
Aviva OFE Aviva BZ WBK	1 518 210	10,04%	(7,90%)	1 648 393	10,91%	1 518 210	10,04%
Jarosław Wawerski	1 090 537	7,21%	0,00%	1 090 537	7,21%	1 090 537	7,21%
Artur Emanuel Kawa	1 000 086	6,62%	0,00%	1 000 086	6,62%	1 000 086	6,62%
ING OFE	54 685	0,36%	(93,29%)	814 811	5,39%	54 685	0,36%

List of shareholders holding at least 5 percent of votes at the Ordinary General Meeting of Shareholders of Emperia Holding S.A. at 31.12.2009

Shareholders	Shares at 31.12.2009	Percentage of share capital	Change %	Shares at 31.12.2008	Percentage of share capital at 31.12.2008	Votes at the OGMS at 31.12.2009	Percentage of votes at the OGMS at 31.12.2009
Aviva OFE Aviva BZ WBK	1 517 654	10,04%	(7,93%)	1 648 393	10,91%	1 517 654	10,04%
Jarosław Wawerski	1 090 537	7,21%	0,00%	1 090 537	7,21%	1 090 537	7,21%
Artur Emanuel Kawa	1 000 086	6,62%	0,00%	1 000 086	6,62%	1 000 086	6,62%
ING OFE	54 685	0,36%	(93,29%)	814 811	5,39%	54 685	0,36%

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

Management board of the company Members	Shares at 31.12.2009	Percentage of share capital	Change %	Shares at 31.12.2008	Percentage of share capital at 31.12.2008
Jarosław Wawerski	1 090 537	7,21%	0,00%	1 090 537	7,21%
Artur Emanuel Kawa	1 000 086	6,62%	0,00%	1 000 086	6,62%
Grzegorz Wawerski	353 738	2,34%	0,00%	353 738	2,34%
Dariusz Kalinowski	15 000	0,10%	0,00%	15 000	0,10%
Marek Wesołowski	12 520	0,08%	0,00%	12 520	0,08%

Personal Changes in composition of Managment Board and Supervisory Board of Emitenta Holding S.A. were described in note 10.3.47 a) and in note 10.3.51 b).

(in PLN 000s, unless indicated otherwise)

Changes in Supplementary Cpital and Reserve capital	Supplementary capital	Reserve capital
1 January 2009	**90 862**	**59 873**
Distribution of 2008 profit – allocation to capital funds	7 532	6 773
Dividend for shareholders as part of 2008 profit distribution		(7 496)
31 December 2009	**98 394**	**59 150**
1 January 2008	**22 353**	**46 837**
Distribution of 2007 profit – allocation to capital funds	68 509	13 285
Result on merger between Detal Koncept and Polka		(249)
31 December 2008	**90 862**	**59 873**

10.3.17 Retained earnings

Retained earnings	31 December 2009	31 December 2008
Net profit (loss) from the previous year	30 367	66 888
Distribution of profit – for equity	(14 305)	(81 794)
Distribution of profit - dividend	(1 422)	(13 301)
Net profit (loss) from the current year	69 343	58 969
Corrections of 2007	(388)	(321)
Deduct from net profit	(1 113)	(74)
Total Retained earnings	**82 482**	**30 367**

10.3.18 Long-term bank loans and other

Long-term bank loans and other	31 December 2009	31 December 2008
Credits	134 221	282 146
Bank loans		
Including: related entities		
Debt securities		
Including: related entities		
Financial lease	2 885	3 117
Valuation of other financial instruments		
Total long-term bank loans and other	**137 106**	**285 263**

(in PLN 000s, unless indicated otherwise)

Information of execution of credit facility agreement in 2009.

Type of credit	Type of Operation	Credit amount by agreement	At 31.12.2009	Currency	Repayment Term	Interest
Turnover credit	Execution of Credit Facility Agreement	100 000	**50 000**	PLN	2011-12-31	WIBOR 1M+ Bank margin.
Overdraft Credit	Execution of Credit Facility Agreement	63 000	**32 418**	PLN	2012-08-30	WIBOR O/N+ Bank margin.
Overdraft Credit	Execution of Credit Facility Agreement	74 000	**62 951**	PLN	2010-03-31	WIBOR 1M+ Bank margin.
Turnover credit	Execution of Credit Facility Agreement	15 000	**15 000**	PLN	2010-03-30	WIBOR O/N+ Bank margin..
Overdraft Credit	Execution of Credit Facility Agreement	3 000	**524**	PLN	2010-03-30	WIBOR+ Bank margin.
Overdraft Credit	Execution of Credit Facility Agreement	3 000	**0**	PLN	2010-03-30	WIBOR 1M + Bank margin..
Total		**258 000**	**160 893**			

Information of denunciation and ermination of credit facility agreement in 2009.

Type of credit	Type of Operation	Credit amount by agreement	At 31.12.2009	Currency	Repayment Term	Interest
Turnover credit	Denunciation of Credit Facility Agreement	17 000	**0**	PLN	2010-03-30	WIBOR O/N+ Bank margin.
Investment Credit	Denunciation of Credit Facility Agreement	3 000	**0**	PLN	2009-12-31	WIBOR 1M+ Bank margin.
Overdraft Credit	Denunciation of Credit Facility Agreement	12 000	**0**	PLN	2010-03-30	WIBOR 1M+ Bank margin.
Turnover credit	Denunciation of Credit Facility Agreement	20 000	**0**	PLN	2010-03-30	WIBOR 1M+ Bank margin.
Investment Credit	Denunciation of Credit Facility Agreement	2 300	**0**	PLN	2011-12-30	WIBOR 1M+ Bank margin..
Investment Credit	Denunciation of Credit Facility Agreement	2 400	**0**	PLN	2011-12-30	WIBOR 1M+ Bank margin..
Overdraft Credit	Denunciation of Credit Facility Agreement	6 000	**0**	PLN	2010-03-30	WIBOR 1M+ Bank margin.
Turnover credit	Denunciation of Credit Facility Agreement	1 000	**0**	PLN	2010-03-30	WIBOR 1M+ Bank margin.
Overdraft Credit	Termination of Credit Facility Agreement	2 000	**0**	PLN	2009-05-31	WIBOR 1M+ Bank margin.
Overdraft Credit	Denunciation of Credit Facility Agreement	700	**0**	PLN	2010-03-30	WIBOR+ Bank margin.

(in PLN 000s, unless indicated otherwise)

Investment Credit	Denunciation of Credit Facility Agreement	400	**0**	PLN	2013-12-29	WIBOR+ Bank margin.
Overdraft Credit	Denunciation of Credit Facility Agreement	6 700	**0**	PLN	2009-05-31	WIBOR+ Bank margin.
Overdraft Credit	Denunciation of Credit Facility Agreement	6 000	**0**	PLN	2010-03-31	WIBOR 1M + Bank margin.
Turnover credit	Denunciation of Credit Facility Agreement	11 000	**0**	PLN	2010-03-31	WIBOR 1M + Bank margin.
Overdraft Credit	Denunciation of Credit Facility Agreement	1 000	**0**	PLN	2009-03-19	WIBOR 1M + Bank margin.
Total		**91 500**	**0**			

10.3.19 Long-term liabilities

Long-term liabilities	31 December 2009	31 December 2008
Deposit on rental fee	5 468	4 516
- including: related entities		
Other long-term liabilities	491	982
Total long-term liabilities	**5 959**	**5 498**

In Emperia Capital Group is no liabilities in a currency other than PLN. Deposits are not remunerated. Because of low value (criterion of significance) are not discounted.

10.3.20 Provisions

Provisions	31 December 2009	31 December 2008
Provisions for employees' benefits	**15 477**	**20 567**
a) provision for pensions	1 628	1 285
b) provision for holiday equivalents	9 485	12 421
c) provision for premium salary	2 895	3 872
d) provision for jubilee awards	1 469	1 328
e) provision for restructuring of the employment		1 661
Other provisions	**3 616**	**2 825**
a) provision for audit	310	518
b) prizes for customers	481	1 031
c) provision for packages		144
d) provision for bonuses		20
e) provision for future liabilities	52	552
f) not invoiced costs	1 683	
g) other	1 090	560
Total provisions	**19 093**	**23 392**

Provisions	31 December 2009	31 December 2008
Long-term	**2 843**	**2 362**
a) provision for pensions	*1 533*	1 195
b) provision for holiday equivalents		
c) provision for premium salary		

d) provision for jubilee awards	*1 310*	1 167
e) other longa-term provisions		
Short-term	**16 250**	**21 030**
a) provision for pensions	*95*	90
b) provision for holiday equivalents	*9 485*	12 421
c) provision for premium salary	*2 895*	3 872
d) provision for jubilee awards	*159*	161
e) provision for restructuring of the employment		1 661
f) other short-term provisions	*3 616*	2 825
Total provisions for employees' benefits	**19 093**	**23 392**

In 2009 Group changed presentation of liabilities of loyalty programs, description of presentation is in note 10.3.26.

Change of provisions for employees' benefits	31 December 2009	31 December 2008
Provision for pensions opening balance	1 285	1 231
Additions	*411*	*309*
Additions as a result of acquisition	*62*	*24*
Disposals	*(117)*	*(279)*
Disposals as a result of acquisition	*(13)*	
Provision for pensions closing balance	**1 628**	**1 285**
Provision for holiday equivalents opening balance	12 421	9 549
Additions	*11 542*	*5 060*
Additions as a result of acquisition	*56*	*367*
Disposals	*(14 492)*	*(2 555)*
Disposals as a result of acquisition	*(42)*	
Provision for holiday equivalents closing balance	**9 485**	**12 421**
Provision for premium salary opening balance	3 872	5 191
Additions	*3 207*	*4 097*
Additions as a result of acquisition		*7*
Disposals	*(4 184)*	*(5 423)*
Disposals as a result of acquisition		
Provision for premium salary closing balance	**2 895**	**3 872**
Provision for jubilee awards opening balance	1 328	
Additions	*141*	*1 535*
Additions as a result of acquisition		
Disposals		*(207)*
Disposals as a result of acquisition		
Provision for jubilee awards closing balance	**1 469**	**1 328**
Provision for restructuring of the employment opening balance	1 661	
Additions		*1 661*
Additions as a result of acquisition		
Disposals	*(1 661)*	
Disposals as a result of acquisition		
Provision for restructuring of the employment closing balance		**1 661**
Change of provisions for employees' benefits opening balance	**20 567**	**15 971**
Additions	*15 301*	*12 662*
Additions as a result of acquisition	*118*	*398*
Disposals	*(20 454)*	*(8 464)*
Disposals as a result of acquisition	*(55)*	
Change of provisions for employees' benefits closing balance	**15 477**	**20 567**

Creating and reversal provisions were included in profit and loss account in 2009 at positions „ General administrative expense" and „ Selling expense".

(in PLN 000s, unless indicated otherwise)

10.3.21 Deferred tax income - provisions

Deferred tax income - provisions	31 December 2009	31 December 2008
Deferred tax income - provisions opening balance	**13 098**	**10 462**
Additions	**25 250**	**15 583**
a) posted to net result	*23 612*	*13 941*
b) posted to equity		
c) posted to goodwill	*167*	*1 499*
d) as a result of merger	*1 471*	*143*
Disposals	**(23 526)**	**(12 947)**
a) posted to net result	*(21 710)*	*(12 947)*
b) posted to equity	*(1 469)*	
c) posted to goodwill		
d) as a result of merger	*(347)*	
Deferred tax income - provisions closing balance	**14 822**	**13 098**

Deferred income tax provisions by kind	31 December 2009	31 December 2008
Bonds' discount	4	66
Long term bank loans commission.	12	29
Difference between tax value and book value of fixed assets	14 702	12 373
Other	104	630
Deferred income tax provisions by kind	**14 822**	**13 098**

10.3.22 Short-term bank loans and others

Short- term bank loans and others	31 December 2009	31 December 2008
Bank loans	217 001	22 903
Loans		
- including: related entities		
Debt securities	5 090	998
including: related entities	*1 095*	*998*
Leasing	1 529	1 936
Valuation of other financial instruments		3 478
Total short- term bank loans and others	**223 620**	**29 315**

Execution Denunciation of Credit Facility Agreemen were described in note 10.3.18

Valuation of other financial instruments in 2008 relates to:

– valuation of instruments of hedge fair value, which valuation has been allocated in financial costs and amounted PLN (1 403 000), and
– valuation of instruments of hedge future cash flows, in value of PLN (2 075 000) after deduction of deferred income tax assets in value PLN 394 000 has been allocated in revaluation capital in value PLN (1 681 000).

(in PLN 000s, unless indicated otherwise)

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 2009 and 2008 were as follows:

2009:

Bonds issue and redemption In 2009	Total	External issue	Elpro Sp. z o.o.
As at the beginning of the period	**0**	**0**	**0**
Bonds issue	***43 700***	*43 000*	*700*
Bonds redemption	***(39 700)***	*(39 000)*	*(700)*
As at the end of the period	**4 000**	**4 000**	**0**

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

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. Bonds issue and redemption (expressed in nominal amounts) of Elpro Sp. z o.o. throughout 2009 and 2008 were as follows:

2009:

Bonds issue and redemption In 2009	Total	External issue	Emperia Holding S.A.	Projekt Elpro 1 Sp. z o.o.*	Euro Sklep S.A.	Społem Tychy Sp. z o.o.	PSD S.A.	Tradis Sp. z o.o.**	DEF Sp. z o.o.
As at the beginning of the period	**42 500**	**0**	**18 500**	**7 000**	**0**	**0**	**1 000**	**4 000**	**12 000**
Bonds issue	***558 000***	*0*	*168 400*	*94 400*	*8 500*	*4 000*	*14 600*	*178 100*	*90 000*
Bonds redemption	***(543 800)***	*0*	*(174 000)*	*(93 800)*	*(5 500)*	*(2 000)*	*(14 500)*	*(160 500)*	*(93 500)*
As at the end of the period	**56 700**	**0**	**12 900**	**7 600**	**3 000**	**2 000**	**1 100**	**21 600**	**8 500**

* concerns issue of bonds to BOS S.A. Projekt Elpro 3 Sp. z o.o. and Projekt Elpro 1 Sp. z o.o. (in Q4 2009 companies merged)
** concerns issue of bonds to BOS S.A. – as a result of completion of merger of largest distribution companies BOS S.A. merged with Tradis Sp. z.o.o.

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*	*29 000*	*24 000*
Bonds redemption	***(334 200)***	*0*	*(102 500)*	*(27 300)*	*(25 000)*	*(12 000)*
As at the end of the period	**42 500**	**1 000**	**18 500**	**0**	**4 000**	**12 000**

(in PLN 000s, unless indicated otherwise)

Bonds issue and redemption In 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.	Centrum Sp. z o.o.
As at the beginning of the period	**0**	**1 500**	**0**	**17 000**	**0**
Bonds issue	***54 800***	*10 500*	*44 000*	*44 000*	*2 600*
Bonds redemption	***(47 800)***	*(12 000)*	*(44 000)*	*(61 000)*	*(2 600)*
As at the end of the period	**7 000**	**0**	**0**	**0**	**0**

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 2009 and 2008 were as follows:

2009:

Bonds issue and redemption In 2009	Total	External issue	Emperia Holding S.A.	Infinite Sp. z o.o.	Tradis Sp. z o.o.	Maro Markety Sp. z o.o.	Projekt Elpro 1 Sp. z o.o.	Euro Sklep S.A.
As at the beginning of the period	**50 000**	**0**	**32 800**	**3 500**	**0**	**6 000**	**7 700**	**0**
Bonds issue	***670 800***	*0*	*269 200*	*54 800*	*143 200*	*63 500*	*137 100*	*3 000*
Bonds redemption	***(670 800)***	*0*	*(283 000)*	*(52 800)*	*(134 600)*	*(65 000)*	*(132 400)*	*(3 000)*
As at the end of the period	**50 000**	**0**	**19 000**	**5 500**	**8 600**	**4 500**	**12 400**	**0**

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**

d) 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 2009 and 2008 were as follows:

2009:

Bonds issue and redemption In 2009	Total	External issue	Emperia Holding S.A.	Tradis Sp. z o.o.*
As at the beginning of the period	**19 000**	**0**	**15 000**	**4 000**
Bonds issue	***101 000***	*0*	*101 000*	*0*
Bonds redemption	***(120 000)***	*0*	*(116 000)*	*(4 000)*
As at the end of the period	**0**	**0**	**0**	**0**

* concerns the issue of bonds made by DLS S.A. to BOS S.A. – as a result of completion of merger of largest distribution companies – BOS S.A. and DLS merged with Tradis Sp. z.o.o.

(in PLN 000s, unless indicated otherwise)

2008:

Bonds issue and redemption In 2008	Total	External issue	Emperia Holding S.A.	Maro Markety Sp. z o.o.	Tradis Sp. z o.o.*	Sydo Sp. z o.o.
As at the beginning of the period	**50 000**	**0**	**50 000**	**0**	**0**	**0**
Bonds issue	***297 000***	*0*	*277 000*	*6 000*	*8 000*	*6 000*
Bonds redemption	***(328 000)***	*0*	*(312 000)*	*(6 000)*	*(4 000)*	*(6 000)*
As at the end of the period	**19 000**	**0**	**15 000**	**0**	**4 000**	**0**

* concerns the issue of bonds made by DLS S.A. to BOS S.A. as a result of completion of merger of largest distribution companies – BOS S.A. and DLS merged with Tradis Sp. z.o.o.

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

Total liabilities from debt securities at 31.12.2009

Issuer	Series	Nominal value (In thousand PLN)	Date of repurchase	As at 31.12.2009
Emperia Holding S.A.	0047	4 000	2010-01-08	3 995
Stokrotka Sp. z o.o.	0053**	19 000	2010-01-29	
Stokrotka Sp. z o.o.	0053**	5 500	2010-01-29	
Stokrotka Sp. z o.o.	0053**	8 600	2010-01-29	
Stokrotka Sp. z o.o.	0053**	4 500	2010-01-29	
Stokrotka Sp. z o.o.	0053**	12 400	2010-01-29	
Elpro Sp. z o.o.	0066**	10 000	2010-01-29	
Elpro Sp. z o.o.	0066**	3 000	2010-01-29	
Elpro Sp. z o.o.	0066**	19 800	2010-01-29	
Elpro Sp. z o.o.	0065**	2 000	2010-01-29	
Elpro Sp. z o.o.	0065**	1 800	2010-01-29	
Elpro Sp. z o.o.	0090**	7 600	2010-01-29	
Elpro Sp. z o.o.	0090**	8 500	2010-01-29	
Elpro Sp. z o.o.	0090	1 100	2010-01-29	1 095
Elpro Sp. z o.o.	0090**	2 900	2010-01-29	
Total bonds issued by the Group *				**5 090**
Other				
Total liabilities from debt securities				
including: short-term				5 090
including: long-term				

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

** The bonds were purchased by Group's companies which are subject to consolidation, thus are excluded in this report.

(in PLN 000s, unless indicated otherwise)

Total liabilities from debt securities at 31.12.2008

Issuer	Series	Nominal value (In thousand PLN)	Date of repurchase	As at 31.12.2009
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	
Tradis Sp. z o.o.***	0014**	11 000	2009-01-23	
Tradis Sp. z o.o.***	0013**	4 000	2009-01-09	
Tradis Sp. z o.o.***	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

** The bonds were purchased by Group's companies which are subject to consolidation, thus are excluded in this report.

*** concerns the issue of bonds made in 2008 by DLS S.A. (on 01 July 2009 DLS SA was merged with Tradis Sp. z.o.o.)

10.3.23 Short-term liabilities

Short-term liabilities	31 December 2009	31 December 2008
Trade payables	549 799	531 107
including: related entities	*7 809*	*6 644*
Taxation, subsidy and social security	32 249	32 035
Salary	22 645	21 855
Prepayments		52
Other liabilities	12 235	30 691
including: related entities	*31*	*68*
Total short-term liabilities	**616 928**	**615 740**

In Emperia Holding Capital Gorup is no liabilities in a currency other than PLN

Ageing of trade payables	31 December 2009	31 December 2008
Due within 1 month	345 646	343 316
Due between 1 and 3 months	156 068	130 208
Due between 3 and 6 moths	3 884	282
Due between 6 months and 1 year	16	(105)
Due after 1 year	59	65
Overdue trade debtors	44 126	57 341
Total trade payables	**549 799**	**531 107**

(in PLN 000s, unless indicated otherwise)

Ageing of overdue trade payables	31 December 2009	31 December 2008
1 month	38 383	54 773
between 1 and 3 months	4 434	1 535
between 3 and 6 moths	702	289
between 6 months and 1 year	395	330
after 1 year	212	414
Overdue trade payables	**44 126**	**57 341**

10.3.24 Deferred income

Deferred income	31 December 2009	31 December 2008
Settlement of vehicles' damages	169	231
Settlement of estates' damages	281	57
Penalties	112	48
Loyalty Programs	1 152	
Fire Equipment Reimbursement	177	99
Unrealized interest on tenant's deposits	17	16
Other	695	713
Total deferred income	**2 603**	**1 164**

Liabilities under the loyalty program for customers at 31.12.2008 are PLN 904 000 and were presented in Short-term Labilities - Provisions.

10.3.25 Net sales of products

NET SALES OF PRODUCTS (by type of products)	12 months ended 31 December 2009	12 months ended 31 December 2008
Sales of products	1 568	
- including to related entities	*3*	
Sales of services	172 495	107 565
- including to related entities	*1 151*	*128*
Total net sales of products	**174 063**	**107 565**
- including to related entities	*1 154*	*128*

NET SALES OF PRODUCTS (by geographic area)	12 months ended 31 December 2009	12 months ended 31 December 2008
Domestic	172 907	106 641
- including to related entities	*1 154*	*128*
Export	1 156	924
- including to related entities		
Total net sales of products	**174 063**	**107 565**
- including to related entities	*1 154*	*128*

(in PLN 000s, unless indicated otherwise)

10.3.26 Net sales of merchandises and materials

NET SALES OF MERCHANDISES AND MATERIALS (by type of activity)	12 months ended 31 December 2009	12 months ended 31 December 2008
Sales of merchandises and materials	5 351 593	5 149 553
- including to related entities	*8 389*	*2 635*
Sales of merchandises and materials	**5 351 593**	**5 149 553**
- including to related entities	*8 389*	*2 635*

NET SALES OF MERCHANDISE AND MATERIALS (by geographic area)	12 months ended 31 December 2009	12 months ended 31 December 2008
Domestic	5 292 061	5 036 721
- including to related entities	*8 389*	*2 635*
Export	59 532	112 832
- including to related entities		
Total net sales of merchandise and materials	**5 351 593**	**5 149 553**
- including to related entities	*8 389*	*2 635*

As a result of application of IFRIC 13 Group changed its principles for recognizing revenue from loyalty programs for customer. Companies involved in selling goods implement programs encouraging customers to purchase their goods offering rewards as a part of transaction (called interpretation - loyalty points).

In previous periods Group account revenues from sales of goods in entirety as income, simultaneously showing a liability under reserve for projected cost of bonuses. IFRIC 13 requires, that loyalty points should be recognized as a separate element of transaction and allocated between discounts for clients and sales goods.This means that part of incomes received in connection with initial sales transaction should be accounted to loyalty points and treat as deferred income until fulfillment by the unit commitment associated with delivery of bonuses to customers.

Effect of changes in presentation of loyalty programs on financial statement was as follows:revenues from sales of goods and materials and cost of sales for 2009 were decreased of PLN 1 152 000 and for comparable period it would be PLN 904 000.

10.3.27 Other operating income

OTHER OPERATING INCOME	12 months ended 31 December 2009	12 months ended 31 December 2008
Profit from the disposal of non-financial fixed assets	17 504	8 048
Revaluation of non-financial assets	53	1 092
Other non operating income	12 355	9 346
Total non operating income	**29 912**	**18 486**

(in PLN 000s, unless indicated otherwise)

Revaluation of non-financial assets		
Creating of write-offs – inventory		*(126)*
Reversal of write–offs – inventory		*794*
Creating of write-offs – fixed assets		
Reversal of write-offs – fixed assets		
Creating of write-offs - receivable	*(134)*	*(1 031)*
Reversal of write-offs - receivable	*187*	*1 455*
Total revaluation of non-financial assets	**53**	**1 092**

OTHER	12 months ended 31 December 2009	12 months ended 31 December 2008
Penalties	96	321
Compensation of vehicle damages	1 246	1 246
Compensation of fixed assets damages	1 073	838
Overdue trade payables	1 514	18
Rental income	1 757	905
Court proceedings costs	187	330
Reversal of povisions against employee benefits	119	
Costs of re-invoice	10	1 797
Employees salaries refund	130	97
Donations	1 517	544
Compensation received	110	1 050
Transfer rights from rental	2 025	
Other operating income in acquired companies	338	
Other	2 233	2 200
Total other non operating income	**12 355**	**9 346**

10.3.28 Cost by kind

Cost by kind	12 months ended 31 December 2009	12 months ended 31 December 2008
depreciation and amortization	(62 814)	(52 658)
materials and energy	(109 692)	(101 250)
external services	(249 166)	(214 251)
payroll	(354 169)	(326 504)
social security and other employee benefits	(75 483)	(69 054)
taxes and charge	(19 535)	(16 369)
other costs	(11 891)	(13 923)
Total cost by kind of expenditure	**(882 750)**	**(794 009)**
Sales costs	(700 216)	(618 248)
Overhead costs	(89 333)	(100 673)
Cost of products sold	(88 752)	(66 072)
Cost of manufactured computer software	(3 264)	(9 016)

(in PLN 000s, unless indicated otherwise)

Payroll	12 months ended 31 December 2009	12 months ended 31 December 2008
Salary	(354 169)	(326 489)
- including: cost of management options	*(439)*	*(596)*
- including: provision for restructuring costs of employment	*(1 661)*	*(1 637)*
Social security	(61 957)	(53 921)
- including: provision for restructuring costs of employment		*(24)*
Company's social benefit fund	(8 259)	(7 660)
Personnel training	(842)	(2 801)
Other	(4 426)	(4 687)
Total payroll	**(429 653)**	**(395 558)**

10.3.29 Operating expenses

OPERATING EXPENSES	12 months ended 31 December 2009	12 months ended 31 December 2008
Loss from the sale of non-financial fixed assets	(90)	(67)
Revaluation of non-financial assets	(6 185)	(6 683)
Other operating expenses	(8 348)	(9 631)
Total non operating expenses	**(14 623)**	**(16 381)**

Revaluation of non-financial assets	12 months ended 31 December 2009	12 months ended 31 December 2008
Creating of write-offs – inventory		
Reversal of write–offs – inventory		
Creating of write-offs – fixed assets	*(408)*	*(280)*
Reversal of write-offs – fixed assets	*205*	*162*
Creating of write-offs - receivable	*(16 081)*	*(13 221)*
Reversal of write-offs - receivable	*10 099*	*6 656*
Total revaluation of non-financial assets	**(6 185)**	**(6 683)**

Other operating expenses	12 months ended 31 December 2009	12 months ended 31 December 2008
Donations	(543)	(708)
Compensation of vehicle damages	(1 012)	(1 033)
Compensation of fixed assets damages	(1 786)	(936)
Provisions		(61)
Cost of real estates	(975)	(791)
Court proceedings costs	(184)	(344)
Transfer rights from rental	(2 651)	(4 750)
Receivables deducted	(184)	(786)
Other	(1 013)	(222)
Total other operating expenses	**(8 348)**	**(9 631)**

(in PLN 000s, unless indicated otherwise)

10.3.30 Financial income

FINANCIAL INCOME	12 months ended 31 December 2009	12 months ended 31 December 2008
Dividend		
- including to related entities		
Interest	1 985	2 279
- including to related entities	*6*	*14*
Profit on investments disposal		27
Other	665	839
Total financial income	**2 650**	**3 145**

Interest	12 months ended 31 December 2009	12 months ended 31 December 2008
Loans granted	370	19
- including related entities		
Interest on deposits	404	386
Interest on overdue receivables	1 166	683
- including related entities	*6*	*14*
Other interest	45	1 191
Total interest	**1 985**	**2 279**

Other financial income	12 months ended 31 December 2009	12 months ended 31 December 2008
Positive exchange rate differences	55	5
Interest on deposits	1	
Valuation of financial instruments	215	143
Other	394	691
Total other financial income	**665**	**839**

10.3.31 Financial expenses

FINANCIAL EXPENSES	12 months ended 31 December 2009	12 months ended 31 December 2008
Interest	(17 830)	(15 649)
- including related entities	*(66)*	*(5)*
Loss on the disposal of investments	(4 143)	(382)
Other	(1 621)	(2 683)
Total financial expenses	**(23 594)**	**(18 714)**

(in PLN 000s, unless indicated otherwise)

Interest	12 months ended 31 December 2009	12 months ended 31 December 2008
Bank loan interest	(16 208)	(14 922)
Leasing interest	(478)	(584)
- including related entities		
Loans interest	(16)	
- including related entities	*(7)*	
Interest on overdue payables	(490)	(30)
- including related entities		*(5)*
Bonds interest	(604)	(74)
- including related entities	*(72)*	*(49)*
Treasury interests	(32)	(39)
Other interest	(2)	
- including related entities		
Total interest	**(17 830)**	**(15 649)**

Other financial expenses	12 months ended 31 December 2009	12 months ended 31 December 2008
Financial expenses of bank warranty	(183)	(102)
Exchange rate differences	(1 160)	(423)
Write offs – financial instruments	(1)	(102)
Balance sheet valuation of liabilities and receivables	(42)	
The liquidation of a Rexpol subsidiary		(1 586)
Other	(235)	(470)
Total other financial expenses	**(1 621)**	**(2 683)**

Gains or losses by category of instrument	12 months ended 31 December 2009	12 months ended 31 December 2008
Interest income		
Bank deposits	404	386
Loans granted	370	19
Trade receivables	1 166	683
Other	45	1 191
Total interest income	**1 985**	**2 279**
Interest costs		
Short and long-term credits	(16 231)	(14 922)
Finance leases	(478)	(584)
Bonds issued	(604)	(74)
Loans received	(16)	
Trade liabilities	(490)	(30)
Other	(11)	(39)
Total interest costs	**(17 830)**	**(15 649)**

(in PLN 000s, unless indicated otherwise)

10.3.32 Corporate income tax

CORPORATE INCOME TAX	12 months ended 31 December 2009	12 months ended 31 December 2008
Gross profit in entities gained tax profit	**158 336**	**123 397**
Gross loss in entities gained tax loss	*(3 515)*	*(7 671)*
Consolidation exemptions at the level of profit before tax	*(62 583)*	*(35 283)*
Non taxable revenues	**(92 219)**	**(6 378)**
financial incomes	(79 494)	(1 147)
other operating income	(12 725)	(5 231)
Other taxable income	**1 657**	**2 075**
Non taxable costs and losses	**124 180**	**112 419**
operating costs	81 415	96 242
financial expenses	22 610	5 655
other operating expenses	20 155	10 522
Additional taxable costs	**(111 904)**	**(109 178)**
Taxable revenue	**80 050**	**122 335**
Other discount form income	*(489)*	*(669)*
Settlement of previous year loss	*(128)*	*(1 677)*
Base of tax calculation	**79 433**	**119 989**
Tax amount 19%	**(15 092)**	**(22 798)**
Increases, abandonment, dismissal, deduction and tax reductions		
Income tax current for the period	**(15 092)**	**(22 798)**
Tax amount*	24,72%	24,43%

* ratio - income tax (current and deferred) and profit before tax.

10.3.33 Deferred corporate income tax

DEFERRED CORPORATE INCOME TAX	12 months ended 31 December 2009	12 months ended 31 December 2008
Increase (decrease) under temporary differences from previous years	(8 208)	(4 493)
Decrease (Increase) under change in tax rate.		
Decrease (Increase) under previously not recognized tax losses, tax credit or temporary difference of previous period		
Decrease (Increase) under writing-off from deferred tax assets or inability to use the reserve for deferred tax		(536)
Decrease (Increase) under the simplified income tax advances		
Decrease (Increase) under deferred income tax from consolidation	442	8 171
Total deferred corporate income tax	**(7 766)**	**3 142**
including : discontinued operations		

Deferred corporate income tax demonstrated outside the profit and loss account	12 months ended 31 December 2009	12 months ended 31 December 2008
Presented in capital	1 160	457
Presented in goodwill		(1 499)
Change of deferred income tax caused by enlargement of composition of the Group	(800)	236
Deferred corporate income tax demonstrated outside the profit and loss account	**360**	**(806)**

10.3.34 Net profit per share

NET PROFIT PRE SHARE	12 months ended 31 December 2009	12 months ended 31 December 2008
Net profit	69 366	59 206
Net profit (loss) annualized	69 366	59 206
Number of shares - weight average	15 115 161	15 064 149
Net profit per share	4,59	3,93
Diluted net profit per share	4,59	3,93

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 2008-2009, amended by resolution of EGM of 4 March 2010, opisane w point 10.3.47 e)

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 , the Company didn't establish the influence of convertible bonds on shares to the diluted profit per one share.

10.3.35 The structure of cash in the statement of cash flow

THE STRUCTURE OF CASH IN THE STATEMENT OF CASH FLOW	12 months ended 31 December 2009	12 months ended 31 December 2008
Cash in the cash desk		
- opening balance	5 882	4 806
- closing balance	7 849	5 882
Cash at bank		
- opening balance	23 390	76 529
- closing balance	16 345	23 390
Other cash		
- opening balance	20 588	15 314
- closing balance	15 763	20 588
Other financial assets		
- opening balance	164	150

(in PLN 000s, unless indicated otherwise)

- closing balance	96	164
Total cash		
- opening balance	**50 023**	**96 798**
- closing balance	**40 053**	**50 023**

10.3.36 Changes in provisions in Cash Flow

Changes in provisions in Cash Flow	12 months ended 31 December 2009	12 months ended 31 December 2008
Provisions	19 093	23 393
Ambra provisions – on the day of purchase	(62)	
Arsenal provisions – on the day of purchase	58	
Alpaga provisions – on the day of purchase		(217)
Sydo provisions – on the day of purchase		(406)
Provisions after consolidation exemptions	**19 089**	**22 770**
Changes in provisions in Cash Flow	**(4 304)**	**676**

Changes in inventory in Cash Flow	12 months ended 31 December 2009	12 months ended 31 December 2008
Inventory	455 272	415 801
Ambra inventory – on the day of purchase	(8 285)	
Alfa inventory – on the day of purchase	(978)	
Centrum-Społem Sanok inventory – on the day of purchase	(368)	
Arsenal inventory – on the day of purchase	3 927	
Alpaga inventory – on the day of purchase		(6 053)
Sydo inventory – on the day of purchase		(13 213)
Inventory after consolidation exemptions	**449 568**	**396 535**
Changes in inventory in Cash Flow	**(33 767)**	**(52 414)**

Changes in receivables in Cash Flow	12 months ended 31 December 2009	12 months ended 31 December 2008
Trade debtors receivables and other in consolidated balance	366 702	396 840
Investments receivables	(736)	6 703
Ambra receivables – on the day of purchase	(12 324)	
Alfa receivables – on the day of purchase	(198)	
Centrum-Społem Sanok receivables – on the day of purchase	(55)	
Arsenal receivables – on the day of purchase	42 216	
Alpaga receivables – on the day of purchase		(7 390)
Sydo receivables – on the day of purchase		(19 515)
Receivables after consolidation exemptions	**395 605**	**376 638**
Changes in receivables in Cash Flow	**1 235**	**(27 384)**

Change in deferred revenues and accruals in Cash Flow	12 months ended 31 December 2009	12 months ended 31 December 2008
Deferred revenues and accruals in consolidated balance sheet	7 996	7 196

(in PLN 000s, unless indicated otherwise)

Ambra deferred revenues and accruals – on the day of purchase	(56)	
Alfa deferred revenues and accruals – on the day of purchase	(7)	
Centrum-Społem Sanok deferred revenues and accruals – on the day of purchase	(9)	
Arsenal deferred revenues and accruals – at balance sheet date	36	
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 and other operating income	2 302	8 449
Deferred revenues and accruals after consolidation exemptions	**10 262**	**15 525**
Change in deferred revenues and accruals in Cash Flow	**(3 066)**	**(9 763)**

Changes in liabilities in Cash Flow	12 months ended 31 December 2009	12 months ended 31 December 2008
Trade payables liabilities and other	617 389	615 740
Ambra liabilities - on the day of purchase	(9 732)	
Alfa liabilities - on the day of purchase	(1 270)	
Centrum-Społem Sanok liabilities - on the day of purchase	(388)	
Arsenal liabilities - on the day of purchase	1 472	
Investments liabilities	18 523	(9 476)
Sydo liabilities - on the day of purchase		(42 101)
Alpaga liabilities - on the day of purchase		(14 880)
Liabilities after consolidation exemptions	**625 994**	**549 283**
Changes in liabilities in Cash Flow	**10 254**	**3 726**

Other adjustments in Cash Flow	12 months ended 31 December 2009	12 months ended 31 December 2008
Reversal of write – offs – fixed assets		233
Intangible fixed assets liquidation	9	
Reserve capital from the evaluation of managerial options	439	596
Other adjustments	240	(319)
Other adjustments in Cash Flow	**688**	**510**

10.3.37 Dividends paid and proposed to pay

Dividends paid and proposed to pay

Dividends paid

On 30 June 2009 General Meeting of Shareholders of Emperia Holding S.A. took decisions regarding dividend distribution, in amount 8.917.944,99 (eight million ninehundred and seventeen thousand nine hundred and forty-four and 99/100 zloty), representing PLN 0.59 (point fifty-nine zloty) per share.

The dividend was paid on 9 September 2009 (date of dividend payment). To dividend entitled were all shareholders holding shares as at 25 August 2009 (Dividend Date).

Dividends received:

Parent company Emperia Holding S.A. as a part of distribution of profit for 2008 in subsidiaries received dividends from following companies:

- Tradis Sp. z o.o. in amount PLN 29 251 000 (payment of dividend on 20 July 2009),
- BOS S.A. in amount PLN 9 497 000 (parent company received dividend on 8 May 2009 ,in accordance with resolution of GMS BOS SA about profit distribution.

Dividends was paid intra Group, thus are subject of consolidation exclusions in this report.

<u>Proposed distribution of profit of ultimate parent Emperia Holding for 2009:</u>
The Management Board of the ultimate parent Emperia Holding SA proposes to distribute as dividend PLN 10,429,461.09, that is PLN 0.69 per share. The remaining amount, that is PLN 33,547,182.71, out of net profit generated in 2009 by the ultimate parent of PLN 43,970,643.80, the Management Board proposes to transfer to the reserve capital.

10.3.38 Classification of Company's activities by: operating, investing, financing in the cash flow statement:

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

(in PLN 000s, unless indicated otherwise)

10.3.39 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 2009	Under bank credit facilities	Under bank guarantees	Under financial guarantees
Mortgages			
As at the beginning of the period	93 356	7 800	
Increases during the period	*123 000*	*0*	
Reductions during the period	*(11 042)*	*(7 800)*	
Increases/reductions during the period resulting from acquisitions	*0*	*0*	
As at the end of the period	**205 314**	**0**	
Transfer of title as security/pledge/assignment of current assets			
As at the beginning of the period	281 786	21 325	
Increases during the period	*89 000*	*5 880*	
Reductions during the period	*(62 130)*	*(11 720)*	
Increases/reductions during the period resulting from acquisitions	*(10 800)*	*(200)*	
As at the end of the period	**297 856**	**15 285**	
Transfer of title as security/pledge/assignment of fixed assets			
As at the beginning of the period	2 232		
Increases during the period	*0*		
Reductions during the period	*(800)*		
Increases/reductions during the period resulting from acquisitions	*0*		
As at the end of the period	**1 432**		
Guarantees			
As at the beginning of the period	68 500	8 036	3 535
Increases during the period	*161 379*	*8 425*	*2 744*
Reductions during the period	*(87 700)*	*(10 689)*	*(725)*
Increases/reductions during the period resulting from acquisitions	*0*	*0*	*0*
As at the end of the period	**142 179**	**5 772**	**5 554**

Emperia Holding S.A. granted financial guarantees of PLN 142,179,000 to subsidiaries on account of credit facilities contracted by them. These guarantees are in part temporary and have been granted until the actual security for the credit facilities is established.

(in PLN 000s, unless indicated otherwise)

Changes in off-balance sheet liabilities In 2008	Under bank credit facilities	Under bank guarantees	Under financial guarantees
Mortgages			
As at the beginning of the period	63 033	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**	**21 325**	
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**

Emperia Holding S.A. granted financial guarantees of PLN 68,500,000 to subsidiaries on account of credit facilities contracted by them. These guarantees are in part temporary and have been granted until the actual security for the credit facilities is established

10.3.40 Financial and operating leases.

2009:

Liabilities under financial leases	31 December 2009	
	Minimum payments	Current value of minimum payments
Up to 1 year	949	751
From 1 to 5 years	2 534	2 340
Over 5 years		
Total	**3 483**	**3 091**

Operating leases

Description of assets	Term of agreement	As at 31.12.2009	As at 31.12.2010	From 1 - 5 years	Over 5 years
		Minimum annual payments			
Real properties	Definite				
	Indefinite				

Machinery and equipment	Definite	1 319	734	585	
	Indefinite				
Vehicles	Definite				
	Indefinite				
Other fixed assets	Definite				
	Indefinite				

Agreements containing a lease according to IFRIC 4

Description of assets	Term of agreement	As at 31.12.2009	As at 31.12.2010	From 1 - 5 years	Over 5 years
		Minimum annual payments			
Real properties	Definite	66 914	76 424	283 498	288 460
	Indefinite	5 331	5 380	19 769	19 465
Machinery and equipment	Definite	188	188	753	941
	Indefinite	114	29	456	485
Vehicles	Definite				
	Indefinite	5	5		
Other fixed assets	Definite	2	1		
	Indefinite	4	7	30	37

2008:

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**

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				

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

(in PLN 000s, unless indicated otherwise)

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				

10.3.41 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.

10.3.42 Commitments to purchase tangible fixed assets.

No such event occurred in the Group in 2009.

10.3.43 Transactions of Emperia Holding SA with related entities.

In 2009 Emperia did not make significant transactions with related entities, apart transactions made in normal business activities on market conditions and associated with an increase or subsidies to capital in subsidiaries. Mergers made in 2009 implemented within the Group are described in note 10.2.9. As a part of Group cash flows management, took place short-term bond issue, described in detail in note. 10.3.22, not shown in table below.

Transactions of Capital Group Companies with subsidiaries entities excluded from consolidation

Trade receivables from subsidiaries entities excluded from consolidation	31 December 2009	31 December 2008
Trade receivables of Emperia Holding SA from subsidiaries entities excluded from consolidation	68	23
Trade receivables of other companies from subsidiaries entities excluded from consolidation	761	1 562
Total trade receivables from subsidiaries entities excluded from consolidation	**829**	**1 585**

Other receivables from subsidiaries entities excluded from consolidation	31 December 2009	31 December 2008
Emperia Holding SA		
Other companies		676
Total other receivables from subsidiaries entities excluded from consolidation		**676**

Trade commitments to subsidiaries entities excluded from consolidation	31 December 2009	31 December 2008
Trade commitments of Emperia Holding to subsidiaries entities excluded from consolidation	3	
Trade commitments of other companies to subsidiaries entities excluded from consolidation	7 806	6 644
Total trade commitments to subsidiaries entities excluded from consolidation	**7 809**	**6 644**

(in PLN 000s, unless indicated otherwise)

Other commitments from subsidiaries entities excluded from consolidation	31 December 2009	31 December 2008
Emperia Holding SA		
Other companies	31	68
Total other commitments from subsidiaries entities excluded from consolidation	**31**	**68**

Revenues from sales of goods and materials from subsidiaries entities excluded from consolidation	31 December 2009	31 December 2008
Emperia Holding SA	2	9
Other companies	8 387	2 626
Total revenues from sales of goods and materials from subsidiaries entities excluded from consolidation	**8 389**	**2 635**

Revenues from sales of products and services from subsidiaries entities excluded from consolidation	31 December 2009	31 December 2008
Emperia Holding SA	637	40
Other companies	517	88
Total revenues from sales of products and services from subsidiaries entities excluded from consolidation	**1 154**	**128**

10.3.44 Information on average employment

2009

Description	Average employment in 2009 (in persons)		
	Total	White-collar workers	Manual workers
Emperia Holding S.A.	406	406	0
Stokrotka Sp. z o.o.	5 516	1 103	4 413
Infinite Sp. z o.o.	41	40	1
Detal Koncept Sp. z o.o.	775	317	458
Elpro Sp. z o.o.	48	42	6
Tradis Sp. z o.o.	4 588	1 497	3 091
DEF Sp. z o.o.	224	88	136
Ambra Sp. z o.o.	168	34	134
Lewiatan Podlasie Sp. z o.o.	104	33	71
Maro Markety Sp. z o.o.	414	112	302
Projekt Elpro 1 Sp. z o.o.	4	4	0
Społem Tychy Sp. z o.o.	429	111	318
Euro Sklep S.A.	156	35	121
Emperia Info Sp. z o.o.	110	110	0
TOTAL	**12 983**	**3 932**	**9 051**

(in PLN 000s, unless indicated otherwise)

2008

Description	Average employment in 2009 (in persons)		
	Total	White-collar workers	Manual workers
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
Euro Sklep S.A.	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
TOTAL	**11 966**	**3 529**	**8 437**

10.3.45 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 is being paid quarterly in the form of advance payments, accounted after finishing the financial year.

Amount of salaries and awards for persons managing in Emperia holding company plc behind 2009 (in the PLN thousand):

	Name and surname	Basic salary Total	Bonuses	Material benefits and the sickness salary	Total
1.	Kawa Artur	384,0	347,8	2,1	733,9
2.	Wawerski Jarosław	60,0	300,0	-	360,0
3.	Kalinowski Dariusz	304,4	376,6	2,1	683,1
4.	Wawerski Grzegorz	36,0	22,4	-	58,4
5.	Wesołowski Marek	60,0	41,2	-	101,2
	TOTAL	**844,4**	**1 088,0**	**4,2**	**1 936,6**

(in PLN 000s, unless indicated otherwise)

Salaries and awards for Emperia Management Board Members in authorities of subsidiary companies in 2009 year (in the PLN thousand):

	Name and surname	Total
1.	Wawerski Grzegorz	712,5
2.	Wesołowski Marek	662,1
3.	Wawerski Jarosław	331,0
4.	Kalinowski Dariusz	70,6
	TOTAL	1 776,2

Valuation of cost of options on treasury shares, payable in the case of realization of program (in thous. PLN):

	Name and surname	2009	2008	Total
1.	Kawa Artur	87,0	82,0	169,0
2.	Wawerski Jarosław	22,0	21,0	43,00
3.	Kalinowski Dariusz	87,0	82,0	169,0
4.	Wawerski Grzegorz	15,0	13,0	28,0
5.	Wesołowski Marek	17,0	16,0	33,0
	TOTAL	**228,0**	**214,0**	**442,0**

Terms and conditions for granting and realization options were described in note 52 point g).

Salary of supervisors of Emperia Holding SA for 2009

	Name and surname of Members of Supervisory Board	Salary (in the PLN thousand)
1	Długosz Piotr	36,0
2	Kawa Piotr	36,0
3	Krysztofiak Tomasz	36,0
4	Laskowski Piotr	36,0
5	Laskowski Artur	17,9
6	Mierzejewski Zenon	18,1
7	Zięba Ireneusz	36,0
	TOTAL	**216,0**

10.3.46 Financial Instruments and and risk assessment of these instruments

1. Financial risk management

The operations of the Group are exposed to the following financial risks:

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

<u>a) credit risk</u> – a risk that one party to a financial instrument by failing to meet its obligations to the Group causes financial losses to the Group. Credit risk arises in the case of receivables, cash and cash equivalents, deposits, bonds

acquired, deposits made. The Group's wholesale business is mainly exposed to this type of risk. Much of the sales to retailers is with a deferred date of payment. The wholesale companies have in place many vehicles limiting this risk factor: adequate selection of clients, new client verification system, application of credit limits, regular monitoring of liabilities. The exposure of the retail business to this risk factor is marginal. The retail business targets retail customers and payments are effected wither in cash or by credit card.

The Group deposits cash with reliable financial institutions (selected based on their rating). The bonds are short-term bonds issued by the Group's subsidiaries.

b) liquidity risk – a risk that the Group may encounter difficulties in meeting its liabilities under financial obligations. The Group seeks to maintain liquidity at an adequate and secure level. After the budget is prepared, the Group requests the financial institutions working with it to provide it with the appropriate credit limits. As regards external financing, the Group relies on credit facilities and bonds issued by selected subsidiaries of the Group. The bonds, in addition to the function of financing operations, also play a role in optimising liquidity management within the Group. By working with many financial institution that provide hedged financial instruments the Group diversifies its liquidity risk. The financial department monitors on a regular basis the Group's financial standing and collection status.

c) market risk – a risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to fluctuations in market prices. The risk comprises three types of risk: exchange risk, interest rate risk, other price risk.

exchange risk – a risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to fluctuations in foreign exchange rates. The Group does not face that risk, as it does not rely on currency or currency-denominated debt instruments.

interest rate risk – a risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in market interest rates. The Group hardly ever invests cash surplus in interest-bearing assets, and hence the risk of changing interest rates as part of those transactions is insignificant. The only exception is the acquisition of bonds within the Group. The transactions serve the purpose of liquidity management within the Group and interest rate changes do not affect the outcome (there are bilateral counterbalancing cash flows).

Main risk for the Group relating to changes in interest rates relates to debt instruments. The Group relies on variable-interest debt instruments (credit facilities and bonds) which exposes it to cash flow fluctuations resulting from interest rate changes.

other price risk – a risk that the fair value of a financial instrument or the related future cash flows will fluctuate due to changes in market prices (otherwise than as a result of interest rate risk or exchange risk), regardless of whether the changes are caused by factors typical of the specific financial instruments or their issuer, or by factors affecting all similar financial instruments traded in the market. The Group does not rely on any financial instruments carrying price risk.

(in PLN 000s, unless indicated otherwise)

Classification of financial instruments - MSR 39

Financial Assets according to balance	2009 fair value	2009 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	11 178	11 178			11 178				
Loans									
Long-term	1 114	1 114					1 114		
Short-term									
Deposits made and other long-term receivables	6 758	6 758					6 758		
Receivables	333 882	333 882					333 882		
Other receivables	11 421	11 421					11 421		
Debt securities									
Cash	40 053	40 053							40 053

Financial liabilities according to balance	2009 fair value	2009 book value	Classification of financial instruments - MSR 39 (book value)				Other (book value)
			at fair value through profit or loss		measured at amortized cost	measured at fair value with changes in equity	
			designated upon initial recognition	held for trading		hedge accounting	
Financial liabilities							
Bank loans							
Long-term	134 221	134 221			134 221		
Short-term	217 001	217 001			217 001		
Loans							
Long-term							
Financial leasing							
Long-term	2 885	2 885			2 885		
Short-term	1 529	1 529			1 529		
Deposit retained and other long-term liabilities	5 959	5 959			5 959		
Debt securities	5 090	5 090			5 090		
Valuation of other instruments – derivatives							
Trade payables	549 799	549 799			549 799		
Other liabilities	34 880	34 880			34 880		

(in PLN 000s, unless indicated otherwise)

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			
Loans								
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			

(in PLN 000s, unless indicated otherwise)

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 receivable (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
2009	333 882	250 450	70 673	12 759			
2008	338 556	231 176	81 987	24 203	1 190		

Other financial assets are not overdue at the reporting date

Revaluation allowances for receivables under credit losses

Revaluation allowances for receivables under credit losses	31 December 2009	31 December 2008
Opening balance	(33 081)	(29 577)
Additions (as a result of the acquisition of units)	(16 786)	(14 997)
Disposals	12 961	5 242
*Not written off profit and loss**	6 108	4 919
Closing balance	(30 798)	(34 413)

* written receivables on which has been previously establishment revaluation allowances and irrecoverable of which has been documented.

Principles of creating and reversal of write–offs revaluation allowances for receivables were described in point. 10.2.17.

Age structure of financial liabilities

Description	Total liabilities	Liabilities period		
		up to 1 year	1-3 years	over 3 years
2009				
Bank loans	351 222	217 001	94 454	39 767
Loans				
Financial leasing	4 414	1 529	2 885	0
Deposit retained	5 959			5 959
Debt securities				
Trade payables	549 799	549 740	59	

(in PLN 000s, unless indicated otherwise)

Other liabilities	34 880	34 880		
2008				
Bank loans	305 049	22 903	245 575	36 571
Loans				
Financial leasing	5 053	1 936	2 997	120
Deposit retained	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		

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
2009	549 799	505 673	38 383	4 434	702	395	212
2008	531 107	473 766	54 773	1 535	289	330	414

Other financial liabilities are not overdue at the reporting date

(in PLN 000s, unless indicated otherwise)

Sensitivity analysis

Interest rate risk– 01.01.2009 – 31.12.2009

Financial instruments by balance sheet line	Book value of financial instruments	Impact on financial result before tax (Up by 1%)	Impact on equity (assets held for sale) (Up by 1%)	Impact on financial result before tax (Down by 1%)	Impact on equity (assets held for sale) (Down by 1%)
Financial Assets					
Shares	11 178				
Loans		4		(4)	
Long-term	1 114				
Short-term					
Long-term deposits made	6 758				
Trade debtors	333 882	12		(12)	
Other receivables	11 421				
Debt securities					
Cash	40 053	4		(4)	
cask at cash desk	7 849				
cash at bank	16 345	4		(4)	
other	15 763				
other financial assets	96				
Financial liabilities					
Bank Loans	351 222	(162)		162	
Long-term	134 221				
Short-term	217 001				
Loans					
Long-term					
Financial leasing	4 414	(5)		5	
Long-term	2 885				
Short-term	1 529				
Long-term deposit retained	5 959				
Debt securities	5 090	(6)		6	
Trade payables	549 799	(5)		5	
Other liabilities	34 880				
Total		(158)		158	

Group does not make a sensitivity analysis for foreign exchange riskand other price risks, because they don't relevant to operations occurring in Group in 2009.

(in PLN 000s, unless indicated otherwise)

Sensitivity analysis

Interest rate risk – 01.01.2008 – 31.12.2008

Financial instruments by balance sheet line	Book value of financial instruments	Impact on financial result before tax (Up by 1%)	Impact on equity (assets held for sale) (Up by 1%)	Impact on financial result before tax (Down by 1%)	Impact on equity (assets held for sale) (Down by 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				
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 riskand other price risks, because they don't relevant to operations occurring in Group in 2008.

(in PLN 000s, unless indicated otherwise)

Profit or losses by category of instrument

Interest income	01.01.2009 – 31.12.2009	01.01.2008 - 31.12.2008
Bank deposits	404	1 577
Debt securities		
Loans granted	370	19
Trade debtors	1 166	683
Other	45	16
	1 985	**2 279**

Interest income accrued and unrealized are an insignificant amount to report..

Interest costs	01.01.2009 – 31.12.2009	01.01.2008 - 31.12.2008
Bank credits	(16 208)	(14 922)
Loans received	(16)	
Financial leasing	(478)	(584)
Debt securities	(604)	(74)
Trade payables	(490)	(30)
Other		
	(17 796)	**(15 610)**

Interest costs accrued and unrealized are an insignificant amount to report..

Profit or losses by category of instrument	01.01.2009 – 31.12.2009	01.01.2008 - 31.12.2008
Assets at fair value through profit or loss		
- designated upon initial recognition		
- held for trading		
Assets available for sale (amount transferred form equity)		
Loans and receivables	(4 578)	(6 648)
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)	(17 796)	(15 610)

Losses from impairment	01.01.2009 – 31.12.2009	01.01.2008 - 31.12.2008
Assets available for sale		
Loans and receivables	(6 114)	(6 927)
Investments held to maturity		
	(6 114)	(6 927)

(in PLN 000s, unless indicated otherwise)

2. Risk management for capital

Group manages capital in order to preserve the ability to continue its operations including the implementation of lanned investments, so that it could generate a return for the benefit of shareholders and other stakeholders, and to aintain 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 unding sources to EBITDA. Credits, loans and other sources of funding means the total amount of liabilities, loans nd 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.

	31.12.2009	31.12.2008
Equity	*806 072*	*745 083*
Intangible assets	*7 796*	*6 367*
Shareholders' equity minus intangible assets	798 276	738 716
Balance sheet total	1 830 168	1 725 268
Equity index	**0,44**	**0,43**

	31.12.2009	31.12.2008
Profit from operations	*113 183*	*96 012*
Amortization	*63 349*	*52 928*
EBIDTA	176 532	148 940
Credits, loans and other sources of funding	360 726	314 578
Credits, loans and other sources of funding / EBITDA index	**2,04**	**2,11**

At the Capital Group is not resting any capital requirements in the previous year and 2009 year.

10.3.47 Material events after the period of the financial statements

a) Changes in the composition of the managing and supervising of Issuer

On 4 February 2010 Mr. Piotr Długosz and Mr. Piotr Kawa resigned as a members of the issuer's Supervisory Board with effect as of 14 February 2010.

On 4 March2010 the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. appointed Mr Piotr Długosz as a Independent Member of the Supervisory Board. Mr. Piotr Dlugosz was a Member of the Supervisory Board Emperia Holding SA in the years 2007-2010.

As a result of changes in composition of the Supervisory Board, functions of members of Supervisory Board changed. At the first meeting in new composition, Supervisory Board elected Chairman – Mr. Piotr Laskowski and Vice-Chairman – Mr. Tomasz Krysztofiak (independent member).
Management Board of Emperia Holding SA (the Company) informs, that Supervisory Board of Emperia Holding SA made the following nominations in Managment Board of Company:

(in PLN 000s, unless indicated otherwise)

1. Mr. Dariusz Kalinowski, previous Member of Management Board of Company, was appointed as a Vice President of Management Board - responsible for financial area,
2. Mr. Grzegorz Wawerski, previous Member of Management Board of Company, was appointed as a Vice President of Management Board - responsible for developer activity area,
3. Mr. Marek Wesołowski, previous Member of Management Board of Company, was appointed as a Vice President Management Board - responsible for retail business area.

Resolution becomes effective on the date of registered by the Registration Court amendments in Statute of Emperia Holding SA passed by the EGM of the Company of 4 March 2010.

b) Projection of Selected Financial Results for 2010

The Management Board of Emperia Holding S.A. hereby discloses a projection of selected consolidated financial results of the Emperia Group of Companies in 2010:

Sales revenues	PLN 6,000,000
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 2010 projection do not includ potential acquisitions of FMCG companies.

c) Establishment of the Emperia Foundation which obtains the status of a public benefit organisation

On 10 February 2010, the Emperia Foundation was established. The purpose of the Foundation is to support employees and their families who have found themselves in some predicament, as well as promoting sightseeing and leisure pursuits for children and teenagers. Beneficiaries of the Foundation include: employees of Emperia Trading Group, their children and spouses, as well as former employees, now retired.

The Foundation's assistance efforts so far have supported the treatment and rehabilitation of five people. The beneficiaries included employees and their families from Stokrotka and Tradis.

The Emperia Foundation has obtained the status of a public benefit organisation and consequently can benefit from 1% charitable tax deductions.

Registration details:
Fundacja Emperia
20-952 Lublin, POLAND, ul. Mełgiewska 7-9
National Court Register: KRS 0000348564
REGON Statistical No.: 060581183
NIP Tax No.: 9462599869
Bank account: BRE S.A. 48 1140 1094 0000 4745 0000 1001

d) Extraordinary General Meeting of Shareholders of Emperia Holding S.A.

On 4 March 2010 held Extraordinary General Meeting of Shareholders of Emperia Holding SA on the following agenda:

1) Opening the Extraordinary General Meeting.
2) Electing the Chairman of the Extraordinary General Meeting.

3) Confirming that the Extraordinary General Meeting has been duly convened and is capable of adopting valid resolutions.
4) Adopting the Agenda for the Extraordinary General Meeting.
5) Adopting resolutions to: amend the resolutions of the General Meeting on the Management Option Plan; establish the terms and conditions of the Company's new programme of management options, bonds issue with the right of pre-emption and conditional increase of the share capital, amend the Company's Articles of Association and exclude the shareholders' rights to acquire shares.
6) Adopting a resolution to amend the Company's Articles of Association.
7) Adopting a resolution to amend the General Meeting Regulations.
8) Adopting a resolution to approve amendments to the Supervisory Board Regulations.
9) Adopting a resolution to appoint a Supervisory Board member.
10) Any other business.
11) Closing the Extraordinary General Meeting.

e) II Management Incentive Programme 2010-2012

On 4 March 2010, the Extraordinary Meeting of ultimate parent Emperia Holding S.A. adopted a resolution to launch II Management Incentive Programme 2010-2012. The implementation of the Programme will span a period of three years, 2010-2012. The Programme is targeted at the company's and subsidiary companies' management board members and key managers. The aim of the Programme is to tie first-rate specialists with the Group over the long-term to ensure growth and improved efficiency of the Group's operations.

<u>Basic programme documents:</u>
1. Resolution 2, section II of the Extraordinary Meeting of Shareholders of Emperia Holding S.A. of 4 March 2010 on Terms and Conditions of the Company's Management Incentive Programme 2010-2012;
2. Management Option Regulations of Emperia Holding S.A.;
3. List of Programme participants approved by the Supervisory Board of Emperia Holding S.A.

<u>Key assumptions of the Programme:</u>
The size of the Programme is up to 450,000 (in words: four hundred and fifty thousand) registered bonds with the pre-emptive right to acquire P series ordinary bearer shares in the company of the nominal value of PLN 1.00 (in words: one zloty) each.

The bonds will be made available in three tranches. Each tranche will offer to the eligible parties up to:
-150,000 bonds with the pre-emptive right to acquire 150,000 shares as part of Tranche I;
-150,000 bonds with the pre-emptive right to acquire 150,000 shares as part of Tranche II;
- 150,000 bonds with the pre-emptive right to acquire 150,000 shares as part of Tranche III.

<u>The exercise of the options will take place in the following periods:</u>
- for Tranche I bonds: from 1 July 2014 to 30 June 2018;
- for Tranche II bonds: from 1 July 2015 to 30 June 2019;
- for Tranche III bonds: from 1 July 2016 to 30 June 2020.
The nominal value and issue price of one bond is PLN 0.01. The underlying option instrument are shares in a public company listed on the Warsaw Stock Exchange.

The issue price of the shares offered under the Programme is equivalent to the Warsaw Stock Exchange mean closing rate of the company's shares over a period of 90 days prior to the date of adopting Resolution 2, section II on the Management Incentive Programme 2010-2012 less 5%.
The options vested as part of the relevant tranche are divided into two parts:
- Option Financial Component (accounting for up to 75% of the tranche), the vesting of which is conditional upon the attainment of the Company's Financial Objective;
- Option Market Component (accounting for up to 25% of the tranche), the vesting of which is conditional upon the attainment of the Market Objective.

Financial Objective: the Company achieves consolidated diluted earnings per share of PLN 5.62 in 2010; PLN 6.75 in 2011; and PLN 8.10 in 2012. If the performance of the financial objective is 100%, 100% of the options scheduled will be vested. If the performance of the financial objective is 80% or less, the options will not be vested.

Market Objective: total return on Emperia's shares is not less than WIG
- the eligible party remains continuously in an official relationship from the time he/she is placed on the list of eligible parties until 31 December of 2010, 2011 or 2012, depending on the tranche.

f) Notification of sale and purchase of shares in Emperia Holding S.A. by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK.

On 4 March 2010 The Management Board of Emperia Holding S.A. received the following notification from Aviva OFE.

"According to the obligation arising under Article 69(1) and (4) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Journal of Laws No. 184 item 1539), please be advised that following sale of shares in Emperia Holding S.A. ("Company") with its registered seat in Lublin, Poland, cleared on 24 February 2010, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (Aviva OFE) reduced state of ownership of shares, to less than 10% of votes at the General Meeting of Shareholders of the Company. Prior to the above transactions, as at 25 February 2010, Aviva OFE had held 1,517,616 shares in the Company, representing 10,04% of the share capital (number of issued shares) of the Company, carrying 1,517,616 votes at the General Meeting of Shareholders, which accounted for 10,04% of the total number of votes. Upon completion and clearance of the above transactions, as at 1 March 2010, Aviva OFE held 1,477,654 shares in the Company, representing 9,78% of the share capital (number of issued shares) of the Company, carrying 1,477,654 votes at the General Meeting of Shareholders, which accounted for 9,78% of the total number of votes".

On19 April 2010 The Management Board of Emperia Holding S.A. received the following notification from Aviva OFE.

"According to the obligation arising under Article 69(1) and (4) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Journal of Laws No. 184 item 1539), please be advised that following purchase of shares of Emperia Holding S.A. ("Company") with its registered seat in Lublin, Poland, cleared on 12 April 2010, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (Aviva OFE) increased state of ownership of shares, to more than 10% of votes at the General Meeting of Shareholders of the Company. Prior to the above transactions, as at 14 April 2010, Aviva OFE had held 1.506.132 shares in the Company, representing 9,96% of the share capital (number of issued shares) of the Company, carrying 1.506.132 votes at the General Meeting of Shareholders, which accounted for 9,96% of the total number of votes. Upon completion and clearance of the above transactions, as at 15 April 2010, Aviva OFE held 1.518.210 shares in the Company, representing 10,04% of the share capital (number of issued shares) of the Company, carrying 1.518.210 votes at the General Meeting of Shareholders, which accounted for 10,04% of the total number of votes".

g) Execution of annexe to Credit Facility Agreement by Tradis Sp. z o.o.

On 17 March 2010 were concluded Annexe to Credit Facility Agreement in form of multipurpose credit line by a subsidiary Tradis sp. z o.o. in Lublin ("Borrower") and Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna. in Warsaw ("Lender").
Subject of the annexe is increasing of amount of multipurpose credit line to PLN 138,000,000.
Current limit was PLN 15,000,000..The credit facility has been granted for the period ended on 28.02.2011.

The credit facility is secured by:

1. Registered pledge on Borrower's inventory of commercial goods of total amount not less than amount of granted credit;

2. Transfer of monetary claims from insurance contracts of commercial goods referred to in item 1,
3. Sponsor's Statement of Emperia Holding SA in relation to Tradis Sp. z o.o.,
4. Clause deduction of funds from the Borrower's current account held by the Lender.

The facility interest rate is based on WIBOR 1M + Lender's margin. The other terms and conditions are consistent with those customarily applied in the market in agreements of this type.

On 29 March 2010 a Credit Facility Agreement was signed between subsidiary company Tradis Sp. Z o.o. ("Borrower") and Bank Polska Kasa Opieki SA in Warsaw ("Lender").
The Lender has provided a overdraft facility of PLN 121,000,000. The purpose of the facility is to finance day-to-day operational needs. The credit facility has been granted for the period from 30 March 2010 to 30 March 2011.

The facility is secured by:
1. Registered pledge on commercial goods with assignment of rights from insurance policy in value not less than 100 percent of amount of credit;
2. A guarantee issued by the parent company, Emperia Holding S.A., to amount of credit - PLN 121,000,000. until pending establishment of registered pledge of commercial goods referred to in item 1.

As consideration for the guarantee issued, Tradis will pay to Emperia Holding S.A. a fee of 0.3 percent per annum on the guarantee amount throughout the term of the guarantee.
The facility interest rate is based on WIBOR 1M + Lender's margin. The other terms and conditions are consistent with those customarily applied in the market in agreements of this type

On 8 April 2010 Credit Facility Agreement was signed between subsidiary company Tradis Sp. z o.o. ("Borrower") and Raiffeisen Bank Polska SA in Warsaw ("Lender"). The Lender has provided a overdraft facility of PLN 80 000 000. The purpose of the facility is to finance day-to-day operational needs.
The credit facility has been granted for the period from 26 April 2010 to 31 March 2011.

The facility is secured by:
1. Power of attorney for Borrowers' accounts in Raiifeisen Bank ,
2. Silent assignment of the Borrower receivables in the amount of 72 million PLN,
3. Letter of comfort issued by Emperia Holding SA

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.

h) Purchase of Shares in Lewiatan Kujawy Sp. z o.o. in Włocławek

The Management Board of Emperia Holding S.A. ("Emperia") is pleased to inform of the purchase of 50% shares limited liability company Lewiatan Orbita Sp. z o.o. ("Company") having its registered office in Włocławek. Following the above acquisition, Emperia 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.

Lewiatan Orbita Sp. z o.o. operates 9 own shops and organize a chain of retail FMCG outlets, currently comprising 246 stores located in the regions of Poland: kujawsko-pomorskie, pomorskie, łódzkie, mazowieckie, śląskie. Company turnover in 2009 amounted to PLN 34,000,000.

i) Choosing Tradis on a goods supplier for PKN Orlen stations.

On 22 April 2010 The Management Board of Emperia Holding S.A received information that the Management Board of PKN Orlen S.A. passed a resolution approving the selection subsidiary company Tradis as a supplier of goods category, beer, sweets and beverages to stores located on petrol stations of the Group.

Start of long-term cooperation is planned for 1 June 2010 and estimated annual sales of approximately PLN 220,000,000.

10.3.48 Settlements of Litigation

In 2009 the Group companies 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.

10.3.49 Failure to repay or breach of a loan agreement and failure to take remedial actions

No such event occurred in the Group.

10.3.50 Abandoned activity

No such event occurred in the Group.

10.3.51 Other material information

a) 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:
1. 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.
2. 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.

On 3 July 2009 and 10 August 2009 a annexes to Credit Facility Agreement from 24 May 2007 were signed between subsidiary limited liability company Tradis ("Borrower") and Bank Polska Kasa Opieki Spółka Akcyjna in Warsaw ("Lender"). Subject of the annexe is increasing by PLN 47,000,000. the amount of credit facility in a current account tothe height of 74,000,000. The credit facility has been granted for the period ended on 30 March 2010.

The credit facility is basically secured by:
1. Registered pledge on Borrower's inventory of commercial goods for the amount of PLN 42,000,000.
2. Transfer of commercial liabilities from agreements with contracting parties of the Borrower for the amount of PLN 32,000,000.

The facility interest rate is based on WIBOR plus Lender's margin.
The other terms and conditions are consistent with those customarily applied in the market in agreements of this type.

On 30 October 2009 a Credit Facility Agreement was signed between subsidiary limited liability company Tradis ("Borrower") and BRE Bank Spółka Akcyjna in Warsaw ("Lender"). The Lender has provided a overdraft facility of PLN 63 000 000. The purpose of the facility is to finance day-to-day operational needs. Signed loan agreement replaced three agreements functioning so far and executed by Tradis and acquired by him in July 2009 companies of Emperia Capital Group: BOS and DLS with BRE Bank (total value of PLN 63 000 000).

The credit facility has been granted for the period from 30 October 2009 to 30 August 2012.

The facility is secured by:
1. Global cession for Lender claims of Borrower in an amount not less than 90 percent of amount of credit.
2. Patronage letter of Emperia Holding SA.

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 his type.

b) Changes in the Supervisory Board of the Issuer.

The Management Board of Emperia Holding S.A. hereby informs that on 19 May 2009 Mr Zenon Andrzej Mierzejewski resigned as a member of the issuer's Supervisory Board with effect as of 1 July 2009.

On 30 June the Annual General Meeting of Shareholders of Emperuia Holding S.A. unanimously appointed Mr Artur Jarosław Laskowski as a Member of the Supervisory Board from 2 July 2009.

On 8 September Supervisory Board of Emperia Holding S.A. appoints Mr Piotr Laskowski as a Vice-Chairman of theSupervisory Board Emperia Holding S.A.

c) Loans granted within the Group

A loan granted by the issuer to subsidiary company Detal Koncept Sp. z o.o.

On 20 May 2009, Emperia Holding S.A. granted a loan of PLN 8,000,000 to its subsidiary company, Detal Koncept Sp. z o.o. The repayment date for the loan is 30 June 2010. The loan is secured by a blank promissory note with a promissory note declaration. The loan bears a variable interest rate based on 1-month WIBOR plus the lender's margin.

On 20 July 2009 under an amendment (to the Loan Agreement of 20 May 2009) Emperia Holding S.A. granted a further loan of PLN 7 million to Detal Koncept Sp. z o.o. The agreement was concluded on an arm's length basis, that is the interest rate on the loan was set at 1-month WIBOR plus a margin. The interest is payable at the end of each month, the loan is secured by a blank promissory note with a promissory note declaration.

On 7 October 2009, the Company and Detal Koncept Sp. z o.o. concluded an agreement for offsetting mutual claims, that is the above loan against the liability of Emperia Holding S.A. on account of the acquisition of shares in the increased initial capital of Detal Koncept Sp. z o.o. For details of the initial capital increase, see section 10.2.9 – Mergers within Emperia Holding Group and initial capital increases in subsidiaries – subsection (b).

A loan granted by the issuer to Stokrotka Sp. z o.o.

On 7 July 2009, Emperia Holding S.A granted a short-term loan of PLN 17 million to its subsidiary company, Stokrotka Sp. z o.o. The agreement was concluded on an arm's length basis, that is the interest rate on the loan was set at 1-month WIBOR plus a margin. The interest is payable at the end of each month, the loan is secured by a blank promissory note with a promissory note declaration. The repayment date for the loan is 30 June 2010. As at 31 December 2009 the outstanding debt is PLN 16,991,000.

A loan granted by BOS SA to Arsenal Sp. z o.o.

On 22 May 2009, BOS S.A. granted a loan of PLN 19,000,000 to Arsenal Sp. z o.o. The loan was disbursed in two tranches:
– under the terms of the agreement, repayment of the first tranche of PLN 10,000,000 was to be effected in 20 equal quarterly repayments of PLN 500,000 each by 30 June 2014,
– repayment of the second tranche of PLN 9,000,000 was to be effected as a single repayment by 31 May 2012.

On 30 June 2009, Arsenal was sold (for details see section 10.2.9); until the balance sheet date the loan was repaid in the following tranches:

- 26 06 2009 PLN 1 000 000.
- 26 06 2009 PLN 3 000 000.
- 31 08 2009 PLN 2 000 000.
- 31 08 2009 PLN 7 000 000.
- 28 09 2009 PLN 5 724 000.
- 28 09 2009 PLN 276 000.

Total PLN 19 000 000

The loan was granted on the following terms:

A variable interest rate, based on WIBOR plus the lender's margin (for the first tranche of the loan, 3-month WIBOR, and for the second tranche, 1-month WIBOR).

The loan was secured by:
- pledge and registered pledge over shares in Emperia Holding S.A. and Mispol S.A.;
- ceiling mortgages of up to PLN 19,000,000 over real properties located at Ksawerów and Białystok;
- ceiling mortgages of up to PLN 7,000,000 over a real property located in Białystok;
- ceiling mortgages of up to PLN 5,000,000 over a real property located in Augustów;
- pledge and registered pledge over shares in the borrower's initial capital;
- registered pledge over stock of not less than PLN 3,000,000;
- assignment of receivables from buyers totalling not less than PLN 8,000,000;
- blank promissory note with a promissory note declaration.

After repayment of the above loan, the security interests were released.

Agreements for loans granted to Ambra Sp. z o.o. by Tradis Sp. z o.o.

On 26 May 2009, Tradis Sp. z o.o. granted a loan of PLN 7,000,000 to Ambra Sp. z o.o. The repayment date for the loan is 30 June 2010. The loan is secured by a blank promissory note with a promissory note declaration. The loan bears a variable interest rate based on 1-month WIBOR plus the lender's margin.

On 24 June 2009, Tradis Sp. z o.o. granted a loan of PLN 1,150,000 to Ambra Sp. z o.o. The repayment date for the loan is 31 August 2009. The loan is secured by a blank promissory note with a promissory note declaration. The loan bears a variable interest rate based on 1-month WIBOR plus the lender's margin.

d) Changes in names and adress of subsidiaries.

On 22 may 2009 name and address of Alpaga-Xema Sp. z o.o. was changed. New name of company is „Projekt Elpro 2" Sp. z o.o. and new address is Bór 66F, 42-202 Czestochowa. Main object of business of Company is property development.

On 27 August 2009 name and address of Sydo Sp. z o.o. was changed. New name of company is „Projekt Elpro 1" Sp. z o.o., and new address is Bór 66F, 42-202 Czestochowa. Main object of business of Company is property development.

On 24 September 2009 name and address of Express Podlaski Sp. z o.o. was changed. New name of company is „Projekt Elpro 3" Sp. z o.o., and new address is Bór 66F, 42-202 Czestochowa. Main object of business of Company is property development.

These activities aimed to prepare the companies to merger in a single economic entity – detail description in note 10.2.9 point k)

e) Sale of real property by a subsidiary company

Following completion of a property development project, a subsidiary company, Elpro Sp. z o.o., sold a real property located in ul. Piłsudskiego in Łomża. The real property was purchased by a real property fund, ARKA BZ WBK FUNDUSZ RYNKU NIERUCHOMOSCI FIZ, acting through its SPV, PK 7 Spółka z ograniczoną odpowiedzialnością S.K.A. with its seat in Warsaw. The real property comprises land in perpetual usufruct with buildings and structures erected on it (retail space). The real property complements the Stokrotka Shopping Centre set up several years ago. The value of the transaction was PLN 27,350,000. The net book value of the real property was PLN 10,809,500. The gross profit on the above transaction totals PLN 16,540,500. None of the members of the Emperia Group operates in the real property sold.

f) Payment of dividends.

Details of payment of dividends to Issuer shareholders in 2009 was descibed in note 10.3.37

g) Notification of sale of shares in Emperia Holding S.A. by ING Otwarty Fundusz Emerytalny.

The Management Board of Emperia Holding S.A. on 4 September received the following notification from ING OFE:

"Given the obligation arising under Article 69 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005 (Journal of Laws, 23 September 2005, No. 184 item 1539), please be advised that following sales of shares in Emperia Holding S.A. ("Company") in transactions on the Warsaw Stock cleared on 1 September 2009, ING Otwarty Fundusz Emerytalny („Fund") reduced state of ownership of shares, to less than 5% of votes at the General Meeting of Shareholders of the Company. Prior to sale of shares Fund had held 814 811 (eight hundred and fourteen thousand eight hundred and eleven) shares in the Company, representing 5,39% of the share capital of the Company, carrying 814 811 (eight hundred and fourteen thousand eight hundred and eleven) votes at the General Meeting of Shareholders of Company, which accounted for 5,39% of the total number of votes. On 4 September 2009 on securities account of Fund are 585 837 (five hundred and eighty five thousand eight hundred and thirty seven) shares in the Company, representing 3,88% of the share capital of the Company. Shares carrying 585 837 (five hundred and eighty five thousand eight hundred and thirty seven) votes at the General Meeting of Shareholders of Company, which accounted for 3,88% of the total number of votes."

h) Appointment of audit committee

On 3 rd December 2009 Supervisory Board of Emperia Holding S.A. in accordance with Article. 86 of the Act on Auditorsand their government, operators' certificated for auditing and for public supervision of 7 May 2009 has established among its members, triple person Audit Committee composed as follows:

1. Tomasz Krysztofiak- Chairman of the Committee,
2. Artur Laskowski – Committee Member,
3. Piotr Długosz – Committee Member.

Management Board of Emperia Holding SA indicates that through the establishment of the Audit Committee launches application of Part No. 7. III, corporate governance, adopted Resolution No. 12/1170/2007 Council of the Stock Exchange in Warsaw on 4 July 2007.

(in PLN 000s, unless indicated otherwise)

Chairman of the Audit Committee Mr. Thomas Krysztofiak meets the criteria for independence and have competence in accounting and finance.

Due to resignation of member of Supervisory Board – Mr. Piotr Długosz – Supervisory Board has decided that will be bodily function as the audit committee.

Lublin, April 2010

Signatures of all Members of the Management Board:

2010-04-30	Artur Kawa	Chairman of Management Board	.... Signature
2010-04-30	Jarosław Wawerski	Vice-Chairman of Management Board	.... Signature
2010-04-30	Dariusz Kalinowski	Member of Management Board – Financial Director	.... Signature
2010-04-30	Marek Wesołowski	Member of Management Board – Retail Business Director	.... Signature
2010-04-30	Grzegorz Wawerski	Member of Management Board – Retail Business Development Director	.... Signature

Signature of person responsible for maintaining the accounts:

2010-04-30	Elżbieta Świniarska	Economic Director	.... Signature

(in PLN 000s, unless indicated otherwise)

11.Management Board Report on the Operations of the Group in 2009

11.1 Basic financial information

Last year was for the Group, its members, and management and employees a period of rapid changes and transformations. The changes made improved competitiveness and business effectiveness of the Group and strengthened its strategic market standing in all its business areas.

In the first half of the year, the efforts focused on projects that wrapped up the Group integration processes launched in the previous years. The largest and the most important of them was the conclusion of the wholesale business merger into a single national company with a unique offering for its clients, representing an important component of the competitive advantage. Similar integration processes were also under way in the retail business and franchising.

In the latter part of the year, the Group focused on projects aimed at improving effectiveness of operations in all the functional areas. The processes included both the core businesses as well as the support functions (finance, personnel and payroll, IT, etc.). The expected results of the changes include on the one hand improvement of the various business formats (distribution model, types of retail outlets, franchising arrangements, etc.) from the customer's point of view, and on the other improved cost and operational effectiveness.

The financial results achieved in 2009, strongly burdened with the costs of integration, development projects and very high expansion costs (both in the wholesale and retail business segment) met the expectations of the Group's Management Board which considers them satisfactory.

The difficult macroeconomic situation in Poland strongly affected the behaviour of clients and customers, and consequently also the financial results achieved by the Group. However, the Management Board is convinced that the activities concluded in 2009 and the projects launched in that year and scheduled for completion in 2010 will significantly expand the scope of the Group's operations and improve its business effectiveness in the coming years.

Description	2009	2008	%
Sales revenues	5 525 656	5 257 118	5,1%
EBIDTA	176 532	148 940	18,5%
Profit on operations	113 183	96 012	17,9%
Profit before tax	92 239	80 443	14,7%
Profit of the period	69 366	59 206	17,2%
Total assets	1 830 168	1 725 268	6,1%
Liabilities and provisions against liabilities	1 024 331	980 185	4,5%
Short-term liabilities	863 601	673 964	28,1%
Net assets	805 837	745 083	8,2%
Share capital	15 115 161	15 115 161	0%
Annualised profit per share in the period	4,59	3,93	16,8%

(in PLN 000s, unless indicated otherwise)

Group's activity and payment capacity.

Description	2009	2008
Return on invested capital (profit for the period under review/equity at the end of the period) in %	8,61%	7,95%
Return on assets (profit for the period under review/total assets at the end of the period) in %	3,79%	3,43%
Return on sales (profit for the period under review/sales revenues in the period) in %	16,06%	15,46%
Return on EBIDTA in %	3,19%	2,83%
Return on operations (profit on operations for the period under review/sales revenues in the period) in %	2,05%	1,83%
Gross return (profit before tax for the period under review/sales revenues in the period) in %	1,67%	1,53%
Net return (profit for the period under review/sales revenues in the period) in %	1,26%	1,13%

In 2009, profitability ratios improved on all levels as a result of higher trading margins and improved cost effectiveness.

Characteristics of assets and liabilities	At 31 December 2009	% share of balance sheet components	At 31 December 2008	% share of balance sheet components	Dynamics of growth 2009/2008
Fixed Assets	**944 641**	**51,6%**	**851 288**	**49,3%**	**11,0%**
Tangible fixed assets	658 407	36,0%	579 644	33,6%	13,6%
Investment real property	16 992	0,9%	17 711	1,0%	(4,1%)
Intangible assets	7 796	0,4%	6 367	0,4%	22,4%
Goodwill	203 354	11,1%	189 827	11,0%	7,1%
Shares in equity method	3 982	0,2%	3 997	0,2%	(0,4%)
Financial assets	11 178	0,6%	10 331	0,6%	8,2%
Long-term loans	1 114	0,1%		0,0%	
Long-term receivables and other deferred income	26 068	1,4%	22 326	1,3%	16,8%
Deferred income tax assets	15 750	0,9%	21 085	1,2%	(25,3%)
Current Assets	**885 527**	**48,4%**	**873 980**	**50,7%**	**1,3%**
Stock	455 272	24,9%	415 801	24,1%	9,5%
Receivables	366 702	20,0%	396 840	23,0%	(7,6%)
Income tax withholding	15 504	0,8%	3 920	0,2%	295,5%
Short-term securities	0	0,0%		0,0%	0,0%
Prepaid expenses	7 996	0,4%	7 196	0,4%	11,1%
Cash	40 053	2,2%	50 023	2,9%	(19,9%)
Other financial assets	0	0,0%	200	0,0%	(100,0%)
Assets earmarked for sale	0	0,0%		0,0%	0,0%
Total Assets	**1 830 168**	**100,0%**	**1 725 268**	**100,0%**	**6,1%**
Equity	**805 837**	**44,0%**	**745 083**	**43,2%**	**8,2%**
Share capital	15 115	0,8%	15 115	0,9%	0,0%
Share premium capital	549 559	30,0%	549 559	31,9%	0,0%
Supplementary capital	98 394	5,4%	90 862	5,3%	8,3%
Supplementary capital from the evaluation of managerial options	1 035	0,1%	596	0,0%	73,7%
Reserve capital	59 150	3,2%	59 873	3,5%	(1,2%)
Treasury shares	0	0,0%	(1 681)	(0,1%)	(100,0%)
Retained profit	82 482	4,5%	30 367	1,8%	171,6%

(in PLN 000s, unless indicated otherwise)

Total equity allocated to shareholders of dominant entity	**805 735**	**44,0%**	**744 691**	**43,2%**	8,2%
Equity of minority shareholders	102	0,0%	392	0,0%	(74,0%)
Long-term liabilities	**160 730**	**8,8%**	**306 221**	**17,7%**	**(47,5%)**
Credit facilities, loans and debt securities	137 106	7,5%	285 263	16,5%	(51,9%)
Long-term liabilities	5 959	0,3%	5 498	0,3%	8,4%
Provisions	2 843	0,2%	2 362	0,1%	20,4%
Provision against deferred income tax	14 822	0,8%	13 098	0,8%	13,2%
Short-term liabilities	**863 601**	**47,2%**	**673 964**	**39,1%**	**28,1%**
Credit facilities, loans and debt securities	223 620	12,2%	29 315	1,7%	662,8%
Short-term liabilities	616 928	33,7%	615 740	35,7%	0,2%
Income tax liabilities	4 200	0,2%	6 715	0,4%	(37,5%)
Provisions	16 250	0,9%	21 030	1,2%	(22,7%)
Deferred income	2 603	0,1%	1 164	0,1%	123,6%
Total liabilities	**1 830 168**	**100,0%**	**1 725 268**	**100,0%**	**6,1%**

Acquisitions, organic development of the Group's companies helped increase the balance sheet total in 2009 on the previous year by 6.1%. In the structure of assets, fixed assets increased slightly, remaining the main single item accounting for nearly 50% of total assets.

The financing of the Group with internal cash flows at 44% remained almost unchanged compared to the previous year. On the other hand, in 2009 both the volume of short-term liabilities and their proportion as a percentage of total were up. This was due to a significant increase in the level of short-term loans, as a result of both new loans being contracted and the changing structure of debt.

Liquidity ratios	2009	2008
Current liquidity ratio (current assets/current liabilities)	1,03	1,30
Quick liquidity ratio (liquid current assets/current liabilities)	0,50	0,68
Immediate ratio (short-term investments/current liabilities)	0,05	0,07

The performance as reflected by liquidity ratios is at the level considered typical of the industry. While in 2009 liquidity ratios were slightly lower than in the previous years, they remained at a safe level. The increased short-term debt with slightly lower cash levels had the main effect upon liquidity ratios.

Turnover of main items of working capital	2009	2008
Stock turnover in days (stock/costs of goods and materials sold*365)	37	35
Collection period in days (accounts receivable/sales revenues*365)	24	28
Payment period in days ([short-term liabilities – short term credit facilities]/ costs of goods and materials sold*365)	51	53
Total assets turnover (sales revenues /total assets)	3,02	3,05
Fixed assets turnover (sales revenues/fixed assets)	5,85	6,18

Most of the activity ratios remained at a similar level to the previous year. In 2009, improved collection must be noted.

11.2 Information about organizational and capital relationship of the issuer with others entities and define its main domestic investment.

Information about organizational and capital relationship of parent company and its main domestic investment contain note 10.1

11.3 Development policy objectives of the issuer's Group.

Emperia Holding SA is a holding company engaging mainly in the management of the Group's subsidiaries, provisions of central functions for the subsidiaries such as financial management, IT, management of selected categories of assets and liabilities, etc. and acquisitions of companies engaging in wholesale and retail marketing of FMCG

The Group intends to take an active part in the consolidation of the wholesale and retail market by extending its offer to:

a) companies operating in the FMCG wholesale segment, in order to supplement the Group's current geographical coverage in the wholesale business and optimise logistic costs,
b) companies with a strong local market foothold in the retail segment, operating at least medium-sized retail outlets.

The Group intends to continue its organic growth by:

a) streamlining central management functions in the Group;
b) streamlining the operation and further development of the wholesale business;
c) development of in-house supermarket chains;
d) development of partnership retail chains operating medium-sized self-service outlets;
e) development of franchise chains associated with the Group.

11.4 Description of significant off-balance pozition.

Description of off-balance position contain note 10.3.39

11.5 Description of factors that will effect on performance in the coming years.

External:

a) The macroeconomic situation in Poland, as reflected by the following ratios: increasing GDP, unemployment rate, net income of households, inflation rate;
b) Changes in the business FMCG market;
c) Increasing prices of goods and services consumed by the Group, including without limitation fuel and utilities;
d) The prices of real property levelling off and in some segments even falling;
e) The corporate and consumer lending policy of financial institutions (level of interest rates, credit margin, security);
f) Situation in the labour market and cost of salaries.

Internal:

a) Streamlining of business processes as part of the organisation of the Group realigned in equity terms, to enable improved operational effectiveness and better quality of segment management;
b) Development of new formats of franchise chains operated by the Group;
c) Development of the in-house retail network;
d) Internal cost controls policy;
e) Completion of scheduled investments projects on time and on budget.

11.6 Description of risks and threats.

External:

Macroeconomic situation. The macroeconomic situation and the rate of economic growth in Poland are particularly important for the Group, including such external factors and the economic policy of the government, National Bank of Poland and Monetary Policy Council decisions affecting the supply of money, level of interest rates and exchange rates, GDP increase rate, inflation rate, size of the budget deficit and foreign debt and the unemployment rate.

Negative changes in the macroeconomic environment, including without limitation slowdown in income growth and increasing unemployment may adversely affect the Group's operations and business performance.

Tax system and changes in law. Accounting for tax and other regulated areas of business may be subject to inspections by administrative authorities which are entitled to impose high fines, sanctions and interest charges. The inability to rely on established legal regulations in Poland produces a lot of vagueness and incoherence in the applicable laws. Frequent changes in the regulations on tax on goods and services (VAT), corporate tax, personal income tax and social security result in the lack of a frame of reference comprised of established regulations or legal precedent. The fact that opinions on the legal interpretation of tax regulations often differ both among state authorities and between state authorities and companies produces areas of uncertainty and conflict. All these factors mean that tax risk in Poland is significantly higher than that existing in countries with a more developed tax system.

Accounting for tax may be subject to inspection in a period of five years, starting from the end of the year in which tax is paid. Following tax inspections, the Group's tax obligations may be increased by additional tax liabilities. It is the Group's opinion that at the moment the current business does not generate a high tax risk.

Competition in the wholesale segment. The changes in the Polish FMCG retail trade model, the increasing share of modern retail formats (hypermarkets, supermarkets, discount chains) at the expense of the traditional retail outlets, produces the risk of falling volumes in the wholesale segment offering goods mainly to the traditional retailers. For these reasons, further material erosion of the significance traditional retailing plays may result in restricting or levelling off the Group's sales volume in the wholesale business and thus adversely affect future performance of the Group. In the Management Board's opinion however, the above risk is faced above all by small and medium-sized enterprises, with logistic efficiency much inferior to the Emperia Group, higher operating costs due to the smaller scale of operations and weaker purchasing power. In the case of the Issuer this risk is minimised by the extensive scale of operations, modern and effective warehousing and logistic infrastructure, as well as the concurrent expansion of in-house retail chains.

Competition in the retail segment. The chain of medium-format outlets developed by the Group is mainly located in medium-sized and smaller towns. At the moment, discount chains are intensely developing stores in these towns. Also the large multinational retail chains, given the progressing saturation of bigger cities with large-scale retail stores, have become more active and are seeking expansion opportunities in smaller towns, that is the traditional markets of the Group. Competitive actions targeted at the Company, both already under way and announced to take place by retail chain operators may slow down the current growth of sales reported by the Group's in-house retail chains and put pressure on the margins, which can adversely affect future financial results. In addition, competitors' efforts may make new attractive locations harder to find or more expensive.

Internal:

Segment consolidation. The Group continuously optimises and revamps its structure in the core businesses segments: wholesale and retail. The large scale and pace of these changes may generate operating risks, understood as losses caused by unreliability and misalignment of internal processes, employees and systems with the changes. This may cause temporary losses and delays in achieving the expected synergies.

IT systems and related technical infrastructure. The application of uniform, modern and effective IT systems is of key significance for business processes. Equally important is the technical infrastructure which provides fast and reliable connections and data processing. The Group continuously develops, standardises and upgrades its IT solutions by developing internal solutions and purchasing modern solutions from third-party vendors. Potential failures in the operation of IT systems might interrupt business processes and compromise the level of services provided.

Acquisitions. One of the most important components of the development strategy pursued by the Group is the desire to speed up the growth of the size of operations by mergers and acquisitions. There is a risk that in the case of certain entities with which the Group is in talks about consolidation, it will eventually have to give up its investment plans as acquisitions initially identified as attractive may prove too risky or the transaction price expected by the owners of target companies may be unjustified in business terms. Also in the cases when the transaction is concluded, it may turn out that the future financial performance of some of the target companies or the expected synergies may be lower than projected. Consequently, the acquisitions may not generate the expected sales and profit increases for the Group or the costs of takeovers may prove too high compared to the effects achieved.

Suppliers. As part of its business operations consisting in FMCG wholesaling and retailing the Group has concluded a number of agreements with suppliers providing for discounts and advantageous terms of payment for the goods purchased. Despite the fact that none of the members of the Group depends heavily on any specific suppliers, there is a risk that termination of business agreements or adverse change of their material terms, especially if such cases involved a major number of the agreements concluded, could adversely affect the Group's financial performance.

11.7 Information on pending litigation.

In 2009 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.

11.8 Summary of the main products, goods and services provided by the Group's subsidiaries.

Emperia Holding Group engages in wholesaling and retailing Fast Moving Consumer Goods or FMCG, including above all food products, cosmetics and toiletries, household chemical products, alcohol and tobacco, small household appliances, etc. It is the largest and one of the fastest growing Polish trading groups in the FMCG sector.

As part of its wholesale business, the Group operates traditional and self-service wholesale locations. It also provides distribution and logistic services for retail chains and outlets. The Group's wholesale clients include also retail outlets associated with Emperia.

At the moment, the Group develops the following retail chains:
– Stokrotka supermarkets;
– Delima deli supermarkets (formerly Stokrotka Premium),
– franchise outlets under the trade names of Groszek and Lewiatan, Milea;

– Społem Tychy, Maro Market, Euro Sklep partnership outlets.

The wholesale and retail businesses are supported by special-purpose companies. Infinite Sp. z o.o. develops software and hardware solutions in the area of on-line communication and Emperia Info Sp. z o.o. provides fully operational and economically justified IT systems for all the subsidiaries of the Emperia Group. The other SPVs include Elpro Sp. z o.o. and Projekt Elpro 1 Sp. z o.o. which track down attractive locations for commercial development and manage the existing facilities.

At the moment Emperia Trading Group is one of the largest Polish trading groups engaging in FMCG wholesaling and retailing, operating nationally and employing in aggregate 13,000 people.

At the moment the core business of the Emperia Group is structured and divided into two principal segments: retail and wholesale.

The wholesale business, after the integration process completed in 2009, comprises 3 subsidiaries whose operations are arranged geographically or functionally and fall into eight regions covering the entire Poland. The companies operate the total of 9 distribution centres, 70 warehouses and branches, including 45 cash&carry warehouses, of the aggregate area of 306,400 sq. m. The wholesale business accounts for 68% of the Group's sales.

The retail business comprises the following chains:

– 160 Stokrotka supermarkets, including 6 Delima deli supermarkets.
– 1,121 small and medium-sized Groszek franchise retail outlets; in addition, as at the end of 2009, Detal Koncept operated 93 Milea outlets;

Lewiatan Podlasie managed 183 outlets. As at the balance sheet date, Społem Tychy managed 25 and Euro Sklep 626 outlets. The franchise chain Lewiatan Śląsk (after merger with Lewiatan Dolny Śląsk) managed 281 outlets, Lewiatan Zachód 279, Lewiatan Orbita 100, Lewiatan Wielkopolska 181, Lewiatan Północ 165, and Lewiatan Opole 177 outlets. As at the balance sheet date Partnerski Serwis Detaliczny was associated with 372 Społem outlets.

11.9 Product markets

The main suppliers of the Group include the major FMCG producers in Poland and representatives of foreign corporations in Poland. Direct imports represent a minor percentage of the Group's procurement. None of the suppliers holds a dominant position; none of them accounts for more than 10% of the Group's total procurement. The Group purchases its products from over 1,000 suppliers and producers from all over Poland.
The major clients of the wholesale segment include retailing and wholesaling businesses as well as food producers. The largest buyers include retail clients, i.e. chains of franchise outlets (including Groszek and Lewiatan). Retailers organised in chains account for a major percentage of the Group's sales and demonstrate the highest rate of growth in terms of sales. The client base of Emperia Holding SA is highly fragmented and none of the issuer's third-party clients holds a dominant position; none of them represents more than 10% of total sales.
The Group's export sales are insignificant.
The retail segment targets retail customers.

11.10 Significant agreements for the Company's operations.

Lease agreements for premises housing the Group's business operations.
All the lease agreements are long-term leases with a long notice period. Rents under the leases have been agreed on an arm's length basis.

Business agreements with suppliers/buyers
The Group has in place cooperation agreements with all the major suppliers and buyers of goods and services. None of the Group's suppliers/buyers accounts for more than 10% of total sales. Consequently, while none of the

agreements has material impact upon the Group's business, all the agreements in their entirety are of material significance.
The business agreements with suppliers/buyers lay down the terms and conditions of the parties' joint business of distribution and promotion of products offered by the producer or supplier. The agreements regulate in detail the procedures of placing orders, making deliveries, handling complaints and effecting payments. Further, the agreements also provide the terms of extending trade credit and securing it, price discounts, bonuses and targets, distribution areas, order size, product storage conditions, the supplier's trading policy.
Franchise agreements, which are a special type of business agreements, are concluded with Groszek and Lewiatan outlets. They set forth the terms and conditions of the franchise concept and the terms on which the organisational, trading and marketing system developed by the Franchisor is made available to the franchisee.

Agreements with the Group's bankers and lenders

The Group's bankers and lenders are Bank PKO BP SA, PEKAO S.A., BREBANK S.A., BGŻ S.A., Raiffeisen Bank Polska S.A., Bank BPH S.A. The banks provide credit financing to meet the Group's working capital and investment requirements. For details of the amounts, terms and conditions of the loans granted and the security provided, see notes to the consolidated balance sheet.

Insurance agreements

As regards property insurance, the Group concluded insurance agreements with numerous insurers against acts of God, accidents (vehicles) as well as theft and robbery. The Group also holds civil liability insurance. Insurance agreements are concluded for a period of 1 year.

11.11 Material transactions of the Issuer with associated entities.

In 2009, 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.
Mergers made during the year within Capital Group, are described in note.10.2.9.
As a part of management of Group's cash flows, took place short-term bond issue, described in detail in note.10.3.22
Transactions Capital Group Companies with not consolidated subsidiaries were described in note 10.3.43

11.12 Credit facilities, loans and guarantees.

In 2009, parent company Emperia Holding SA did not grant new loan guarantees to its subsidiaries exceeding 10% of equity of the Issuer.. Information about granted guarantees contains note 10.3.39. Information abort granted loans is in a note 10.3.51. Information about execution and denunciation of credit facility agreement contains note 10.3.18

11.13 Issuance of securities.

The parent company in 2009 Issued bonds described in note 10.3.22. Appropriations from the issue were intended to finance current activity of the issuer.

11.14 Explanation of differences between financial results presented in annual report and previously published estimates forecasts of financial result for year

Forecast of financial results for 2009 on income from sales was completed in 95%, forecast of inwestment expenditure was completed in 103%.

(in PLN 000s, unless indicated otherwise)

11.15 Assessment, with reasons, concerning management of financial resources, with particular emphasis on capacity to discharge the commitments, and identify possible threats and actions, which issuer has taken or intends to take to counter these threats.

In opinion of issuer there is no indication of emergence of risk ability to meet of liabilities entered into by the Group. This assessment is based on analysis of level of financial results, achieved indexes, and generated cash flows.

11.16 Assessment of the feasibility of achieving investment objectives, including equity investments, given the level of funds available and having regard to the possible changes in the structure of financing operations.

For 2010, the Group scheduled investments totalling PLN 200,000,000, as disclosed in current report 6/2010. The projection is based on the assumption of the Group's continuing organic growth both in the wholesale and retail business. The proposed investment budget excludes potential acquisitions of companies in the FMCG sector.

The decisions on potential equity investments will be made on a case-by-case basis, after each transaction is examined and the Group's capability of financing it analysed.

The Group expects to finance the proposed investment outlays with internal cash flows and bank loans. It is the Management Board's opinion that the Group is capable of financing the proposed investments. The Management Board will monitor on a regular basis the progress of investments against the budget based on the internal business controls.

11.17 Description of factors and events, in particular of untypical character, affecting the result achieved in the financial year.

a) Sale of Real Property by Elpro Sp. z o.o.

As a completion of a property development project Elpro Sp. z o.o. limited liability subsidiary sold a real property located in Łom_a, Poland, ul. Piłsudskiego. The real property was purchased by ARKA BZ WBK FUNDUSZ RYNKU NIERUCHOMOSCI FIZ acting through its SPV company, PK 7 Spółka z ograniczona odpowiedzialnoscia S.K.A. in Warsaw. Subject of transaction is property which comprises land in perpetual usufruct and buildings and structures (retail facilities). This property is complements of existing for several years Retail Park Stokrotka. The value of the transaction was PLN 27 350 000. The net book value of the real property was PLN 10 809 500. Gross profit on the transaction amounts to PLN 16 540 500. one of the Emperia Group subsidiaries operates in the real property sold as part of the transaction.

Description	Amount (in thous. PLN)
Revenues from sale of real estate	27 350,0
Costs associated with sale of real estate	10 809,5
Gross result on transaction	16 540,5
Net result on transaction	13 397,8

Effect of transactions on Profit and loss account for 2009:

Profit and loss account	12 months ended 31 December 2009	12 months ended 31 December 2009

Sales revenues	**5 525 656**	**5 525 656**
- including related entities	*9 543*	*9 543*
Sales of products and services	174 063	174 063
Sales of goods and materials	5 351 593	5 351 593
Cost of goods sold	**(4 638 213)**	**(4 638 213)**
- including related entities	*(4 914)*	*(4 914)*
Cost of manufactured products sold	(88 752)	(88 752)
Cost of goods and materials sold	(4 549 461)	(4 549 461)
Profit on sales	**887 443**	**887 443**
Other operating income	29 912	13 371
Selling expense	(700 216)	(700 216)
General administrative expense	(89 333)	(89 333)
Other operating expense	(14 623)	(14 623)
Profit on operations	**113 183**	**96 642**
Financial income	2 650	2 650
Financial expense	(23 594)	(23 594)
Profit before tax	**92 239**	**75 698**
Income tax	**(22 858)**	**(19 715)**
- current	(15 092)	(11 949)
- deferred	(7 766)	(7 766)
Share in financial result entities valued using the equity method	(15)	(15)
Profit for period	**69 366**	**55 968**

b) Sales of Arsenal Sp. z.o.o. subsidiary.

On 26 June 2009, subsidiary BOS S.A. sold 100 percent of shares in the share capital of Arsenal Sp. z o.o. with its seat in Białystok.. Detailed information are in note 10.2.9 b)

11.18 Changes in the underlying principles of Group management

In 2009, there were no changes in the underlying principles of Group management

11.19 Agreements concluded between the issuer and managers, providing for compensation if they resign or dismissal from his position without a valid reason or or when their removal or release occurs due to merger of issuer by acquisition.

The agreements with members of the Managment Board provide, that in case of termination of employment by the Issuer without a significant reason severance pay is twelve times of average salary of the member of Management Board.

11.20 Information about salaries of managers and supervisors

The value of salaries described in note 10.3.45

(in PLN 000s, unless indicated otherwise)

11.21 Shares of the Issuer and shares in associated companies held by managing and supervising of Issuer.

Information on the Issuer's shares held by the above mentioned person was desrribed in note 10.3.16. None of persons managing and supervising of the Issuer, according to information held by the Issuer, has no shares in associated companies.

11.22 Contracts, which in future could result in changes in in size of held shares.

In addition to incentive programs for Managment Board Members of Emperia Holding and key Managers of the Company and its subsidiaries or its associate has no information about any agreements, which could result in future in changes of proportions of shares held by shareholders.

11.23 Information about entering into a contract with an entity authorized to audit the financial statements and and salary for this entity for financial year.

In 2009, the Group entered into a contract for udit and review of semi-annual and annual consolidated financial statement for 2009 z BDO Sp. z o.o. with headquarters in Warsaw, entity authorized to audit financial statements, registred on list of National Chamber of Chartered Accountants under no. 3355.

Salaries of entity authorized to audit financial statements	2009	2008
Audit and review of financial statement	462	706
Other services		
TOTAL	**462**	**706**

11.24 Revenues and performance by business segment

IFRS 8 Operating Segments published by the International Accounting Standards Board on 30 November 2006 replaced IAS 14 Reporting Financial Information by Segment and is effective for reporting periods beginning on or after 1 January 2009.

The standard implementation process included an analysis of the Group's management model, of the Group's reporting system, and of the business properties of the Group's members. The findings of the analysis did not indicate any need to make changes to the existing segregation of business segments on which internal and external reporting relies.

The Group's operations fall into three business segments:

4 **Wholesaling** (Wholesale Segment)* comprised of the following subsidiaries: Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., consisting in wholesale distribution of goods and related services;

5 **Retailing** (Retail Segment) comprised 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., Euro Sklep S.A., consisting in retail sale and related services;

6 **Other** include the holding operations of the Issuer's Company and the operation of other subsidiaries: Elpro Sp. z o.o., Projekt Elpro 1 Sp. z o.o. (resulting from merger of „Projekt Elpro 1" Sp. z o.o. – formerly „Sydo" Sp. z o.o., „Projekt Elpro 2" Sp. z o.o. – formerly „Alpaga–Xema" Sp. z o.o. and „Projekt Elpro 3" Sp. z o.o. – formerly „Express Podlaski" Sp. z o.o.) – providing property development and facility management services; Infinite Sp. z o.o., Emperia Info Sp. z o.o. – providing IT services; and PSD S.A. – a partner network management company. Given material consolidation exclusions and their general

(in PLN 000s, unless indicated otherwise)

marginality (the segment fails to meet any of the quantitative thresholds provided for under IFRS 8), these are reported jointly as a single item.

*) While the Wholesale Segment comprises a smaller number of companies compared to mid-2009, its composition has not changed since as part of the integration process the wholesale company Tradis Sp. z o.o. took over the following companies: BOS S.A., Sygel-Jool S.A. oraz DLS S.A.

The Group applies uniform accounting policies for all its segments. Inter-segment business transactions are effected on an arm's length basis. These transactions are subject to exclusion in the consolidated financial statements.

Information regarding the Group's business segments in 2009:

	Wholesale	Retail	Other	Exclusions	Total
Segment total revenues	4 513 148	1 763 985	100 620	852 098	5 525 655
Segment revenues (from external clients/customers)	3 768 305	1 741 513	15 837		5 525 655
Segment revenues (from other segments)	744 843	22 472	84 783	852 098	
Segment total costs	(4 445 906)	(1 749 203)	(85 331)	(852 677)	(5 427 763)
Result on other operations	416	1 405	16 038	2 569	15 290
Result on financial operations	7 658	(6 735)	38 727	60 594	(20 944)
Segment result (gross)	75 316	9 452	70 054	62 584	92 238
Taxation	(13 244)	(3 635)	(6 121)	(143)	(22 857)
Share in financial result entities valued using the equity method			(15)		(15)
Result (net)	**62 072**	**5 817**	**63 918**	**62 441**	**69 366**

	Wholesale	Retail	Other	Exclusions	Total
Segment assets/ liabilities	1 158 671	476 948	873 817	(679 268)	1 830 168
Goodwill	156 073	47 281			203 354

	Wholesale	Retail	Other	Exclusions	Total
Investment outlays	(61 576)	(62 954)	(68 050)	(27 293)	(165 287)
Depreciation	(22 145)	(28 243)	(13 713)	(752)	(63 349)

Information regarding the Group's business segments in 2008:

	Wholesale	Retail	Other	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)	93 248	11 984	10 494	35 283	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)
Segment result (net)	**72 360**	**7 944**	**6 014**	**27 112**	**59 206**

(in PLN 000s, unless indicated otherwise)

	Wholesale	Retail	Other	Exclusions	Total
Segment assets/ liabilities	1 258 787	433 056	775 131	(741 706)	1 725 268
Goodwill	151 487	38 340			189 827

	Wholesale	Retail	Other	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)

11.25 Investment outlays

In 2009, the Group's aggregate investment outlays totaled PLN165 287 000. In 2010 Grup plans investment outlays in amount of PLN 200 000 000.
In 2010, the Group is not planning to increase its environment protection expenditures.
The Group proposes to finance its growth in 2010 partly with its own cash flows and partly with external funding.

11.26 Other information relevant to assessment of staffing, financial situation, financial results and their changes and information, which are important for assess of capabilities of implementation liabilities by issuer.

In Group at balance sheet date there is no risk associated with currency options. Along with the sale of a subsidiary Arsenal in 2009, issuer and any of its subsidiaries did not have currency options hedging cash flows..

11.27 Information about contracts which are significant for the issuer activity, including well-known for issuer agreements between shareholders (partners), insurance contracts, collaboration or cooperation.

Issuer has no information indicating of above mentioned contracts.

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

The composition of the Management Board of Emperia Holding SA

In 2009 there were no changes in composition of the Management Board of Emperia Holding SA

The composition of the Management Board of Emperia Holding SA at 31.12.2009 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.

The composition of the Supervisory Board of Emperia Holding SA

Changes in composition of Supervisory Board of Emperia Holding SA in 2009 were described in note 10.3.51 pkt b).

The composition of the Supervisory Board of Emperia Holding SA at 31.12.2009 is as follows:

1. Mr Ireneusz Zieba, Chairmsn of the Supervisory Board;
2. Piotr Laskowski – Vice-Chairman of the Supervisory Board;
3. Artur Laskowski - Member of the Supervisory Board;
4. Piotr Kawa - Member of the Supervisory Board;
5. Piotr Długosz – Member of the Supervisory Board;
6. Tomasz Marek Krysztofiak – Member of the Supervisory Board;

11.29 Dividends paid and proposed to pay

Information on dividends paid and recommended for profit-sharing for 2009 was described in nocie 10.3.37

11.30 Statement on compliance with principles of corporate governance

1. Indication of the principles of corporate governance complied with by the Issuer and the location where the text of the principles is available to the public.

Emperia Holding S.A. complies with the principles of corporate governance as attached to the Regulation of the Stock Exchange Board No. 12/1170/2007 of 4 July 2007, *The Best Practices of Companies Listed on Stock Exchange in Warsaw*. The complete set of the principles is available to the public on the company's website at www.emperia.pl.

The statement of Emperia on compliance with the principles of corporate governance is available on the company's website at www.emperia.pl under Investor Relations/Corporate Governance/Statement. Emperia Holding S.A. does its utmost to ensure equal access to information on the Company to all its shareholders. By the same token, two weeks prior to the publication of financial results Emperia limits the extent of communications with the equity market.

The Company publishes current and periodic reports by posting them on its website. The Company prepares quarterly presentations of its financial results which are discussed with market participants during press conferences, thus facilitating access to Company information and face-to-face contact with the Company's management.

2. Indication of the provisions of the corporate governance principles not complied with by the Issuer, with an indication of those provisions and clarification of reasons for non-compliance.

In 2009 Emperia Holding complied the majority of the principles of corporate governance, with the exception of two principles.

The Company did not comply with Principle III.6 under which "*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*."

The composition of the Supervisory Board corresponded with the composition of its shareholders and complied with the Articles of Association. The Company's Supervisory Board had one independent member. This composition of the Supervisory Board enabled adequate and effective deployment of the Company's strategy and sufficiently secured the interests of all groups of the Company's shareholders.

(in PLN 000s, unless indicated otherwise)

Prior to 2 December 2009, the Company did not comply with Principle III.7 under which "*at least one audit committee shall operate as part of the supervisory board.*" The Supervisory Board of Emperia Holding did not appoint an audit committee. The Supervisory Board exercised the responsibilities of the audit and remuneration committees on a collective basis.

On 2 December 2009 under Resolution 25/2009, the Supervisory Board of Emperia Holding S.A. appointed the Audit Committee and approved the Audit Committee Regulations laying down the responsibilities, composition and procedures of the Audit Committee.

3. 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 February 2009 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, is 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 reviews and audits the financial statements by undertaking 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.

4. Shareholders holding, directly or indirectly, major interests in Emperia Holding

As at 31 December 2009

Shareholder	Number of shares	% of initial capital	Number of votes	% of all votes at GMS
AVIVA OFE	1,517,654	10.04	1,517,654	10.04
Mr Jarosław Wawerski	1,090,537	7.21	1,090,537	7.21
Mr Artur Kawa	1,000,086	6.62	1,000,086	6.62

As at 31 December 2009, the share capital of Emperia Holding S.A. comprised 15,115,161 shares.

5. Indication of holders of all securities vesting special inspection rights with a description of these rights

Emperia Holding S.A. has issued no securities that would vest special inspection rights or shares vesting any privileges at all.

6. Indication of any limitations on the exercise of voting rights, such as limitations on the exercise of voting rights by holders of a specific part or number of votes, time limitations on the exercise of voting rights or provisions under which, with the company's collaboration, equity rights attached to securities become separated from the holding of securities.

Each share in Emperia Holding S.A. carries the right to one vote at the General Meeting of Shareholders. The Company's Articles of Association do not provide for any limitations on the exercise of voting rights attached to shares in Emperia Holding such as limitations on the exercise of voting rights by holders of a specific part or number of votes, time limitations on the exercise of voting rights or provisions under which, with the company's collaboration, equity rights attached to securities become separated from the holding of securities, except that as soon as:

- Mr Artur Kawa holds no fewer than 700,000 (seven hundred thousand) shares in the Company, however no longer than until 31 December 2009, he is authorised to appoint and dismiss one (1) member of the Supervisory Board;
- Mr Jarosław Wawerski, Mr Grzegorz Wawerski or Mr Edward Wawerski (any one of them or any of them or in aggregate) hold no fewer than 1,400,000 (one million four hundred thousand) shares in the Company,

however no longer than until 31 December 2009, they are authorised to appoint and dismiss two (2) members of the Supervisory Board.

The shareholders vested with the above rights do not vote on General Meeting resolutions to appoint or dismiss the other members of the Supervisory Board.

7. Indication of any limitations on the transfer of ownership of the issuer's securities.

The Company's Articles of Association do not provide for any limitations on the transfer of ownership of Emperia Holding's securities

8. Outline of the terms of appointment and dismissal of officers and their powers, including without limitation the right to adopt a decision to issue or redeem shares.

Pursuant to Article 9(1) and (2) of the Company's Articles of Association, the Company's Management Board is comprised of from three to ten members, including the Chairman of the Management Board. Members of the Management Board serve three-year terms of office. The Supervisory Board appoints, dismisses and suspends from office members of the Management Board as well as determining the number of Management Board members.

The Management Board runs the Company in line with the budget and strategic plan, both as prepared and approved in accordance with the Company's Articles of Association, and represents the Company before third parties. The powers of the Management Board include all matters relating to the conduct of the Company's business unless reserved for the General Meeting or Supervisory Board under statute or Articles of Association. The Management Board operates under the Management Board Regulations resolved by it and approved by the Supervisory Board. The Chairman of the Management Board and the Vice-Chairman of the Management Board acting individually or a Member of the Management Board acting jointly with a commercial representative (*prokurent*) are authorised to make declarations of intent and sign on behalf of the Company.

Pursuant to Article 444 of the Commercial Companies Code, the Company's Management Board is entitled, until 31 December 2009, to increase the initial capital up to PLN 1,327,020 (one million three hundred and twenty-seven thousand twenty zloty), and from 1 January 2010 to 31 December, to increase the initial capital up to PLN 755,758.00 (seven hundred and fifty-five thousand seven hundred and fifty-eight zloty), unless the initial capital increase is based on the Company's own funds.

The terms of each share issue falling within the limits of the above authorised capital are laid down under a notarised resolution of the Management Board. The Management Board may exercise the powers vested in it by effecting one of several consecutive increases of the initial capital with a prior consent of the Supervisory Board. The consent of the Supervisory Board is given as under a resolution adopted by open vote by the absolute majority of votes, with all the independent members of the Supervisory Board voting in favour of the resolution.

The Company's Management Board may, with the consent of the Supervisory Board, exclude or limit the rights issue with respect to the shares issued to increase the initial capital, effected within the powers granted to the Management Board under the Articles of Association to increase the initial capital within the limits of the authorised capital. The consent of the Supervisory Board os given under a resolution adopted by open vote by the absolute majority of votes, with all the independent members of the Supervisory Board voting in favour of the resolution.

The Company's Management Board may issue shares both in exchange for cash contributions and non-cash (in-kind) contributions (with the consent of the Supervisory Board). The Company's Management Board may not issue preference shares or vest in a shareholder personal powers referred to in Article 354 of the Commercial Companies Code.

The Company's Management Board may, with the consent of the Supervisory Board and on terms provided for under law, distribute interim dividend among the shareholders.

9. Outline of the terms of amending the Issuer's Articles of Association

A resolution of the General Meeting of Shareholders to amend the Company's Articles of Association requires to be previously opined on by the Supervisory Board.

Making amendments to the Company's Articles of Association involving a material change to the Company's objects of business without redemption of the shares of those shareholders who do not consent to the change requires a resolution of the General Meeting of Shareholders adopted by the majority of two-thirds of votes cast in the presence of shareholders representing at least 50% of the Company's initial capital.

Otherwise, amendments to the Company's Articles of Association require a resolution of the General Meeting of Shareholders adopted by the majority of three-quarters of votes.

10. Outline of the proceedings and principal powers of the General Meeting and of the rights of shareholders and rights exercise procedure

The proceedings and principal powers of the General Meeting of Shareholders are laid down under law, Company's Articles of Association and General Meeting Regulations. The Company's Articles of Association and General Meeting Regulations are available on the Company's website.

Since 3 August 2009, the General Meeting is convened by making an announcement containing the details set forth in Article 402 § 2 of the Commercial Companies Code on the Company's website and in the manner provided for day-to-day disclosures under the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005, no later than 26 days prior to the date of the General Meeting.

General Meetings must be attended by such members of the Management Board and Supervisory Board that are capable of providing technical answers to questions posed during the General Meeting. A certified auditor must be present at the Ordinary General Meeting and provide information and clarifications on the Company's financial statements.

If a need arises, the Chairman of the General Meetings decides on the presence of journalists during the Meeting, and on audio or audio-and-video recording of the proceedings by them.

Pursuant to the Company's Articles of Association, the powers of the General Meeting include without limitation:

- examination and approval of the report of the Management Board and Supervisory Board, balance sheet and profit and loss account for the previous year and acknowledgment of satisfactory performance of duties by members of the Company's corporate bodies;
- adopting resolutions on distribution of profits or coverage of losses;
- merger, demerger or transformation of the Company;
- dissolution and liquidation of the Company;
- disposal of or leasing the business or an organised part thereof and establishment of a limited property right thereon;
- subject to Article 12(3) and Article 12a(1) of the Company's Articles of Association, appointment and dismissal of members of the Supervisory Board;
- formulation of the remuneration policy for members of the Supervisory Board;
- approval of the execution of agreements by and between the Company or a subsidiary thereof and members of the Supervisory Board;
- establishment and release of earmarked funds;
- modifying the objects of the Company;
- amending the Company's Articles of Association;
- issue of convertible bonds or bonds with the right of priority;
- appointment of liquidators;

- any decisions concerning claims for redress of damage sustained upon the establishment of the Company or its management or supervision;
- examination of matters put forward by the Supervisory Board, Management Board or shareholders;
- taking measures aimed at admitting the Company's shares to trading at a regulated market;
- establishing the divided date and the date of dividend distribution;
- establishing reserve capital funds from net profit to cover special losses or expenditures.

Rights of shareholders and rights exercise procedure

The rights of shareholders and the rights exercise procedure are essentially laid down under legal regulations that have been partly incorporated into the Articles of Association and General Meeting Regulations. One should note in particular the provisions of Article 12(3) providing that as long as:

- Mr Artur Kawa holds no fewer than 700,000 (seven hundred thousand) shares in the Company, however no longer than until 31 December 2009, he is authorised to appoint and dismiss one (1) member of the Supervisory Board;

- Mr Jarosław Wawerski, Mr Grzegorz Wawerski or Mr Edward Wawerski (any one of them or any of them or in aggregate) hold no fewer than 1,400,000 (one million four hundred thousand) shares in the Company, however no longer than until 31 December 2009, they are authorised to appoint and dismiss two (2) members of the Supervisory Board

The shareholders vested with the above rights do not vote on General Meeting resolutions to appoint or dismiss the other members of the Supervisory Board.

11. Composition and changes in the composition during the last financial year, and outline of proceedings of management, supervision or administrative corporate bodies of the issuer and their committees.

Management Board

In 2009, 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 Grzegorz Wawerski, Member of the Management Board;
Mr Marek Wesołowski, Member of the Management Board.

There were no changes in the composition of the Company's Management Board during the year.

The Management Board operates under the Commercial Companies Code, Company's Articles of Association and Management Board Regulations resolved by it and approved by the Supervisory Board, available on the Company's website. The Chairman of the Management Board and the Vice-Chairman of the Management Board acting individually or a Member of the Management Board acting jointly with a commercial representative (*prokurent*) are authorised to make declarations of intent and sign on behalf of the Company.

The Management Board performs its responsibilities on a collective basis. Each member of the Management Board may without a prior consent of the Management Board manage the Company's business in such a way that it does not exceed his or her powers, subject to compliance with the law, Company's Articles of Association, resolutions and regulations of the Company's corporate bodies. Each member of the Management Board may without a prior Management Board resolution perform, as regards running the Company's business, an urgent act which if not performed could cause irreparable damage to the Company. The Management Board operates under the direction of its Chairman, who coordinates the work of the other members of the Management Board, or of its Vice-Chairman, during the Chairman's absence. If the Management Board consists of more than one member, the Chairman of the Management Board divides the responsibilities among members of the Management Board.

The powers of the Management Board include all matters relating to the representation and running the Company's business which are no reserved under the Commercial Companies Code or Company's Articles of Association for other corporate bodies.

The Management Board runs the day-to-day business of the Company and represents it before third parties, both in court and out of court. The powers of the Management Board include without limitation:

- acting on behalf of the Company and representing it before authorities, offices, institutions and third parties;
- concluding agreements and contracting obligations and disposing of the Company's assets;
- convening ordinary and extraordinary General Meetings of Shareholders, drawing up the agenda and drafting resolutions;
- organisation of work and setting salaries for the employees in line with the remuneration policy and organisational regulations effective at the Company, as well as awarding bonuses;
- attending meetings of the Company's Supervisory Board when invited and in General Meetings of Shareholders;
- drawing up draft marketing, financial, business, etc. plans;
- provision of requested materials to the Supervisory Board and other auditing bodies;
- examination and implementation of inspection and follow-up reports and recommendations;
- issuing internal acts (orders, regulations) governing the Company's operations.

Records are made of meetings of the Management Board. If the Management Board consists of more than one member, the presence of at least two members of the Management Board is required for its resolutions to be valid. Resolutions of the Management Board may be adopted providing that all members have been duly notified of the Management Board meeting. Resolutions of the Management Board are adopted by open vote by the absolute majority of votes. If a meeting of the Management Board is attended by only two members of the Management Board, their unanimity is required.

<u>Supervisory Board</u>

Until 30 June 2009, the composition of the Supervisory Board of Emperia Holding S.A. was as follows:

Mr Ireneusz Zięba, Chairman of the Supervisory Board;
Mr Zenon Mierzejewski, Vice-Chairman of Supervisory Board (resigned as of 1 July 2009);
Mr Tomasz Krysztofiak;
Mr Piotr Laskowski;
Mr Piotr Kawa;
Mr Piotr Długosz.

As at 31 December 2009, the composition of the Supervisory Board of Emperia Holding S.A. was as follows:
Mr Ireneusz Zięba, Chairman of the Supervisory Board;
Mr Piotr Laskowski, Vice-Chairman of Supervisory Board;
Mr Tomasz Krysztofiak;
Mr Artur Laskowski (appointed on 30 June 2009);
Mr Piotr Kawa;
Mr Piotr Długosz.

In 2009, Mr Tomasz Krysztofiak served as an independent member of the Supervisory Board.

In the period prior to 31 December 2009, the Supervisory Board was comprised of six members, including the Chairman and Vice-Chairman of the Supervisory Board and at least one independent member of the Supervisory Board. After 31 December 2009, the Supervisory Board was comprised of five members, including the Chairman and Vice-Chairman of the Supervisory Board and at least two independent members of the Supervisory Board.

Members of the Supervisory Board are appointed and dismissed by the General Meeting, subject to the following. As long as:

- Mr Artur Kawa holds no fewer than 700,000 (seven hundred thousand) shares in the Company, however no longer than until 31 December 2009, he is authorised to appoint and dismiss one (1) member of the Supervisory Board;
- Mr Jarosław Wawerski, Mr Grzegorz Wawerski or Mr Edward Wawerski (any one of them or any of them or in aggregate) hold no fewer than 1,400,000 (one million four hundred thousand) shares in the Company, however no longer than until 31 December 2009, they are authorised to appoint and dismiss two (2) members of the Supervisory Board.

The Chairman and Vice-Chairman of the Supervisory Board are appointed and dismissed by an open vote of the Supervisory Board, by the ordinary majority of votes, in the presence of at least three members of the Supervisory Board, subject to shareholders Mr Artur Kawa and Mr Jarosław Wawerski holding the right to appoint and dismiss the Chairman of the Supervisory Board until 31 December 2009.

The Supervisory Board operates under the Commercial Companies Code, Company's Articles of Association and Supervisory Board Regulations resolved by it and approved by the General Meeting, available on the Company's website.

The Supervisory Board exercises continuous supervision over the Company's operations. Apart from the other matters stipulated under the Company's Articles of Association or the law, the special powers of the Supervisory Board include:

- examination of the financial statements, report of the Company's Management Board and Management Board motions as to the distribution of profits or coverage of losses;
- appointment, dismissal and suspension of members of the Company's Management Board or the Company's entire Management Board;
- secondment of members of the Supervisory Board to temporarily perform the duties of members of the Company's Management Board;
- approval of the Management Board Regulations;
- formulation of the remuneration policy for members of the Management Board;
- approval of granting the power of commercial representation (*prokura*);
- approval of the Company's annual budgets; the budget includes at least the operating plan of the Company, revenues and expenditures budget for a given financial year (on an annual and monthly basis), projection of the balance sheet, projection of the profit and loss account, projection of the cash flow statement and capital expenditures programme (on a monthly basis);
- approval of the Company's long-term strategic business programmes; the long-term strategic business programme includes at least the revenues and expenditures budget for each year of the projection, projection of the balance sheet, projection of the profit and loss account and capital expenditures programme for each year of the projection;
- approval of any legal or financial transaction to be made by the Company or any subsidiary company thereof, including but not limited to contracting an obligation—including the issuance of a promissory note, acceptance of a drawn bill of exchange, granting a guarantee for a bill of exchange or granting a corporate guarantee—or disposal of assets, as well as purchasing assets, if the value of the legal transaction, obligation or disposal exceeds the equivalent of five (5) percent of the Company's equity, and further, of any equity investment, if the value of a single transaction or a number of transactions made within a period of six (6) months should exceed two and a half (2.5) percent of the Company's equity, unless such transaction is included in the Company's annual business programme approved by the Supervisory Board and undertaken within the financial year covered by such programme;
- approval of the establishment of new companies and disposal by the Company of any interests held by it;
- approval of the acquisition by the Company of interests in other business entities;
- approval of disposal of real property or an interest in real property;
- approval of the execution of agreements by and between the Company or a subsidiary company thereof and members of the Company's Management Board, Company's shareholders holding at least five (5) percent of the total number of votes at the Company's General Meeting of Shareholders or the Company's associated entities;
- approval of the granting of rights to acquire shares as part of the management option plan or a similar incentive programme involving the right to acquire shares;

- appointment of a certified auditor to audit the Company's financial statements in accordance with the accounting policies adopted by the Company;
- approval of the disposal or gratuitous transfer of copyright or other intellectual property, including without being limited to the rights to software source codes, going beyond the ordinary course of business;
- approval of the increase of the initial capital referred to in Article 7a and 7b of the Company’s Articles of Association;
- approval of exclusion or limitation of the rights issue with respect to the increase of the share capital referred to in Article 7a and 7b of the Company’s Articles of Association;
- conclusion with the sub-issuer of the agreement referred to in Article 433 § 3 of the Commercial Companies Code.

Further, the following actions of the Management Board require the consent of the Supervisory Board given in the form of a resolution:

- exclusion or limitation of rights issue with respect to shares issued by increasing the initial capital under the authorisation to increase the initial capital granted to the Management Board in the Articles of Association as part of authorised capital;
- effecting one or several consecutive increases of share capital as part of initial capital;
- distribution of interim dividend to shareholders on terms set forth under law;
- issue of shares both in return for cash contributions and non-cash (in-kind) contributions.

Members of the Supervisory Board exercise their rights and responsibilities on a collective basis. The Supervisory Board may second one or several from amongst its members to individually perform the supervisory responsibilities. Each member of the Supervisory Board is entitled to request that any information on the business of the Company to be provided to him/her and to examine at his/her expense the information on the Company so provided. Each member of the Supervisory Board is entitled to have access to the Company’s accounting documents.
Subject to the provisions of Article 5.7, Article 7a.5 and Article 12.4 of the Company’s Articles of Association, valid resolutions of the Supervisory Board require to be adopted by the ordinary majority of votes, in the presence of at least three members of the Supervisory Board, with the exception of resolutions on matters listed in Article 14(2)(g), (h), (i), (j), (k), (l), (m) and (n) that require the majority of votes, with the members of the Supervisory Board appointed under the procedure of Article 12(3) voting in favour of the resolution and in the presence of at least three members of the Supervisory Board. In the case of an equal number of votes for and against a resolution, the Chairman of the Supervisory Board has the casting vote.

In addition, the consent of all the independent members of the Supervisory Board is required for valid adoption by the Supervisory Board of resolutions to:

- authorise the increase of the initial capital within the limits of authorised capital;
- authorise exclusion or limitation of rights issue with respect to shares issued by increasing the initial capital under the authorisation to increase the initial capital granted to the Management Board in the Articles of Association as part of authorised capital.

Audit Committee of the Supervisory Board

Composition of the Audit Committee:
Mr Tomasz Krysztofiak, Chairman of the Committee;
Mr Artur Laskowski;
Mr Piotr Długosz.

The Audit Committee takes all measures to the extent of its powers described in the Audit Committee Regulations and subject to the provisions of the Supervisory Board Regulations and Company’s Articles of Association to improve the decision-making processes of the Supervisory Board.

(in PLN 000s, unless indicated otherwise)

The main task of the Audit Committee is to advise the Supervisory Board on effective implementation and adequate monitoring the financial reporting process and collaboration with certified auditors.

Lublin, April 2010

Signatures of all Members of the Management Board:

2010-04-30	Artur Kawa	Chairman of Management Board	.... Signature
2010-04-30	Jarosław Wawerski	Vice-Chairman of Management Board	.... Signature
2010-04-30	Dariusz Kalinowski	Member of Management Board – Financial Director	.... Signature
2010-04-30	Marek Wesołowski	Member of Management Board – Retail Business Director	.... Signature
2010-04-30	Grzegorz Wawerski	Member of Management Board – Retail Business Development Director	.... Signature

Signature of person responsible for maintaining the accounts:

2010-04-30	Elżbieta Świniarska	Economic Director	.... Signature