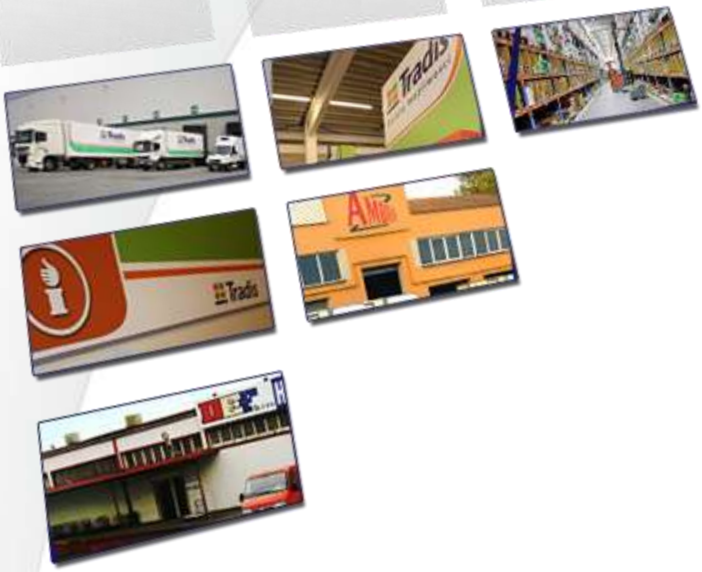


# CONSOLIDATED FINANCIAL STATEMENTS

## 3rd QUARTER 2010

**PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS**
**(ALL AMOUNTS IN THOUSANDS PLN)**

**TRANSLATORS' EXPLANATORY NOTE**
The following document is a free translation of the Q3 Consolidated Report of Emperia Holding S.A.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

**LUBLIN, NOVEMBER 2010**

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# 1. Chairman's Letter

Dear Shareholders of Emperia Holding S.A.

Recently, our Company provided to its shareholders a new strategy for further development.. This strategy involves separation of today's Capital Group several independent business Divisions. The adopted strategy will provide opportunity to assess effectiveness of actions taken by each of them., in the near future to obtain a market valuation of major business divisions through their publicity.

Therefore, present to You with the Financial Statements for third quarter of this year, beyond informations presented so far, additionally detailed assumptions relating to separation of each business divisions and their basic financial and operating data.

Providing attached Financial Statements I believe, that presented in it information will improve Your knowledge about our Capital Group and help to better assess of presented by the Company's Management Board development plans and financial projections both those relating to whole Capital Group as well as its each business divisions.

Our company from many years consistently builds value for its shareholders keeping high rate of development, as well as taking care of current financial results. Merger with BOS Capital Group, which took place in 2007 was a key step in our further development. Integration, which took place after the merger, and ended in the first half of this year has prepared Group to dynamic market expansion and further improve of efficiency. Results achieved in subsequent quarters of this year confirms conviction of the Management Board, that completed integration brings expected results and, that there is still great potential to further improve of our result.

As a shareholder of the Emperia Holding and Chairman of the Management Board, belief that implemented strategy of transformation of the Capital Group will not only increase the transparency of business activity, but primarily to increase the pace of development and further improve efficiency, and finally to increase the satisfaction of our shareholders.

Artur Kawa

Chairman of the Management Board
of Emperia Holding

( in PLN 000s, unless indicated otherwise)

## 2. Selected Financial Highlights

| SELECTED FINANCIAL HIGHLIGHTS (current year) | | PLN | | EURO | |
|---|---|---|---|---|---|
| | | For period 01.Jan.2010 to 30.Sep.2010 | For period 01.Jan.2009 to 30.Sep.2009* | For period 01.Jan.2010 to 30.Sep.2010 | For period 01.Jan.2009 to 30.Sep.2009* |
| I. | Net revenues from sale of products, goods and materials | 4 384 854 | 4 099 853 | 1 095 474 | 931 933 |
| II. | Profit (loss) on operating activity | 85 767 | 86 417 | 21 427 | 19 643 |
| III. | Profit (loss) before tax | 73 263 | 69 546 | 18 303 | 15 808 |
| IV. | Profit (loss) for period | 59 326 | 52 205 | 14 821 | 11 867 |
| V. | Net cash flows from operating activity | 213 150 | 68 103 | 53 252 | 15 480 |
| VI. | Net cash flows from investing activity | (78 887) | (92 912) | (19 708) | (21 120) |
| VII. | Net cash flows from financing activity | (117 670) | 15 386 | (29 398) | 3 497 |
| VIII. | Total net cash flows | 16 593 | (9 423) | 4 145 | (2 142) |
| IX. | Total assets | 1 857 034 | 1 830 168 | 465 772 | 445 491 |
| X. | Liabilities and provisions against liabilities | 1 003 965 | 1 024 331 | 251 810 | 249 338 |
| XI. | Long-term liabilities | 147 254 | 160 730 | 36 934 | 39 124 |
| XII. | Short-term liabilities | 856 711 | 863 601 | 214 876 | 210 214 |
| XIII. | Equity | 853 069 | 805 837 | 213 963 | 196 153 |
| XIV. | Initial capital | 15 115 | 15 115 | 3 791 | 3 679 |
| 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 | 15 115 161 | 15 115 161 | 15 115 161 |
| XVII. | Profit (loss) per ordinary share annualized ( PLN\EURO) | 5,06 | 4,65 | 1,26 | 1,06 |
| XVIII. | Diluted profit (loss) per ordinary share annualized ( PLN\EURO) | 5,06 | 4,65 | 1,26 | 1,06 |
| XIX. | Book value per share ( PLN\EURO) | 56,44 | 53,31 | 14,16 | 12,98 |
| XX. | Diluted book value per share ( PLN\EURO) | 56,44 | 53,31 | 14,16 | 12,98 |
| XXI. | Declared or distributed dividend per share **( PLN\EURO) | 0,92 | 0,59 | 0,23 | 0,14 |

* Comparative data on the Statement of Financial Position refer to 31 December 2009
** Amount of distributed dividend per share is calculated by the number of shares at the report date, i.e.: 15 115 161 shares.

The weighted average number of shares:
– in 2010: in January-September 15 115 161;
– in 2009: in January-September 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 4,0027 PLN/EURO for three quarters of 2010, and 4,3993 PLN/EURO for three quarters of 2009,
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 3,9870 PLN/EURO on 30 September 2010, and 4,1082 PLN/EURO on 31 December 2009.

( in PLN 000s, unless indicated otherwise)

# 3. Summary Consolidated Statement of Financial Position

| | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|---|---|---|---|
| **Fixed Assets** | **972 078** | **962 775** | **944 641** | **913 543** |
| Tangible fixed assets | 685 709 | 676 863 | 658 407 | 628 989 |
| Investment real property | 16 041 | 16 116 | 16 992 | 17 451 |
| Intangible assets | 8 450 | 8 198 | 7 796 | 6 955 |
| Goodwill | 203 975 | 203 975 | 203 354 | 202 672 |
| Shares in associated companies - valuated by equity method | 4 917 | 4 615 | 3 982 | 3 804 |
| Financial assets | 11 755 | 11 683 | 11 178 | 13 082 |
| Long-term loans | | | 1 114 | |
| Long-term receivables and other deferred income | 22 270 | 23 844 | 26 068 | 24 890 |
| Deferred income tax assets | 18 961 | 17 481 | 15 750 | 15 700 |
| **Current Assets** | **884 956** | **1 015 738** | **885 527** | **877 908** |
| Stock | 382 784 | 491 669 | 455 272 | 435 355 |
| Receivables | 430 687 | 444 196 | 366 702 | 379 395 |
| Receivables under income tax | 1 422 | 2 322 | 15 504 | 12 855 |
| Short-term securities | | | | |
| Prepaid expenses | 9 786 | 14 115 | 7 996 | 8 446 |
| Cash | 56 646 | 60 845 | 40 053 | 40 600 |
| Other financial assets | 3 631 | 2 591 | | 240 |
| Assets earmarked for sale | | | | 1 017 |
| **Total Assets** | **1 857 034** | **1 978 513** | **1 830 168** | **1 791 451** |
| | | | | |
| **Equity** | **853 069** | **826 024** | **805 837** | **788 235** |
| Share capital | 15 115 | 15 115 | 15 115 | 15 115 |
| Share premium capital | 549 559 | 549 559 | 549 559 | 549 559 |
| Supplementary capital | 98 394 | 98 394 | 98 394 | 97 953 |
| Supplementary capital from the evaluation of managerial options | 3 554 | 2 715 | 1 035 | 596 |
| Reserve capital | 47 273 | 47 273 | 59 150 | 59 150 |
| Revaluation capital | | | | |
| Reserve capital for purchase of treasury shares | 40 000 | 40 000 | | |
| Treasury shares | (686) | | | |
| Retained profit | 99 750 | 72 861 | 82 482 | 65 766 |
| **Total equity allocated to shareholders of dominant entity** | **852 959** | **825 917** | **805 735** | **788 139** |
| non-controlling interest | 110 | 107 | 102 | 96 |
| | | | | |
| **Long-term liabilities** | **147 254** | **152 244** | **160 730** | **196 195** |
| Credit facilities, loans and debt securities | 121 906 | 127 931 | 137 106 | 172 826 |
| Long-term liabilities | 6 014 | 5 442 | 5 959 | 6 496 |
| Provisions | 2 955 | 2 950 | 2 843 | 2 576 |
| Provision against deferred income tax | 16 379 | 15 921 | 14 822 | 14 297 |
| **Short-term liabilities** | **856 711** | **1 000 245** | **863 601** | **807 021** |
| Credit facilities, loans and debt securities | 151 519 | 277 939 | 223 620 | 172 165 |
| Short-term liabilities | 663 631 | 697 172 | 616 928 | 610 602 |
| Income tax liabilities | 8 669 | 3 121 | 4 200 | 5 232 |
| Provisions | 29 830 | 19 363 | 16 250 | 17 691 |
| Deferred income | 3 062 | 2 650 | 2 603 | 1 331 |
| **Total liabilities** | **1 857 034** | **1 978 513** | **1 830 168** | **1 791 451** |

( in PLN 000s, unless indicated otherwise)

| | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|---|---|---|---|
| **Book value** | 853 069 | 826 024 | 805 837 | 788 235 |
| **Number of shares** | 15 115 161 | 15 115 161 | 15 115 161 | 15 115 161 |
| **Diluted number of shares** | 15 115 161 | 15 115 161 | 15 115 161 | 15 115 161 |
| **Book value per share (PLN)** | 56,44 | 54,65 | 53,31 | 52,15 |

## 4. Summary Consolidated Profit and Loss Account and Statement of comprehensive income.

| | 3 months ended 30 September 2010 | 9 months ended 30 September 2010 | 3 months ended 30 September 2009 | 9 months ended 30 September 2009 |
|---|---|---|---|---|
| **Sales revenues** | **1 552 692** | **4 384 854** | **1 415 477** | **4 099 853** |
| **Cost of goods sold** | **(1 298 246)** | **(3 674 194)** | **(1 191 688)** | **(3 448 669)** |
| **Profit on sales** | **254 446** | **710 660** | **223 789** | **651 184** |
| Other operating income | 2 427 | 8 431 | 3 174 | 28 066 |
| Selling expense | (191 658) | (560 128) | (171 024) | (514 128) |
| General administrative expense | (24 504) | (64 799) | (23 817) | (70 778) |
| Other operating expense | (1 988) | (8 397) | (3 048) | (7 927) |
| **Profit on operations** | **38 723** | **85 767** | **29 074** | **86 417** |
| Financial income | 632 | 2 497 | 653 | 1 825 |
| Financial expense | (5 561) | (15 001) | (4 286) | (18 696) |
| **Profit before tax** | **33 794** | **73 263** | **25 441** | **69 546** |
| Income tax | (7 204) | (14 871) | (4 342) | (17 148) |
| Current tax | (8 227) | (16 525) | (2 903) | (10 386) |
| Deferred tax | 1 023 | 1 654 | (1 439) | (6 762) |
| Share in financial result entities valued using the equity method | 301 | 934 | (502) | (193) |
| **Profit for period** | **26 891** | **59 326** | **20 597** | **52 205** |
| Profit for period for shareholders of dominant entity | 26 889 | 59 318 | 20 592 | 52 188 |
| Profit for period for non-controlling interests | 2 | 8 | 5 | 17 |

| | | |
|---|---|---|
| **Profit (loss) for period (annualised)** | 76 487 | 70 327 |
| **Weighted average of ordinary shares *** | 15 115 161 | 15 115 161 |
| **Diluted weighted average number of ordinary shares *** | 15 115 161 | 15 115 161 |
| **Profit (loss) per ordinary share (PLN) annualised** | 5,06 | 4,65 |

* The weighted average number of shares:
  – in 2010: in January-September 15 115 161;
  – in 2009: in January-September 15 115 161;

( in PLN 000s, unless indicated otherwise)

| Statement of total income | 3 months ended 30 September 2010 | 9 months ended 30 September 2010 | 3 months ended 30 September 2009 | 9 months ended 30 September 2009 |
|---|---|---|---|---|
| **Profit for period** | **26 891** | **59 326** | **20 597** | **52 205** |
| **Other total income:** | | | | |
| Security of Cash flow | | | | 635 |
| Income tax on the other comprehensive income components | | | | (121) |
| **Other total net income** | | | | 514 |
| **Total income for period** | **26 891** | **59 326** | **20 597** | **52 719** |
| Total income for shareholders of parent company | 26 889 | 59 318 | 20 592 | 52 702 |
| Total income for non-controlling interests | 2 | 8 | 5 | 17 |

( in PLN 000s, unless indicated otherwise)

# 5. Summary Report of Changes in Equity

| | Share capital | Share premium capital | Supplementary capital | Supplementary capital from the evaluation of managerial options | Reserve capital | Reserve capital for purchase of treasury shares | Treasury shares | Revaluation capital | Retained profit | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1 July 2010** | **15 115** | **549 559** | **98 394** | **2 715** | **47 273** | | | **40 000** | **72 861** | **108** | **826 025** |
| Correction of error for 2009 | | | | | | | | | | | |
| **1 July 2010 adjusted** | **15 115** | **549 559** | **98 394** | **2 715** | **47 273** | | | **40 000** | **72 861** | **108** | **826 025** |
| Profit for 3 months until 30 September 2010 | | | | | | | | | 26 889 | 2 | **26 891** |
| Valuation of managerial options | | | | 839 | | | | | | | **839** |
| Purchase of treasury shares | | | | | | | (686) | | | | **(686)** |
| **30 September 2010** | **15 115** | **549 559** | **98 394** | **3 554** | **47 273** | | **(686)** | **40 000** | **99 750** | **110** | **853 069** |

| | Share capital | Share premium capital | Supplementary capital | Supplementary capital from the evaluation of managerial options | Reserve capital | Reserve capital for purchase of treasury shares | Treasury shares | Revaluation capital | Retained profit | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1 January 2010** | **15 115** | **549 559** | **98 394** | **1 035** | **59 150** | | | | **82 482** | **102** | **805 837** |
| Change in accounting standards and policies | | | | | | | | | | | |
| **1 January 2010 adjusted** | **15 115** | **549 559** | **98 394** | **1 035** | **59 150** | | | | **82 482** | **102** | **805 837** |
| Profit for 9 months until 30 September 2010 | | | | | | | | | 59 318 | 8 | **59 326** |
| Valuation of II Managerial option program | | | | 2 519 | | | | | | | **2 519** |
| Distribution of 2009 profit – allocation to capital funds | | | | | 28 123 | | | | (28 123) | | |
| Creation of reserve capital to acquisition treasury shares | | | | | (40 000) | 40 000 | | | | | |
| Purchase of treasury shares | | | | | | | (686) | | | | **(686)** |
| Dividend for shareholders as part of 2009 profit distribution | | | | | | | | | (13 906) | | **(13 906)** |
| Dividend for shareholders of non-controlling | | | | | | | | | (21) | | **(21)** |
| **30 September 2010** | **15 115** | **549 559** | **98 394** | **3 554** | **47 273** | **40 000** | **(686)** | | **99 750** | **110** | **853 069** |

( 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 | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2009** | **15 115** | **549 559** | **90 862** | **596** | **59 873** | **(1 681)** | **30 367** | **392** | **745 083** |
| Change in accounting standards and policies | | | | | | | (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 (allocation to capital of Stokrotka Sp. z o.o.) | | | | | | | 54 | | **54** |
| Valuation of managerial options | | | | 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)

# 6. Summary Consolidated Report of Cash Flows

| | 3 months ended 30 September 2010 | 9 months ended 30 September 2010 | 3 months ended 30 September 2009 | 9 months ended 30 September 2009 |
|---|---|---|---|---|
| **Profit (loss) for period** | **26 891** | **59 326** | **20 597** | **52 205** |
| Adjustments for: | **148 449** | **153 824** | **8 140** | **15 898** |
| Share in net (profits) losses of entities consolidated using equity method | (301) | (934) | 502 | 193 |
| Depreciation | 17 338 | 51 077 | 16 429 | 47 134 |
| (Gain) loss on exchange rate differences | | | 2 | 2 |
| Interest and share in profit (dividends) | 5 366 | 13 507 | 3 752 | 11 102 |
| Income tax | 7 204 | 14 871 | 4 343 | 17 149 |
| Profit (loss) on investing activity | (488) | (1 004) | (196) | (13 316) |
| Change in provisions | 10 472 | 13 623 | (1 053) | (3 080) |
| Change in stock | 108 886 | 72 531 | 41 676 | (13 980) |
| Change in receivables | 13 690 | (60 004) | (6 158) | (26 798) |
| Change in accruals | 5 750 | 1 258 | 4 993 | (3 809) |
| Change in liabilities | (18 269) | 44 884 | (50 142) | 21 570 |
| Other adjustments | 585 | 2 459 | (339) | (612) |
| Income tax paid | (1 784) | 1 556 | (5 669) | (19 657) |
| **Net cash flows from operating activity** | **175 340** | **213 150** | **28 737** | **68 103** |
| **Income** | **2 349** | **8 214** | **39 546** | **76 856** |
| Sale of fixed and intangible asset | 1 645 | 4 249 | 4 039 | 38 289 |
| Sale of financial assets | 57 | 57 | | 195 |
| Disposal of subsidiaries | | | 17 939 | 18 034 |
| Received dividends | | 1 000 | | |
| Interest received | 145 | 723 | 890 | 1 232 |
| Repayment of loans granted | | 553 | 15 000 | 15 000 |
| Cash from acquired companies at date of acquisition | | 161 | 1 218 | 2 230 |
| Other income | 502 | 1 471 | 460 | 1 876 |
| **Expenditures** | **(29 087)** | **(87 101)** | **(53 330)** | **(169 768)** |
| Purchase of fixed and intangible assets | (27 877) | (81 005) | (38 257) | (125 663) |
| Investments in real property | | | | (481) |
| Purchase of subsidiaries and associated entities | (102) | (2 765) | (15 032) | (27 427) |
| Purchase of financial assets | (2) | (2) | | |
| Loans granted | (1 000) | (3 000) | | (15 000) |
| Cash in subsidiaries at date of sale | | | | (455) |
| Other expenditures | (106) | (329) | (41) | (742) |
| **Net cash flows from investing activity** | **(26 738)** | **(78 887)** | **(13 784)** | **(92 912)** |
| **Income** | **16 132** | **129 697** | **33 511** | **184 098** |
| Income from credit facilities and loans contracted | 11 050 | 112 108 | 16 808 | 134 351 |
| Issue of short-term debt securities | 5 075 | 17 572 | 16 691 | 49 682 |
| Share issue | | | | |
| Other income | 7 | 17 | 12 | 65 |
| **Expenditures** | **(168 933)** | **(247 367)** | **(48 625)** | **(168 712)** |
| Repayment of credit facilities and loans | (143 766) | (195 502) | (7 627) | (97 576) |
| Redemption of short-term debt securities | (4 500) | (20 700) | (26 200) | (46 200) |
| Payment of liabilities under financial leases | (433) | (1 257) | (1 592) | (2 251) |
| Interest and charges paid | (5 623) | (15 297) | (4 288) | (13 276) |
| Dividends paid | (13 925) | (13 925) | (8 918) | (8 918) |

( in PLN 000s, unless indicated otherwise)

| | | | | |
|---|---|---|---|---|
| Purchase of treasury shares | (686) | (686) | | |
| Other | | | | (491) |
| **Net cash flows from financial activity** | **(152 801)** | **(117 670)** | **(15 114)** | **15 386** |
| **Change in cash** | **(4 199)** | **16 593** | **(161)** | **(9 423)** |
| *Exchange differences* | | | 3 | |
| **Cash at beginning of period** | **60 845** | **40 053** | **40 758** | **50 023** |
| **Cash at end of period** | **56 646** | **56 646** | **40 600** | **40 600** |

# 7. Inform Notes to Consolidated Financial Statements

## 7.1 Description of the Capital Group organization

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 2010 to 30 September 2010, with comparable data for the period from 1 January 2009 to 30 September 2009. The consolidated financial statements contain no combined data, the subsidiaries do not operate any internal units that prepare independent financial statements.

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

Consolidation details

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

As at 30 June 2010, Emperia Holding S.A. and fifteen 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., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk 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. and PSD S.A.*.

In third quarter of 2010 the composition of the Emperia Holding Group (compared to the end of 2009 ) changed. The composition of the consolidated companies was increased by Lewiatan Śląsk Sp. z o.o. (the company previously excluded from consolidation).

* At 30.09.2010 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 30 September 2010 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) | | 20-952 Lublin, Mełgiewska 7-9 | Food product retailing | 16977, District Court in Lublin, XI Commercial Division of National Court Register (“NCR”) | Subsidiary | Full | 1999-01-27 | 100,00% | 100,00% |
| 2 | „Infinite” Sp. z o.o. | | 20-150 Lublin, Ceramiczna 8 | IT services | 16222, District Court in Lublin, XI Commercial Division of NCR | Subsidiary | Full | 1997-03-11 | 100,00% | 100,00% |
| 3 | "Detal Koncept" Sp. z o.o. | | 20-952 Lublin, Mełgiewska 7-9 | Retail franchising | 40575, District Court in Lublin, XI Commercial Division of the NCR | Subsidiary | Full | 1995-04-25 | 100,00% | 100,00% |
| 4 | „Elpro” Sp. z o.o. | | 20-952 Lublin, Mełgiewska 7-9 | Developer activity | 946, District Court in Lublin, XI Commercial Division of the NCR | Subsidiary | Full | 2001-02-15 | 100,00% | 100,00% |
| 5 | „Tradis” Sp. z o.o. | | 20-952 Lublin, Mełgiewska 7-9 | Food product 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) | | 15-399 Białystok, Handlowa 6 | Food product wholesaling | 48125, District Court in Białystok, XII Commercial Division of NCR | Subsidiary | Full | 2007-01-02 | 100,00% | 100,00% |
| 7 | "Lewiatan Podlasie" Sp. z o.o. (2) | | 15-865 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) | | 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 Poznań, 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 | Retail franchising | 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 | IT 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.) | | 02-548 Warszawa, ul. Grażyny 15 | Franchise chain management | 280288, District Court for the Capital City of Warsaw in Warsaw , XIII Commercial Division of NCR | Subsidiary | Equity method | 2008-01-01 | 100,00% | 100,00% |
| 14 | „Projekt Elpro 1" Sp. z o.o. (4) | | 20-952 Lublin, Mełgiewska 7-9 | Property development | 71049, District Court in Częstochowa, XVII Commercial Division of NCR | Subsidiary | Full | 2007-11-29 | 100,00% | 100,00% |
| 15 | "Lewiatan Śląsk" Sp. z o.o. (5) | | 41-219 Sosnowiec, Lenartowicza 39 | Retail franchising | 109502, S District Court in Toruń, VII Commercial Division of NCR | Subsidiary | Full | 2008-06-17 | 100,00% | 100,00% |

(1) directly Emperia (98.472 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. (140.292 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%)

(5) directly by Emperia Holding S.A. (66 shares, 66,00%) indirectly by Tradis Sp. z o.o. (34 shares, 34,00%)

( in PLN 000s, unless indicated otherwise)

**List of subsidiaries at the balance sheet date 30 September 2010 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.(4) | 10-680 Olsztyn, Lubelska 33 | | 100,00% | 100,00% |
| "Lewiatan Kujawy" Sp. z o.o. (3) | 87-800 Włocławek, Komunalna 6 | | 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) | 00-718 Warszawa, Czerniakowska 71 lokal 99 | | 38,20% | 38,20% |
| „Lewiatan Wielkopolska" Sp. z o.o. (5) | 60-665 Poznań, ul. Osiedle Winiary 54 | | 70,00% | 70,00% |
| „Lewiatan Opole" Sp. z o.o. (6) | 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. (7) | 87-800 Włocławek, Kilińskiego 10 | | *63,47% | *68,51% |
| „Lewiatan Północ" Sp. z o.o. | Gdańsk, ul. Bysewska 30 | | 100,00% | 100,00% |
| "Ezon" Sp. z o.o. | 20-952 Lublin, ul. Mełgiewska 7-9 | | 100,00% | 100,00% |
| "EKOM" Sp. z o.o. | 20-952 Lublin, ul. Mełgiewska 7-9 | | 100,00% | 100,00% |
| "P1" Sp. z o.o. | 20-952 Lublin, ul. Mełgiewska 7-9 | | 100,00% | 100,00% |
| EMP Investment Limited | Nicosia, Cypr | | 100,00% | 100,00% |

* indirectly weighted share

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

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

(3) indirectly by Tradis Sp. z o.o. (50,00% shares) and directly by Emperia Holding S.A. (50,00% shares)

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

(5) directly by Emperia Holding (7 shares, 10,0%), and indirectly by Maro-Markety Sp. z o.o.(42 shares, 60,00%)

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

(7) 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 30 September 2010**

| 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.

## 7.2 Outline of Key Accounting Policies

### 7.2.1 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.

### 7.2.2 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.

### 7.2.3 Operating Segment Reporting

IFRS 8 Operating Segments published by the International Accounting Standards Board on 30 November 2006, replaces IAS 14 Reporting of business segments and is apply to annual periods commencing on 1 January 2009 and after that date.

In process of standard implementing analyzed model of management of Capital Group, reporting system functioning in Capital Group and economic characteristics of its units. The analysis has not demonstrated the need of changes in current operating segments division , which is used for internal and external reporting.

The following operating segments are distinguished within the Group:

1 **The wholesale business** (Wholesale Segment)* pursued by the following subsidiaries: Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., involving wholesale distribution of goods and provision of related goods-distribution services;

2 **The retail business** (Retail Segment) comprised of the entire operations of the following subsidiaries: Stokrotka Sp. z o.o., Detal Koncept Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Maro Markety Sp. z o.o., Społem Tychy Sp. z o.o., Euro Sklep S.A. involving retail distribution and provision of related retail-distribution 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. – providing property development and facility management services; Infinite Sp. z o.o., Emperia Info Sp. z o.o. – providing IT services; PSD S.A. – a partner network management company and Lewiatan Śląsk Sp. z o.o. – (retail franchising). 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.

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.

### 7.2.4 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.

### 7.2.5 Changes in Accounting Policies Applied

The new IFRS standards and interpretations effective for reporting periods from 1 January 2010, as described in Section 6.2.6., did not affect in any major way the Emperia Holding Group's operations in Q3 2010.

It is the Group's view that the prospective application of the amendments to IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements will result in material changes to the settlement of company mergers. In the present financial statements, the Group changed the terminology arising under those standards: "minority interest were replaced by "non-controlling interest".

### 7.2.6 Application of standards and interpretations applicable from 1 January 2010

<u>New standards, their changes and interpretations which became effective as from 1 January 2010:</u>

**a) IFRIC 12 „Concession Agreement"**
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 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 30 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 2010. 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 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.

**p) Amendments to IFRS 1 - First-time Application of IFRS**

The proposed amendment to IFRS 1 introduces a limited exemption from disclosure of comparative data in accordance with IFRS 7 for entities applying IFRS for the first time. Amendments will be apply for annual periods commencing on 01 July 2010 and after that date.

**q) IFRIC 19 - Regulating financial liabilities using the equity instruments**

The IFRIC 19 clarifies the accounting policies used in situations, when as a result of renegotiation by the entities conditions of its debt, obligation is settled by issuing equity to the creditor by the debtor (so.” debt for equity swap”). Interpretation will apply for annual periods commencing on 01 July 2010 and after that date.

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 third quarter of 2010.

Published standards and interpretations which are not yet effective and have not been applied:

**a) 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

**b) 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.

**c) 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.

**d) 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.

Group analyze consequences and impact of the above-mentioned and interpretation for future financial statements, however, estimates that the application of these standards and interpretations will have no significant impact on financial statements during the period of their initial application.

### 7.2.7 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.

### 7.2.8 Correction of Errors

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

### 7.2.9 Merger, acquisition and sale of shares of subsidiaries and other, increase of capital in the business units

**Acquisition of shares in subsidiaries and other**

**a) Acquisition of Shares in Newly-Established Companies EMP Investment Limited, Ekom Sp. z o.o., P1 Sp. z o.o.**

On 3 September 2010 Emperia Holding S.A acquired 39 483 shares of nominal value 1 PLN/each in a newly-established company - EMP Investment Limited wit it seat in Nicosia on Cyprus. Acquired shares are covered by a cash contribution in amount of PLN 39 483 (10,000 EUR) and represent 100 percent of the share capital and carry a right to 100 percent of votes at the Company's general meeting.

On 6 September 2010 Emperia Holding S.A. acquired 500 shares of nominal value 100 PLN/each in a newly established company - Ekom Sp. z o.o. wit it seat in Lublin. Acquired shares are covered by a cash contribution in amount of PLN 50 000 and represent 100 percent of the share capital and carry a right to 100 percent of votes at the Company's general meeting.

On 6 September 2010 Emperia Holding S.A. acquired 500 shares of nominal value 100 PLN/each in a newly-established company - P1 Sp. z o.o. wit it seat in Lublin. Acquired shares are covered by a cash contribution in amount of PLN 50 000 and represent 100 percent of the share capital and carry a right to 100 percent of votes at the Company's general meeting.

The creation of the above-mentioned companies is related to operation in organizational structure of Emperii Holding S.A., which rely on separation of property owned by Group's companies to the Real Estate Division.

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

No such event occurred in the Group.

**Sale of shares in subsidiaries and other**

**a) Sale of shares in a subsidiary "Piccolo" Sp. z o. o.**

On 6 August 2010 Społem Tychy subsidiary sold all its shares of Piccolo Sp. z o.o. ie 60 shares representing 50% of share capital Piccolo. Gross result on transaction in the third quarter amounted PLN 26 000.

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

The mergers and initial capital increases in businesses effected after the balance sheet date are outlined in note 7.14.16.

### 7.2.10 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.

Assets under construction and leasehold improvements as well as the right of perpetual usufruct of land are also recognised by the Group as fixed assets.

The initial value of fixed assets comprises the purchase price plus all costs directly related to the purchase and costs necessary to adapt the asset for its intended business use. The initial value of the adapted fixed assets 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.

### 7.2.11 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.

### 7.2.12 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.

### 7.2.13 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 recognizing other operating income.

### 7.2.14 Investments and other financial assets

**Investments in real property**

Investment real properties are those real properties which are treated by the Company as a source of income from rent and/or which the Company retains with a view to their expected appreciation in value. The investments in real property are initially recognised at price of purchase or cost of construction.
The carrying value includes costs of transaction. The purchase price of real property investments acquired by way of merger of businesses corresponds to their fair value as at the date of merger. On the balance sheet date, investment real properties are reported at the purchase price or cost of construction less accumulated depreciation and impairment allowances.

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

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

**Investments and other financial assets falling within IAS 39 standard**

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

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

Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable.
The classification of financial assets is made at their initial recognition, and where it is permissible and appropriate, the classification is reviewed at the end of each financial year

a) 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.

An assessment is made on each balance sheet date, as to whether there is objective evidence of impairment of a financial asset or a category of financial assets.
If such evidence exists with respect to financial assets available for sale, the aggregate losses to date recognised in equity—established as the difference between the purchase price and the current fair value, less any impairment recognised earlier in the profit and loss account—are derecognised from equity and recognised in the profit and loss account. Any impairment recorded in the profit and loss account with respect to equity instruments is not subject to reversal in correspondence to the profit and loss account. The reversal of impairment losses on financial debt securities is recognised in the profit and loss account if, in the following periods, after the impairment is recognised the fair value of such financial instruments increases as a result of events occurring after impairment recognition.
If there is evidence as to the likely impairment of loans and receivables, the impairment loss is determined as the difference between the balance sheet value of assets and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (that is an effective interest rate calculated at the initial recognition for assets based on the fixed interest rate and the effective interest rate established at the time of last revaluation of assets based on variable interest rate). Impairment losses are recorded in the profit and loss account. The reversal of impairment losses is recognised if, in the following periods, the impairment is reduced and the reduction can be attributed to events that occur after recognition. Upon reversal of impairment loss, the carrying amount of financial assets may not exceed the amortised cost which would be established if the impairment loss had not been recognised previously. The reversal of impairment is recognised in the profit and loss account.
If there is indication of impairment of unlisted equity instruments which are recognised at cost of purchase (as a reliable measurement of the fair value is not possible), the impairment loss is determined as the difference between the carrying value of the asset and the present value of estimated future cash flows discounted at similar financial assets' present market rate of return.

**Derivatives**

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

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

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

**Recognising commercial derivatives**

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

**Recognition of hedging derivatives**

Hedging, for accounting purposes, consists in offsetting against each other the results of changes in fair value or changes in cash flows resulting from a hedging product and the hedged position.

To the extent covered by these consolidated financial statements, the Group applied hedge accounting to hedge against changes in cash flows and fair value hedging.

The Group recognises profits and losses resulting from fair value fluctuations of a cash flows hedging product as a separate line of equity (revaluation capital), in such part in which the relevant product provides effective hedging for the related hedged item. The ineffective part is recognised as financial expenses or financial income in the profit and loss account.

Profits and losses resulting from fair value fluctuations of a hedging product are recognised, in its effective part, in profit and loss account correspondingly to the fluctuations in the fair value of the hedged position. The ineffective part is recognised as financial expenses or financial income in the profit and loss account.

### 7.2.15 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.

### 7.2.16 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.

### 7.2.17 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.

### 7.2.18 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.

### 7.2.19 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 less outstanding overdraft facilities.

### 7.2.20 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.

### 7.2.21 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).

### 7.2.22 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.

### 7.2.23 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.

### 7.2.24 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.

#### *7.2.24.1 Own 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 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.

Basic programme documents:
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.

Key assumptions of the Programme:
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.

The exercise of the options will take place in the following periods:
- 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.
Loyalty Objective: Persons will be entitled to the Programme in case of remaing in employment agreement with the Company, or subsidiary for a continuous period from the date of inclusion in the list of persons entitled to 31 December 2010, 2011 or 2012.

The group is in the valuation of the program to fair value at the date of its launch, according to the requirements of IFRS 2 and IFRIC 11. The valuation was done by using modern methods of financial engineering, numerical methods by an independent expert in the valuation model based on Monte-Carlo.

The valuation takes into account:

- The starting price for the model at the level of PLN 75.50 per share (the share price at grant date of the instrument, ie as at 26 March 2010)
- The exercise price of the instrument in the amount of PLN 79.82,
- The expected volatility of 39%,
- Interest rate risk-free level of 5.5%
- Expecting for dividend at 0.92 PLN per share in 2010, 1.12 PLN / share in 2011, 1.35 PLN / share in 2012, PLN 1.60 per share in 2013 and taking into account the increase in dividend by 15% in subsequent years.

The fair value of the Programme is amortized over the duration of the program, starting March 26, 2010 to December 31. 2010. In the Financial Statements the fair value of the Program is presented in the profit and loss statement as cost of a managerial program options with a corresponding increase in capital.

In 2010 Company wrote off the costs of implementation of I tranche in amount of PLN 2 519 000.

### 7.2.25 Corporate tax

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

### 7.2.26 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.

### 7.2.27 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.

### 7.2.28 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)

# 8. Additional Notes

## 8.1 Brief description of the significant accomplishments or failures of Emperia Capital Group.

Current quarter as same as previous one, confirmed that carried for several months operation, whose aim is to improve economic efficiency of the Capital Group and its individual parts bring expected results. Sales revenues for the third quarter of this year compared to the corresponding period of previous year increased by almost 10%.  At the same time was further increased of margin, and connected with it - profitability of the Capital Group measured on each level (from profitability on  EBITDA and ending on Net profitability).

We can indicate two important reasons, which contributed to increase of profitability. The first one is connected with scale effect in distribution. After completing of investment in new distribution centers, actually  Tradis has a large potential for increasing sales without further investment  in new warehouses, which results in spreading fixed costs on growing volume of goods sold.  The second reason is increase of trade margin, which is a consequence of better assortment  management policies (both in distribution and in retail). Group actually implementing new IT solutions which support this process and in the coming months is expected to further improve of margins.

Assortment optimization process affects not only on value realized margins but also in a very significant extent on the level of inventory rotation. One element of assortment policy is to reduce the number of SKUs, namely elimination of goods , which do not meet level of sales and profitability. On the level of  inventory also influenced process of implementing a new IT system for ordering goods and optimize inventory levels. Accordingly the Management Board expects, that inventory turnover ratio will be improved in subsequent periods.

**Financial Highlights**

| Description | Q3 2010 | Q3 2009 | % |
|---|---|---|---|
| Sales revenues | 4 384 854 | 4 099 853 | 7,0% |
| EBIDTA | 136 845 | 133 551 | 2,5% |
| Profit on operations | 85 767 | 86 417 | -0,8% |
| Profit before tax | 73 263 | 69 546 | 5,3% |
| Profit for period | 59 326 | 52 205 | 13,6% |
| Total assets | 1 857 034 | 1 791 451 | 3,7% |
| Liabilities and provisions against liabilities | 1 003 965 | 1 003 216 | 0,1% |
| Short-term liabilities | 856 711 | 807 021 | 6,2% |
| Net assets | 853 069 | 788 235 | 8,2% |
| Share capital | 15 115 161 | 15 115 161 | 0,0% |
| Annualised profit per share for period | 5,06 | 4,65 | 8,8% |

**Group's activity and payment capacity.**

| Description | Methodology | Q3 2010 | Q3 2009 |
|---|---|---|---|
| Return on invested capital | profit for the period under review/equity at the end of the period) in % | 6,95% | 6,62% |
| Return on assets | (profit for the period under review/total assets at the end of the period) in % | 3,19% | 2,91% |
| Return on sales | (profit for the period under review/sales revenues in the period) in % | 16,21% | 15,88% |
| Return on EBIDTA | *(EBITDA/* sales revenues in the period) in % | 3,12% | 3,26% |
| Return on operations | (profit on operations for the period under review/sales revenues in the period) in % | 1,96% | 2,11% |
| Gross return | (profit before tax for the period under review/sales revenues in the period) in % | 1,67% | 1,70% |
| Net return | (profit for the period under review/sales revenues in the period) in % | 1,35% | 1,27% |

( in PLN 000s, unless indicated otherwise)

Significant growth: revenue (7%) and trade margin (2%) in relation to 9 months of 2009 provides the foundation for further development of the Group . Systematic improvement of efficiency ratios shows that Group starts to achieve results of restructuring.

| Cycles of rotation of main components of working capital | Q3 2010 | Q3 2009 |
|---|---|---|
| Rotation cycle of inventory in days<br>*(inventory /value of goods and materials sold * number of days in period)* | 29 | 35 |
| Rotation cycle of receivables in days<br>*(receivables / revenues from sales * number of days in period)* | 27 | 26 |
| Rotation cycle of liabilities in days<br>*([Total short-term liabilities - short-term credits]<br>/ value of goods and materials sold * number of days in period)* | 53 | 51 |
| Turnover (productivity) of total assets<br>*(revenues from sales / total assets)* | 2,36 | 2,29 |
| Turnover (productivity) of fixed assets<br>*(revenues from sales / fixed assets)* | 4,51 | 4,49 |

*(Data were calculated assuming that the number of days in a period equal is 273)*
Reduction of rotation cycle of cash significantly influenced on the cash flows and reducing the debt of the Group at the end of third quarter of 2010.

**Distribution activities:**

After creating a distribution company Tradis in 2009, distribution segment systematically working on optimization of operational processes and operating costs. Implemented summary and deferred invoice for customers (chains of outlets) who purchase goods in various branches of the company Tradis and presently is testing electronic invoice.

**Retail activities:**
At the end of third quarter 2010 Stokrotka Sp. z o.o. retail outlets reached 174 and 8 Delima supermarkets.
At the end of third quarter franchise chain outlets of Detal Koncept Sp. z o.o. consisted of 1 100 stores under the brand Groszek. Additionally Detal Koncept operated 91 Milea stores. Lewiatan Podlasie managed 197 outlets. Społem Tychy at balance sheet date managed 24 outlets, Euro Sklep 631 outlets. Franchise chain Lewiatan Śląsk managed 302 outlets, Lewiatan Zachód 294 outlets, Lewiatan Orbita 106 outlets, Lewiatan Wielkopolska 183 outlets, Lewiatan Północ 167 outlets and Lewiatan Opole 186 outlets, Lewiatan Kujawy 246 outlets, Lewiatan Mazowsze 21 outlets and Partnerski PSD at the balance sheet date cooperate with 488 shops of Spolem.

## 8.2 Revenues and performance by business segment

IFRS 8 Operating Segments published by the International Accounting Standards Board on 30 November 2006, replaces IAS 14 Reporting of business segments and is apply to annual periods commencing on 1 January 2009 and after that date.
In process of standard implementing analyzed model of management of Capital Group, reporting system functioning in Capital Group and economic characteristics of its units. The analysis has not demonstrated the need of changes in current operating segments division , which is used for internal and external reporting.

The following operating segments are distinguished within the Group:

1 **The wholesale business** (Wholesale Segment)* pursued by the following subsidiaries: Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., involving wholesale distribution of goods and provision of related goods-distribution 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. – providing property development and facility management services; Infinite Sp. z o.o., Emperia Info Sp. z o.o. – providing IT services; PSD S.A. – a partner network management company and Lewiatan Śląsk Sp. z o.o. – (retail franchising). 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.

( in PLN 000s, unless indicated otherwise)

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

The tables below present cumulative information regarding the Group's business segments in three quarters of 2010:

| | Wholesale | Retail | Other | Exclusions | Total |
|---|---|---|---|---|---|
| Segment total revenues | 3 529 645 | 1 432 209 | 84 339 | 661 339 | 4 384 854 |
| Segment revenues (from external clients/customers) | 2 952 087 | 1 416 358 | 16 409 | | 4 384 854 |
| Segment revenues (from other segments) | 577 558 | 15 851 | 67 930 | 661 339 | |
| Segment total costs | (3 475 311) | (1 411 471) | (74 628) | (662 289) | (4 299 121) |
| Result on other operations | 2 844 | (2 907) | 173 | 76 | 34 |
| Result on financial operations | (4 210) | (3 228) | 58 519 | 63 585 | (12 504) |
| Result (gross) | 52 968 | 14 603 | 68 403 | 62 711 | 73 263 |
| Taxation | (9 623) | (3 079) | (1 930) | 239 | (14 871) |
| Share in financial result entities valued using the equity method | | | 934 | | 934 |
| **Segment result (net)** | **43 345** | **11 524** | **67 407** | **62 950** | **59 326** |

| | Wholesale | Retail | Other | Exclusions | Total |
|---|---|---|---|---|---|
| Segment assets/ liabilities | 1 110 473 | 464 366 | 959 306 | 677 111 | 1 857 034 |
| Goodwill | 156 073 | 47 281 | 621 | | 203 975 |

| | Wholesale | Retail | Other | Exclusions | Total |
|---|---|---|---|---|---|
| Investment outlays | (11 655) | (39 044) | (30 935) | (629) | (81 005) |
| Depreciation | (16 088) | (23 173) | (12 725) | (909) | (51 077) |

The tables below present cumulative information regarding the Group's business segments in three quarters of 2009:

| | Wholesale | Retail | Other | Exclusions | Total |
|---|---|---|---|---|---|
| Segment total revenues | 3 359 340 | 1 283 091 | 76 120 | 618 698 | 4 099 853 |
| Segment revenues (from external clients/customers) | 2 817 645 | 1 270 559 | 11 649 | | 4 099 853 |
| Segment revenues (from other segments) | 541 695 | 12 532 | 64 471 | 618 698 | |
| Segment total costs | (3 313 013) | (1 277 477) | (63 104) | (620 019) | (4 033 575) |
| Result on other operations | 3 701 | 2 102 | 16 531 | 2 195 | 20 139 |
| Result on financial operations | 9 697 | (4 716) | 38 498 | 60 350 | (16 871) |
| Result (gross) | 59 725 | 3 000 | 68 045 | 61 224 | 69 546 |
| Taxation | (9 314) | (2 156) | (5 637) | 41 | (17 148) |
| Share in financial result entities valued using the equity method | | | (193) | | (193) |
| **Segment result (net)** | **50 411** | **844** | **62 215** | **61 265** | **52 205** |

| | Wholesale | Retail | Other | Exclusions | Total |
|---|---|---|---|---|---|
| Segment assets/ liabilities | 1 143 768 | 444 522 | 851 804 | 648 643 | 1 791 451 |
| Goodwill | 155 391 | 47 281 | | | 202 672 |

| | Wholesale | Retail | Other | Exclusions | Total |
|---|---|---|---|---|---|
| Investment outlays | (51 258) | (51 465) | (48 980) | (26 040) | (125 663) |
| Depreciation | (16 694) | (21 076) | (9 788) | (424) | (47 134) |

## 8.3 Indication of the effects of changes in structure of the enterprise.

All changes in structure of the Capital Group are described in detail in note 7.1 and 7.2.9.

( in PLN 000s,  unless indicated otherwise)

## 8.4 Management Board position on the implementation of previously published results for the year.

Management Board of Emperia Holding SA sustain financial results made public made public by current reports No. 41 dated 20 September 2010, No. 43, dated 21 September 2010, and No. 45 dated 28 September 2010.

Management Board of Emperia Holding SA will monitor the level of forecast realization based on internal business control system. Assess of possibility of achieving forecast results will be indicated in the consolidated quarterly reports of Emperia Capital Group.

Should the Management Board of Emperia Holding SA become aware of reasonable grounds for a discrepancy of 10% or more compared to one of the projected figures, it will disclose it immediately to the public in a current report.

## 8.5 Shareholders holding at least 5 percent of the total number of votes at the general meeting as at the date of filing the report.

| Shareholders | Shares held as at the date of filing the report | Percentage of share capital | Change % | Shares held as at 31/12/2009 | Percentage of share capital as at 31/12/2009 | Number of votes at GMS as at the date of filing the report | % of number of votes at GMS as at the date of filing 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% |
| PZU Asset Management* | 962 094 | 6,37% | 27,43% | 755 015 | 4,99% | 962 094 | 6,37% |

* Information about state of held shares has been obtained by occasion of Extraordinary General Meeting of 13 October 2010.

## 8.6 Changes in the number of shares held by members of the Management Board and Supervisory Board.

| Members of Management Board | Shares held as at 30/09/2010 | Percentage of share capital | Change % | Shares held as at 31/12/2009 | Percentage of initial capital as at 31/12/2009 |
|---|---|---|---|---|---|
| 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% |

| Members of Supervisory Board | Shares held as at 30/09/2010 | Percentage of share capital | Change % | Shares held as at 31/12/2009 | Percentage of initial capital as at 31/12/2009 |
|---|---|---|---|---|---|
| Piotr Laskowski | 386 125 | 2,55% | 0,00% | 386 125 | 2,55% |
| Artur Laskowski | 346 330 | 2,29% | 0,00% | 346 330 | 2,29% |

## 8.7 Information on pending litigation.

In third quarter of 2010 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.

## 8.8 Material transactions of the Issuer with associated entities.

In third quarter of 2010, 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.
In third quarter of 2010 were no mergers made within the Capital Group.
As part of the Group's cash flow management, short-term bonds were issued, described in detail in Note 8.14.5.

## 8.9 Credit facilities, loans and guarantees.

In third quarter of 2010, 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 8.14.7.

## 8.10 Other information relevant to assessment of staffing, property, financial, financial results and their changes and information that are relevant to assessing possibility of fulfillment of commitments by the issuer.

In Group at balance sheet date there is no risks associated with currency options.

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

No such event occurred in the Group in third quarter of 2010.

## 8.12 Description of factors materially affecting the Group's results at least in the next quarter.

**External:**

a) The macroeconomic situation in the country, measured by indicators: GDP growth, unemployment, net income of households, inflation,
b) Changes on FMCG market,
c) Price increases of consumed by the Group goods and services in particular fuel and media,
d) Stabilization and even decline in some segments of the real estate process,
e) Policy of financial institutions on lending to businesses and consumers (interest rates, credit margin, hedge)
f) The situation on labor market and wage costs.

**Interior:**

a) Rebuilding structures of the Capital Group, mergers in distribution and retail segments, which will reduce cost of activity and better quality of management of segments
b) Development of new formats of franchise chain belonging to the Group
c) Development own retail chain
d) Internal policy on cost control
e) Timely and budgetary implementation of the planned investments

( in PLN 000s, unless indicated otherwise)

## 8.13 Changes in the composition of the Issuer's Management Board and Supervisory Board

In third quarter of 2010 has been no changes of Management Board of Emperia Holding S.A..

The composition of the Management Board at 30 September 2010 is as follows:

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

In third quarter of 2010 has been no changes of Supervisory Board of Emperia Holding SA

The composition of the Supervisory Board of Emperia Holding SA at 30 September 2010 is as follows:

1. Piotr Laskowski – Chairman of the Supervisory Board,
2. Tomasz Marek Krysztofiak – Vice-Chairman of the Supervisory Board, independent member
3. Artur Laskowski - Member of the Supervisory Board,
4. Ireneusz Zięba – Member of the Supervisory Board,
5. Piotr Długosz – Independent Member of the Supervisory Board.

## 8.14 Other material information and events.

### 8.14.1 Consistency of accounting principles and measurement methods applied in the third quarter interim report and the last annual financial statements.

A description of the Group's basic accounting policies applied from 1 January 2005 is presented in Note 7.2 of these consolidated financial statements.

### 8.14.2 Seasonality and cyclicality of production.

The Group's business is not subject to any major seasonal or cyclical trends.

### 8.14.3 Type and amounts of items affecting assets, liabilities, equity, net financial result or cash flows which are unique in term of type, size or effect.

The Group experienced no such events.

### 8.14.4 Type and amounts of changes in estimated amounts reported in the previous interim periods of the current year or changes in the estimated amounts reported in the previous financial years, if they materially affect the current interim period.

| Provisions against employee benefits<br>Long-term | Changes in Q1-Q3 2010 | Changes in 2009 |
|---|---|---|
| As at the beginning of the period | 2 843 | 2 362 |
| *Increases/reductions during the period* | *107* | *363* |
| *Increases/reductions during the period resulting from acquisitions* | *5* | *118* |
| **As at the end of the period** | **2 955** | **2 843** |

( in PLN 000s, unless indicated otherwise)

| | | |
|---|---|---|
| **Short-term** | | |
| As at the beginning of the period | 12 634 | 18 205 |
| *Increases/reductions during the period* | *(3 311)* | *(5 516)* |
| *Increases/reductions during the period resulting from acquisitions* | *51* | *(55)* |
| **As at the end of the period** | **9 374** | **12 634** |
| **Other provisions** | **Changes in Q1-Q3 2010** | **Changes in 2009** |
| **Long-term** | | |
| As at the beginning of the period | 0 | 0 |
| *Increases/reductions during the period* | *0* | *0* |
| *Increases/reductions during the period resulting from acquisitions* | *0* | *0* |
| **As at the end of the period** | **0** | **0** |
| **Short-term** | | |
| As at the beginning of the period | 3 616 | 2 825 |
| *Increases/reductions during the period* | *16 827* | *816* |
| *Increases/reductions during the period resulting from acquisitions* | *13* | *(25)* |
| **As at the end of the period** | **20 456** | **3 616** |

### 8.14.5 Issue, redemption and repayment of debt and equity securities

**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. in third quarter of 2010 and cumulatively throughout three quarters of 2010 and 2009 were as follows:

2010:
In Q3 2010 Emperia Holding S.A. did not issue any bonds.

| Bonds issue and redemption in Q1-Q3 2010 | Total | External issue |
|---|---|---|
| As at the beginning of the period | **4 000** | **4 000** |
| *Bonds issue* | ***4 000*** | *4 000* |
| *Bonds redemption* | ***(8 000)*** | *(8 000)* |
| **As at the end of the period** | **0** | **0** |

2009:

| Bonds issue and redemption Q3 2009 | Total | External issue | Elpro Sp. z o.o. |
|---|---|---|---|
| As at the beginning of the period | **13 000** | **13 000** | **0** |
| *Bonds issue* | ***13 700*** | *13 000* | *700* |
| *Bonds redemption* | ***(22 700)*** | *(22 000)* | *(700)* |
| **As at the end of the period** | **4 000** | **4 000** | **0** |

| Bonds issue and redemption in Q1-Q3 2009 | Total | External issue | Elpro Sp. z o.o. |
|---|---|---|---|
| As at the beginning of the period | **0** | **0** | **0** |
| *Bonds issue* | ***39 700*** | *39 000* | *700* |
| *Bonds redemption* | ***(35 700)*** | *(35 000)* | *(700)* |
| **As at the end of the period** | **4 000** | **4 000** | **0** |

( in PLN 000s, unless indicated otherwise)

**b) Elpro Sp. z o.o.**

A subsidiary limited liability company Elpro Sp. z o.o. 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 Elpro Sp. z o.o. in third quarter of 2010 and cumulatively throughout three quarters of 2010 and 2009 were as follows:

2010:

| Bonds issue and redemption in Q3 2010 | Total | External issue | Emperia Holding S.A. | Projekt Elpro 1 Sp. z o.o. | Euro Sklep S.A. | Społem Tychy Sp. z o.o. | Tradis Sp. z o.o. | DEF Sp. z o.o. | Detal Koncept Sp. z o.o. |
|---|---|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **67 500** | **1 500** | **54 400** | **7 600** | **2 000** | **0** | **0** | **0** | **2 000** |
| *Bonds issue* | ***238 300*** | *5 100* | *186 600* | *22 800* | *9 000* | *0* | *0* | *0* | *14 800* |
| *Bonds redemption* | ***(228 800)*** | *(4 500)* | *(182 400)* | *(22 800)* | *(7 500)* | *0* | *0* | *0* | *(11 600)* |
| **As at the end of the period** | **77 000** | **2 100** | **58 600** | **7 600** | **3 500** | **0** | **0** | **0** | **5 200** |

| Bonds issue and redemption in Q1-Q3 2010 | Total | External issue | Emperia Holding S.A. | Projekt Elpro 1 Sp. z o.o. | Euro Sklep S.A. | Społem Tychy Sp. z o.o. | Tradis Sp. z o.o. | DEF Sp. z o.o. | Detal Koncept Sp. z o.o. |
|---|---|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **56 700** | **1 100** | **12 900** | **7 600** | **3 000** | **2 000** | **21 600** | **8 500** | **0** |
| *Bonds issue* | ***622 300*** | *13 700* | *340 400* | *68 400* | *32 000* | *10 200* | *121 400* | *17 000* | *19 200* |
| *Bonds redemption* | ***(602 000)*** | *(12 700)* | *(294 700)* | *(68 400)* | *(31 500)* | *(12 200)* | *(143 000)* | *(25 500)* | *(14 000)* |
| **As at the end of the period** | **77 000** | **2 100** | **58 600** | **7 600** | **3 500** | **0** | **0** | **0** | **5 200** |

2009:

| Bonds issue and redemption in Q3 2009 | Total | External issue | Emperia Holding S.A. | Express Sp. z o.o. | BOS S.A. | Tradis Sp. z o.o. | DEF Sp. z o.o. |
|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **22 000** | **1 000** | **0** | **7 000** | **0** | **14 000** | **0** |
| *Bonds issue* | ***122 096*** | *4 300* | *55 696* | *29 600* | *0* | *12 500* | *20 000* |
| *Bonds redemption* | ***(108 996)*** | *(4 200)* | *(43 196)* | *(29 100)* | *0* | *(17 500)* | *(15 000)* |
| **As at the end of the period** | **35 100** | **1 100** | **12 500** | **7 500** | **0** | **9 000** | **5 000** |

| Bonds issue and redemption in Q1-Q3 2009 | Total | External issue | Emperia Holding S.A. | Express Sp. z o.o. | BOS S.A. | Tradis Sp. z o.o. | DEF Sp. z o.o. |
|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **42 500** | **1 000** | **18 500** | **7 000** | **4 000** | **0** | **12 000** |
| *Bonds issue* | ***409 996*** | *11 300* | *129 596* | *71 600* | *87 000* | *42 500* | *68 000* |
| *Bonds redemption* | ***(417 396)*** | *(11 200)* | *(135 596)* | *(71 100)* | *(91 000)* | *(33 500)* | *(75 000)* |
| **As at the end of the period** | **35 100** | **1 100** | **12 500** | **7 500** | **0** | **9 000** | **5 000** |

**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. in third quarter of 2010 and cumulatively throughout three quarters of 2010 and 2009 were as follows:

( in PLN 000s, unless indicated otherwise)

2010:

| Bonds issue and redemption in Q3 2010 | 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. |
|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **50 000** | **0** | **30 600** | **5 600** | **0** | **0** | **13 800** |
| *Bonds issue* | ***150 000*** | *0* | *88 900* | *17 700* | *0* | *1 200* | *42 200* |
| *Bonds redemption* | ***(150 000)*** | *0* | *(89 900)* | *(17 400)* | *0* | *(800)* | *(41 900)* |
| **As at the end of the period** | **50 000** | **0** | **29 600** | **5 900** | **0** | **400** | **14 100** |

| Bonds issue and redemption in Q1-Q3 2010 | 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. |
|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **50 000** | **0** | **19 000** | **5 500** | **8 600** | **4 500** | **12 400** |
| *Bonds issue* | ***426 000*** | *0* | *219 700* | *53 200* | *8 200* | *23 700* | *121 200* |
| *Bonds redemption* | ***(426 000)*** | *0* | *(209 100)* | *(52 800)* | *(16 800)* | *(27 800)* | *(119 500)* |
| **As at the end of the period** | **50 000** | **0** | **29 600** | **5 900** | **0** | **400** | **14 100** |

2009:

| Bonds issue and redemption in Q3 2009 | Total | External issue | Emperia Holding S.A. | Infinite Sp. z o.o. | Tradis Sp. z o.o. | BOS S.A. | Maro Markety Sp. z o.o. | Sydo Sp. z o.o. | Euro Sklep S.A. |
|---|---|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **49 000** | **0** | **0** | **4 500** | **13 400** | **15 000** | **4 900** | **11 200** | **0** |
| *Bonds issue* | ***171 400*** | *0* | *70 800* | *14 300* | *35 800* | *0* | *14 700* | *33 800* | *2 000* |
| *Bonds redemption* | ***(170 400)*** | *0* | *(52 000)* | *(13 800)* | *(40 200)* | *(15 000)* | *(14 700)* | *(33 700)* | *(1 000)* |
| **As at the end of the period** | **50 000** | **0** | **18 800** | **5 000** | **9 000** | **0** | **4 900** | **11 300** | **1 000** |

| Bonds issue and redemption in Q1-Q3 2009 | Total | External issue | Emperia Holding S.A. | Infinite Sp. z o.o. | Tradis Sp. z o.o. | BOS S.A. | Maro Markety Sp. z o.o. | Sydo Sp. z o.o. | Euro Sklep S.A. |
|---|---|---|---|---|---|---|---|---|---|
| As at the beginning of the period | **50 000** | **0** | **32 800** | **3 500** | **0** | **0** | **6 000** | **7 700** | **0** |
| *Bonds issue* | ***520 800*** | *0* | *212 200* | *38 800* | *56 200* | *60 000* | *49 600* | *102 000* | *2 000* |
| *Bonds redemption* | ***(520 800)*** | *0* | *(226 200)* | *(37 300)* | *(47 200)* | *(60 000)* | *(50 700)* | *(98 400)* | *(1 000)* |
| **As at the end of the period** | **50 000** | **0** | **18 800** | **5 000** | **9 000** | **0** | **4 900** | **11 300** | **1 000** |

**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. in third quarter of 2010 and cumulatively throughout three quarters of 2010 and 2009 were as follows

2010:
InQ3 2010 Tradis Sp. Z o.o. did not issue any bonds.

2009:

| Bonds issue and redemption in Q3 2009 | Total | External issue | Emperia Holding S.A. | Tradis Sp. z o.o. * |
|---|---|---|---|---|
| As at the beginning of the period | **40 000** | **0** | **40 000** | **0** |
| *Bonds issue* | ***7 000*** | *0* | *7 000* | *0* |
| *Bonds redemption* | ***(47 000)*** | *0* | *(47 000)* | *0* |
| **As at the end of the period** | **0** | **0** | **0** | **0** |

( in PLN 000s, unless indicated otherwise)

| Bonds issue and redemption in Q1-Q3 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 of bond issue in the first half of 2009 made by DLS S.A. to BOS S.A

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

**Total liabilities from debt securities at 30.09.2010**

| Issuer | Series | Nominal value (In thousand PLN) | Date of repurchase | As at 30.09.2010 |
|---|---|---|---|---|
| Stokrotka Sp. z o.o. | 0062* | 29 600 | 2010-10-29 | |
| Stokrotka Sp. z o.o. | 0062* | 5 900 | 2010-10-29 | |
| Stokrotka Sp. z o.o. | 0062* | 400 | 2010-10-29 | |
| Stokrotka Sp. z o.o. | 0062* | 14 100 | 2010-10-29 | |
| Elpro Sp. z o.o. | 0101* | 7 600 | 2010-10-29 | |
| Elpro Sp. z o.o. | 0101 | 2 100 | 2010-10-29 | 2 095 |
| Elpro Sp. z o.o. | 0101* | 15 100 | 2010-10-29 | |
| Elpro Sp. z o.o. | 0101* | 5 200 | 2010-10-29 | |
| Elpro Sp. z o.o. | 0082* | 33 500 | 2010-10-29 | |
| Elpro Sp. z o.o. | 0082* | 3 500 | 2010-10-29 | |
| Elpro Sp. z o.o. | 0083* | 10 000 | 2010-10-08 | |
| **Total bonds issued by the Group **** | | | | **2 095** |
| Other | | | | |
| **Total liabilities under debt securities** | | | | |
| including: short-term | | | | 2 095 |
| including: long-term | | | | |

* The bonds were purchased by Group's companies which are subject to consolidation, thus are excluded in this report
** Financial liabilities measured at amortized cost, according with MSR 39

**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 under debt securities** | | | | |
| including: short-term | | | | 5 090 |
| including: long-term | | | | |

* 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)

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

### 8.14.6 Dividends paid and proposed to pay.

**Paid dividends :**

On 23 June 2010 Ordinary General Meeting of Emperia Holding S.A. decided to pay dividend in amount of PLN 13.905.948,12 (thirteen million nine hundred and five thousand nine hundred and forty-eight and 12/100 zloty), representing PLN 0.92 (point ninety-two zloty) per share.
The dividend was paid on 9 September (dividend payment date). All shareholders holding shares as at 25 August 2010 (record date) were entitled to dividend.

**Received dividends :**

In the third quarter of 2010, none of the Group companies not received dividends.

### 8.14.7 Changes in 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.

Three quarters of 2010:

| Changes in off-balance sheet liabilities in Q1-Q3 2010 | Under bank credit facilities | Under bank guarantees | Under financial guarantees |
|---|---|---|---|
| ***Mortgages*** | | | |
| As at the beginning of the period | 205 314 | | |
| *Increases during the period* | *18 642* | | |
| *Reductions during the period* | *0* | | |
| *Increases/reductions during the period resulting from acquisitions* | *0* | | |
| **As at the end of the period** | **223 956** | | |
| ***Transfer of title as security/pledge/assignment of current assets*** | | | |
| As at the beginning of the period | 297 856 | 15 285 | |
| *Increases during the period* | *352 779* | *10 613* | |
| *Reductions during the period* | *(244 534)* | *(12 458)* | |
| *Increases/reductions during the period resulting from acquisitions* | *0* | *0* | |
| **As at the end of the period** | **406 101** | **13 440** | |
| ***Transfer of title as security/pledge/assignment of fixed assets*** | | | |
| As at the beginning of the period | 1 432 | | |
| *Increases during the period* | *0* | | |
| *Reductions during the period* | *0* | | |
| *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 | 142 179 | 5 771 | 5 554 |
| *Increases during the period* | *179 079* | *8 706* | *0* |
| *Reductions during the period* | *(144 829)* | *(7 890)* | *(431)* |
| *Increases/reductions during the period resulting from acquisitions* | *0* | *0* | *0* |
| **As at the end of the period** | **176 429** | **6 587** | **5 123** |

Emperia Holding S.A. extended corporate financial guarantees of PLN 176 429 000 to its subsidiaries with respect to bank credit facilities contracted by them. The guarantees are only temporary in nature and have been extended until regular security for those credit facilities is established.

( in PLN 000s,  unless indicated otherwise)

2009:

| 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. extended corporate financial guarantees of PLN 142 179 000 to its subsidiaries with respect to bank credit facilities contracted by them. The guarantees are only temporary in nature and have been extended until regular security for those credit facilities is established.

### 8.14.8 Revaluation allowances on account of impairment of fixed assets, intangible assets or other securities, and reversal of those allowances.

Principles of creating and reversal of write–offs of tangible fixed assets Revaluation of stock, and  Revaluation of receivable under the Group has not changed in relation to rules adopted in the consolidated annual report.

Three quarters of 2010:

| Revaluation allowances on account of impairment of fixed assets and reversal of those allowances. | Changes in Q1-Q3 2010 |
|---|---|
| ***Revaluation allowances on account of impairment of fixed assets*** | |
| As at the beginning of the period | 1 758 |
| Creating of write-offs | *110* |
| Reversal of write–offs | *(129)* |
| Changes of write-offs resulting from acquisitions | *0* |
| **As at the end of the period** | **1 739** |
| ***Revaluation allowances for receivables*** | |
| As at the beginning of the period | (30 796 |
| Creating of write-offs | *(7 364)* |
| Reversal of write–offs | *7 843* |

( in PLN 000s, unless indicated otherwise)

| | |
|---|---|
| Changes of write-offs resulting from acquisitions | *(25)* |
| *Not written off profit and loss* | *1 909** |
| **As at the end of the period** | **(28 433)** |
| ***Revaluation allowances for financial assets*** | |
| As at the beginning of the period | 62 |
| Creating of write-offs | *0* |
| Reversal of write–offs | *0* |
| Changes of write-offs resulting from acquisitions | *0* |
| **As at the end of the period** | **62** |
| ***Revaluation allowances for stock*** | |
| As at the beginning of the period | 17 459 |
| Creating of write-offs | *19 178* |
| Reversal of write–offs | *(14 078)* |
| Changes of write-offs resulting from acquisitions | *0* |
| **As at the end of the period** | **22 559** |
| ***including: revaluation allowances on account of stocktaking*** | |
| As at the beginning of the period | 783 |
| Creating of write-offs | *15 861* |
| Reversal of write–offs | *(9 609)* |
| Changes of write-offs resulting from acquisitions | *0* |
| **As at the end of the period** | **7 035** |
| ***including: revaluation allowances on account of bonuses*** | |
| As at the beginning of the period | 16 676 |
| Creating of write-offs | *3 317* |
| Reversal of write–offs | *(4 469)* |
| Changes of write-offs resulting from acquisitions | *0* |
| **As at the end of the period** | **15 524** |

* written off receivables which had previously been tied revaluation and of which irrecoverable had been documented.

2009:

| **Revaluation allowances on account of impairment of fixed assets and reversal of those allowances.** | **Changes in 2009** |
|---|---|
| ***Revaluation allowances on account of impairment of fixed assets*** | |
| As at the beginning of the period | 1 798 |
| Creating of write-offs | *408* |
| Reversal of write–offs | *(448)* |
| Changes of write-offs resulting from acquisitions | *0* |
| **As at the end of the period** | **1 758** |
| ***Revaluation allowances for receivables*** | |
| As at the beginning of the period | (33 081)* |
| Creating of write-offs | *(16 783)* |
| Reversal of write–offs | *10 854* |
| Changes of write-offs resulting from acquisitions | *2 039* |
| *Not written off profit and loss* | *6 175*** |
| **As at the end of the period** | **(30 796)** |
| ***Revaluation allowances for financial assets*** | |
| As at the beginning of the period | 3 540 |
| Creating of write-offs | *3 434* |
| Reversal of write–offs | *(5 339)* |
| Changes of write-offs resulting from acquisitions | *(1 573)* |
| **As at the end of the period** | **62** |
| ***Revaluation allowances for stock*** | |
| As at the beginning of the period | (16 022) |

( in PLN 000s, unless indicated otherwise)

| | |
|---|---|
| Creating of write-offs | *(21 347)* |
| Reversal of write–offs | *19 815* |
| Changes of write-offs resulting from acquisitions | *95* |
| **As at the end of the period** | **(17 459)** |

* difference on the opening balance for 2009 compared to previous reports result from changes in the presentation of interest and legal costs to overdue receivables From third quarter of 2009, the issuer does not include them to revaluation allowances for receivables but they are directly related to value of receivables.
** written off receivables which had previously been tied revaluation and of which irrecoverable had been documented

### 8.14.9 Release of provisions against restructuring costs.

No such event occurred in the Group in third quarter of 2010.

### 8.14.10 Deferred corporate tax.

| Deferred corporate tax | Changes in Q1-Q3 2010 | Changes in 2009 |
|---|---|---|
| ***Deferred corporate tax assets*** | | |
| As at the beginning of the period | 15 750 | 21 085 |
| *Increase of assets* | *6 111* | *9 691* |
| *Reduction of assets* | *(2 900)* | *(15 395)* |
| *Increases/reductions during the period resulting from acquisitions* | *0* | *369* |
| **As at the end of the period** | **18 961** | **15 750** |

| Deferred corporate tax | Changes in Q1-Q3 2010 | Changes in 2009 |
|---|---|---|
| ***Provision against deferred corporate tax*** | | |
| As at the beginning of the period | 14 822 | 13 098 |
| *Increase of assets* | *2 069* | *23 779* |
| *Reduction of assets* | *(512)* | *(23 179)* |
| *Increases/reductions during the period resulting from acquisitions* | *0* | *1 124* |
| **As at the end of the period** | **16 379** | **14 822** |

### 8.14.11 Financial and operating leases.

2010:

| Liabilities under financial leases | 30 September 2010 | |
|---|---|---|
| | Minimum payments | Current value of minimum payments |
| Up to 1 year | 1 789 | 1 509 |
| From 1 to 5 years | 2 108 | 1 986 |
| Over 5 years | | |
| **Total** | **3 897** | **3 495** |

**Operating leases**

| Description of assets | Term of agreement | As at 30.09.2010 | As at 30.09.2011 | From 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| | | | Minimum annual payments | | |
| Real properties | definite | | | | |
| | indefinite | | | | |

( in PLN 000s,  unless indicated otherwise)

| | | | | | |
|---|---|---|---|---|---|
| Machinery and equipment | definite | | | | |
| | indefinite | | | | |
| Vehicles | definite | 33 | 15 | 2 | |
| | indefinite | | | | |
| Other fixed assets | definite | | | | |
| | indefinite | | | | |

**Agreements containing a lease according to IFRIC 4**

| Description of assets | Term of agreement | As at 30.09.2010 | As at 30.09.2011 | From 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| | | | Minimum annual payments | | |
| Real properties | definite | 77 228 | 78 091 | 308 912 | 308 912 |
| | indefinite | 7 604 | 7 603 | 30 416 | 30 416 |
| Machinery and equipment | definite | 9 | | | |
| | indefinite | 563 | 563 | 3 001 | 3 667 |
| Vehicles | definite | 15 807 | 17 388 | 19 640 | 21 600 |
| | indefinite | | | | |
| Other fixed assets | definite | 1 115 | 1 243 | 1 378 | 1 557 |
| | indefinite | 3 | 4 | 16 | 20 |

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 | 4 186 | 5 193 | 14 377 | 108 |
| | indefinite | 553 | 511 | 2 044 | 2 555 |
| Other fixed assets | definite | 12 | 1 | | |
| | indefinite | 2 | 2 | 19 | 24 |

### 8.14.12 Commitments to purchase tangible fixed assets.

No such event occurred in the Group.

### 8.14.13 Correction of errors of previous periods.

In third quarter of 2010 there were no corrections of errors committed in previous periods.

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

No such event occurred in the Group.

### 8.14.15 Other material information.

**a) Position of The Management Board Emperia Holding SA on merger proposal with Eurocash S.A. addressed by the Management Board of Eurocash S.A.**

On 13 September 2010 in late evening hours Management Board of Emperia Holding S.A recived from Management Board of Eurocash S.A. proposal of merger both companies.
Under the proposed of merger, all assets and liabilities of Emperia will be transferred to Eurocash, in exchange for Merger Shares ("Merger Shares") issued by Eurocash, which will be issued to shareholders of Emperia after registration of merger by the Registry Court. Management Board of Eurocash propose parity of exchange on 3,76 Merger Share for one share of Emperia.

In Management Board opinion terms proposed by Eurocash are grossly disadvantageous to Emperia shareholders, both in terms of parity and in additional terms of the transaction.

The detailed content of offer and answer of Management Board of Emperia is on Company website (Current report no. 37/2010).

**b) Appointment of Entity Authorised to Audit 2010 Financial Statements**

On 2 July 2010 pursuant to Article 14(2)(o) of the Company's Articles of Association, Supervisory Board appointed a Polish limited liability company, ECA Seredyński i Partnerzy having its registered office in Krakow, Poland, ul. Praska 6/5, to audit the stand-alone and consolidated financial statements of Emperia Holding S.A. for 2010 and review the interim semi-annual stand-alone and consolidated financial statements of Emperia Holding S.A.
ECA Seredyński i Partnerzy Sp. z o.o. is an entity licensed to audit financial statements no. 3115. The Company did not relied on the services of the above auditor yet.

**c) Tradis Sp. z o.o. – launch of a Cash & Carry outlet in Wieluń– 5 July 2010.**

New Cash&Carry hall of Tradis at Przemysłowa street in Wieluń has 2.000 square meters of sales area. It offers about 4,000 assortment items, and the number of indices will be continuously extended. In addition to the main hall there is refrigerator and alcoholic stand. Object in Wieluń start up in new building, Tradis moved there from the current location, also located at Przemysłowa. Parameters of the hall made it impossible to provide services at an appropriately high level. The new object is modern and fully functional.

**d) Społem Kielce joined to PSD – 12 July 2010.**

In July 2010, after a period of several months of attempts, started full cooperation between Partnerski Serwis Detalicznym and PSS Społem Kielce. PSD support PSS Kielce in commercial activities, operational and marketing, and by the distribution company – Tradis, will implement delivery of goods to the 32 stores of Cooperatives located in Kielce. Access to the full cooperation has been staggered over a period of three months, and first joint Newsletter planned is in September.

PSS Społem Kielce is one of the largest Cooperatives in the country. Since 1919, operates mainly in Świętokrzyskie. It has 32 retail outlets. In addition to trade in foodstuffs Cooperative Społem also operate in production of bakery, pastry and catering business. The Cooperative has about 2000 members. It is the largest Polish trade company in the Świętokrzyskie. It employs 800 workers. Annual revenues reach PLN 140 000 000.

**e) Stokrotka Sp. z o.o has signed a lease in the Galleria Katowice – 26 July 2010.**

Stokrotka Sp. z o.o. has signed a lease for more than 1 800 square meters in Galeria Katowice – modern facility which arises as a part of reconstruction of the railway station in Katowice and be ready in 2012.
Currently, in Silesia, works nine supermarkets Stokrotka, but so far there was no facility in Katowice. Galeria Katowice its range will cover more than 1.5 million inhabitants of Silesia.

**f) Resolution of the Supervisory Board of Emperia Holding SA in agreeing to the purchase of own shares.**

The Management Board of Emperia Holding S.A (Company) inform, that by Resolution (Resolution) of 16 September 2010, the Supervisory Board of Emperia Holding SA agreed to start process of purchase of own shares of the Company. The Supervisory Board has entrusted the implementation of resolutions to the Managment Board of Company. Resolution of the Supervisory Board is an implementation of Resolution No. 21 of Ordinary General Meeting of Emperia Holding SA dated 23 June 2010 authorizing the Company to purchase its own shares. In accordance with Resolution No.21 of Ordinary General Meeting, the Company is entitled to acquire shares, which a total nominal value not exceed 20% of share capital of the Company, for a total price which not exceeding amount of established capital reserve for this purpose in amount PLN 40,000,000.

**g) Resolution of the Supervisory Board Emperia Holding SA on its agreement to increase the initial capital within the limits of the authorised capital.**

Supervisory Board Emperia Holding SA consented by the Resolution of 16 September 2010 (Resolution), to the execution by the Management Board, under Articles of Association of the Company, the authorization t increase the initial capital within the limits of the authorized capital through the issuance of 755,758 new shares. The Supervisory Board also expressed its consent to the exclusion of subscription rights issued shares and determined the minimum issue price of shares at 86 PLN, in accordance with the provisions of the Articles of Association.

**h) Declaration of dividend policy changes Emperia Holding Capital Group.**

Based on long-term forecast of financial results Management Board of Emperia Holding S.A. (Company) presents a forecast of net profit per share (EPS) and the size of a proposed dividend per share (DPS) to be paid by the Company for the years 2010, 2011 and 2012:

Year 2010
EPS (in PLN): 5,93
DPS (in PLN): 2,37

Year 2011
EPS (in PLN): 8,89
DPS (in PLN): 3,56

Year 2012
EPS (in PLN): 11,41
DPS (in PLN): 4,56

The forecast of net profit per share and dividend per share have been presented assuming unchanged, in relation to the current state the number of shares of the Company.

Presented by the Management Board of Emperia Holding S.A. the long-term financial forecast for the next three years assumes a gradual and substantial improvement of the amount of net profit and consequently of the net profit per share Emperia Holding.

Efficiently completed reorganization, conducted intensive investment process, improve management working capital, the scale of potential to attract outside capital for planned development investments empower the Management Board of Emperia Holding SA to present a new strategy of dividend policy, according to which the Management Board of

( in PLN 000s, unless indicated otherwise)

Emperia Holding SA, starting from the distribution of net profit for 2010, will be consistently yearly recommended to the General Meeting of Shareholders to allocate 40% of consolidated net profit Emperia Holding Capital Group to the payment of dividends to its shareholders. In addition, to meet the expectations of shareholders the date of dividend payment will be set at the turn of June and July.

The Management Board of Emperia Holding SA estimates that increasing the amount of dividend payments will not affect the implementation of the actions of investment Group.

**i) Resolution of the Board Emperia Holding SA on the adoption of the share buy back program.**

The Management Board of Emperia Holding SA according to Article 56(1)(1) 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 of 2009, no. 185, item 1439) and Article. 4(2) Commission Regulation (EC) No 2273/2003 implementing Directive 2003/6/EC of the European Parliament and the Council as regards exemptions for buy-back programs and stabilization of financial instruments (Journal of Law EU, L 336/33 of 23 December 2003) inform, that on 21 September 2010 passed a resolution adopting the “Emperia Holding SA share buy back programme” and the commencement by Emperia Holding SA share buy back program according to the authorization given in Resolution No.21 Ordinary General Meeting of Emperia Holding SA on 23 June 2010 and Resolution No. 39/2010 of the Supervisory Board Emperia Holding SA of 16 September 2010.

**j) Request to the Office of Competition and Consumer for permission to take control over Aldik Nova Sp. z o.o. with seat in Lublin**

On 17 September 2010 Emperia Holding S.A. requested to the Office of Competition and Consumer for permission to take control over Aldik Nova Sp. z o.o. with seat in Lublin. The object of activity of Aldik Nova Sp. z o. o. is retail trade in FMCG.

**k) Implementation of the share buy back Programme.**

As a result of the authorization granted by Resolution No. 21 Ordinary General Meeting of Emperia Holding SA (Company) dated 23 June 2010 and Resolution No 39/2010 of the Supervisory Board of Emperia Holding SA dated 16 September 2010 and in accordance with the provisions of the share buy back Programme Emperia Holding SA adopted by resolution of the Management Board of Company of 21 September 2010 the Management Board of Emperia Holding SA inform, that Company acquired under the share buy back Programme in a block trade following share packages in order for their further sale or redemption:

| Date of transaction | Number of acquired shares | Nominal value of share | Unit price per share | Number of votes at the General Meeting Emperia Holding S.A. | % of the share capital |
|---|---|---|---|---|---|
| 29 September 2010 | 6 406 | 1,00 PLN | 102,90 PLN | 6 406 | 0,042% |

Since the implementation of the share buy back Programme, the Company acquired 6,406 shares provide 6,406 votes at the General Meeting of Shareholders Emperia Holding SA and constitutes 0.042% of the share capital. The Company's shares were purchased from a brokerage house, to which on 21 September 2010 the Company signed a agreement on share buy back of Emperia Holding S.A.

### 8.14.16 Material events after the period of the financial statements

**a) Implementation of the share buy back Programme.**

As a result of the authorization granted by Resolution No. 21 Ordinary General Meeting of Emperia Holding SA (Company) dated 23 June 2010 and Resolution No 39/2010 of the Supervisory Board of Emperia Holding SA dated 16 September 2010 and in accordance with the provisions of the share buy back Programme Emperia Holding SA adopted by resolution of the Management Board of Company of 21 September 2010 the Management Board of Emperia Holding

( in PLN 000s, unless indicated otherwise)

SA inform, that Company acquired under the share buy back Programme in a block trade following share packages in order for their further sale or redemption:

| Date of transaction | Number of acquired shares | Nominal value of share | Unit price per share | Number of votes at the General Meeting Emperia Holding S.A. | % of the share capital |
|---|---|---|---|---|---|
| 4 October 2010 | 7 555 | 1,00 PLN | 100,70 PLN | 7 555 | 0,050% |
| 6 October 2010 | 4 417 | 1,00 PLN | 99,05 PLN | 4 417 | 0,029% |
| 11 October 2010 | 9 246 | 1,00 PLN | 101,40 PLN | 9 246 | 0,061% |
| 13 October 2010 | 6 660 | 1,00 PLN | 102,40 PLN | 6 660 | 0,044% |
| 19 October 2010 | 11 523 | 1,00 PLN | 101,70 PLN | 11 523 | 0,076% |
| 22 October 2010 | 9 064 | 1,00 PLN | 100,90 PLN | 9 064 | 0,060% |
| 27 October 2010 | 7 039 | 1,00 PLN | 100,40 PLN | 7 039 | 0,047% |
| 2 November 2010 | 6 850 | 1,00 PLN | 99,40 PLN | 6 850 | 0,045% |
| 5 November 2010 | 6 381 | 1,00 PLN | 98,50 PLN | 6 381 | 0,042% |
| 10 November 2010 | 6 352 | 1,00 PLN | 99,10 PLN | 6 352 | 0,042% |

Since the implementation of the share buy back Programme, the Company acquired 81 493 shares provide 81 493 votes at the General Meeting of Shareholders Emperia Holding SA and constitutes 0.539% of the share capital.
The Company's shares were purchased from a brokerage house, to which on 21 September 2010 the Company signed a agreement on share buy back of Emperia Holding S.A.

**b) Purchase of shares in Lewiatan Brda Sp. z o. o. in Tuchola.**

Subsidiary Lewiatan Kujawy Sp. z o.o. purchased 100 percent of share in Lewiatan Brda Sp. z o.o. (“Company”) having its registered office in Tuchola. After the transaction Emperia indirectly through subsidiaries holds shares representing 100 percent of the share capital and carrying 100 percent of votes at the general meeting of shareholders. Lewiatan Brda Sp. z o.o. is the franchisor of a FMCG retail franchise currently comprised of 124 outlets located in the province: kujawsko-pomorskie, pomorskie and Wielkopolska. In 2009, the estimated turnover of these franchise stores amounted to 220 million PLN.

**c) Purchase of shares Emperia Holding SA by Member of the Supervisory Board.**

On 4 October 2010 Member of the Supervisory Board during the regular session organized by the Stock Exchange in Warsaw, purchased 1,400 shares of Emperia Holding SA at an average price of PLN 99.55 per share. Member of the Supervisory Board in provided notification reserved publication of his personal data.

**d) Decision of intention to division of Emperia Holding S.A.**

On 11 October 2010 by Resolution No. 1 took decision of intention to division Emperia Holding S.A .("Company"). Management Board of Emperia Holding S.A. with seat in Lublin, whereas that on 11 October 2010 Supervisory Board has agreed to plan of introduction to trading by the end of March 2011 Tradis Distribution Group by:
- separation in the structure of the Company's area responsible for managing of the distribution segment of Emperia Holding Capital Group;
- bring the distribution segment to a separate, created specifically for this purpose Capital Company;
- authorization of New Shares to trading on a regulated market of Stock Exchange in Warsaw,

Decided to start preparing the plan of division of the Company, based on the Company's financial results for the third quarter of 2010, so that the division plan could be presented to the Supervisory Board by the deadline of 31October 2010.

Decisions of the intention of division and separating the distribution segment of Emperia Holding S.A are justified by the interests of customers, employees and shareholders due to the fact that:

- Tradis Distribution Group received full independence and will pursue the objective of: to become market leader in the FMCG distribution in Poland;

- Stokrotka/Delima Supermarkets received full independence and will pursue the objective of: become a leader in the supermarket segment in Poland;
- both of these business divisions will carry out independent to each other activity which will improve transparency and facilitate management and evaluation of activity;
- both of these business divisions will be able to develop faster particularly through mergers and acquisitions;
- Carrying out the division and separation will allow employees to work in to work in fully effectively managed stock Companies, to participate in the managerial options programs in Companies in which will work and create new opportunities for professional development;
- Carrying out the division and separation will allow Emperia Holding SA shareholders who will become shareholders in Tradis Distribution Group to participate in future increases in both stock Companies.

Division of a Company will be under Art. 529 § 1 item 4 of the Code of Commercial Companies, ie; through division by separation of part of the assets of the Company (forming the distribution segment) and bringing that part of assets to a specially established for this purpose Company in exchange for shares in the increased capital of Company specially established for this purpose (division by separation).

Supervisory Board under Articles 14(2)(i) Statute of Emperia Holding S.A. adopted base and significant assumptions of Company division plan and took note of draft of division plan prepared by the Company's Management Board.

**e) Changes in functions of Vice- Chairman of Management Board of Emperia Holding SA carried out in subsidiaries.**

The Supervisory Board of Emperia Holding S.A. in connection with the receipt of information of the resignation by Mr. Jarosław Wawreski (effect from 31 December 2010) from function of Chairman of the subsidiary Tradis Sp. z o.o. with seat in Lublin and in connection with recommendation of the Management Board of Emperia Holding S.A. - sole member of Tradis Sp. z o.o. - was choosen Mr. Dariusz Kalinowski as Chairman of the Management Board of Tradis Sp. z o.o. (effect from 01 January 2011), The Supervisory Board takes note of resignation and accepts candidacy of Mr. Dariusz Kalinowski for this position and acting pursuant to article 14 paragraph 2 point m) of the Articles of Association consents to the execution by Mr. Dariusz Kalinowski appropriate agreements with Tradis Sp. z.o.o.

**f) The content of Resolutions of EGM Emperia Holding SA of 13 October 2010 and information about objections lodged.**

On 13 October 2010 took place the Extraordinary General Meeting of Shareholders of Emperia Holding S.A with 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 properly convened and is capable of adopting valid resolutions.
4. Adopting the agenda.
5. Adopting of a resolution agreeing to the acquisition by the Company of its own shares for redemption.
6. Adopting resolutions to amend the Company's Articles of Association on the authorization of the Board to increase the initial capital within the limits of the authorized capital with the exclusion or restriction of subscription rights issued shares.
7. Adopting of a resolution to authorize admission to trading on a regulated market.
8. Any other business.
9. Closing the Ordinary General Meeting.

The content of Resolutions of EGM Emperia Holding SA of 13 October 2010:

**Resolution 1**
**of Extraordinary General Meeting of Emperia Holding S.A. with its seat in Lublin held on 13 October 2010 to adopt the agenda**

"The Extraordinary General Meeting of Shareholders of Emperia Holding S.A. ("Company") hereby resolves as follows:

§1.

It is resolved to approve the agenda for the Extraordinary General Meeting of Shareholders of the Company as announced pursuant to Article 4021 of the Commercial Companies Code.

§2.

This Resolution becomes effective on the date of adoption."

**Resolution 2**
**of Extraordinary General Meeting of Emperia Holding S.A. with its seat in Lublin held on 13 October 2010 to authorise the Management Board for the Company to acquire its own shares to redeem them**

"Acting pursuant to Article 362 § 1(5) of the Commercial Companies Code, the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. ("Company") hereby resolves as follows:

§1.

1. The Extraordinary General Meeting of the Company authorises the Management Board for the Company to acquire, within a period of two (2) years of the date of this Resolution, its own shares ("Shares") on terms and conditions set forth in this Resolution.
2. The Shares may be acquired under calls to sell Shares directed to all the shareholders. If the number of Shares subscribed for sale is above the number set forth in the call, a proportional reduction will be applied. The Shares may also be acquired in the regulated market, subject to the terms and conditional laid down in the Commission Regulation (EC) no. 2273/2003 of 22 December 2003 ("Regulation"). The Shares may be also acquired outside the regulated market, however, then the price for such Shares may not exceed the volume weighted average price of the Company's shares listed on the Stock Exchange in Warsaw, established on the basis of closing prices over the last three (3) months prior to the date of the share purchase agreement plus 5 percent; the aggregate nominal value of the Shares acquired under this procedure may not exceed 10 percent of the share capital and the intended Share acquisition under this procedure will be announced to the public so that all the interested Shareholders are able to sell the Shares on the same terms and conditions. If the number of Shares subscribed for sale is above the number the Company intends to acquire, a proportional reduction will be applied.
3. The Company may acquire Shares of the aggregate nominal value of no more than 25 percent of the Company's share capital (excluding the value of own shares acquired by the Company pursuant to Article 362 § 1(8) of the Commercial Companies Code).
4. The maximum payment for the Shares acquired plus cost of purchase may not exceed PLN 500,000,000.00 (five hundred million zloty).
5. Prior to the commencement of Share acquisition, the Management Board is required to procure the approval of the Supervisory Board in the form of a resolution adopted by the absolute majority of votes, with two Independent Members voting for the resolution to approve Share acquisition.
6. The Share acquisition may commence and continue providing that the Financial Ratio is equal to or higher than 1.4:
   Where:
   Financial Ratio = equity / net financial liabilities;
   equity = equity attributable to the shareholders of the dominant entity and non-controlling shares;
   net financial liabilities = financial liabilities less cash and other cash assets;
   financial liabilities = long-term and short-term credit facilities, loans, security issues, financial lease liabilities and other financial liabilities.

   The Financial Ratio is calculated on the basis of the consolidated financial statements of Emperia Holding S.A.

7. Based on the published separate and consolidated quarterly results, the Supervisory Board may adopt a resolution to suspend the Share acquisition by the Management Board. Notwithstanding the foregoing, as part of their day-to-day monitoring of the Company's economic and financial standing, the Management Board or the Supervisory Board will suspend the Share acquisition each and every time they become aware of anything that indicates such a need. The suspension of the Share acquisition referred to above will not affect any call to sell Shares announced prior to the suspension of the Share acquisition.

8. Following suspension of the Share acquisition referred to in 7 above, the acquisition of the Shares by the Management Board may be resumed with a prior approval of the Supervisory Board. The provisions of 5 above apply as appropriate.
9. The Share acquisition costs must be commensurate with the efforts undertaken and approved by the Supervisory Board.
10. The Company's Management Board is authorised to take any factual and legal actions relating to the Share acquisition, including without limitation the Management Board will decide on the final number, price and timeframe for the acquisition.

§ 2

This Resolution becomes effective on the date of adoption."

**Resolution 3**
**of Extraordinary General Meeting of Emperia Holding S.A. with its seat in Lublin held on 13 October 2010 to amend the Company's Articles of Association**

"Acting pursuant to Article 430, Article 444 and Article 445 of the Commercial Companies Code and Article 22.1(k) of the Articles of Association of Emperia Holding S.A. ("Company"), in order to enable the Company's Management Board to raise funds to finance the development of the Company, acquisition of interests in other companies, and reduce the duration of the share issue process, which in effect will help the Emperia Holding Group boost its operating capacity, strengthen its position as a leading FMCG market distributor, and improve its purchasing power and the ability to respond in a flexible manner to market needs, the Extraordinary General Meeting of the Company hereby resolves as follows:

§1.

The Extraordinary General Meeting of the Company amends the Company's Articles of Association as follows:

Article 7b(2) of the Articles of Association is replaced by the following:

"2. The authorized capital shall be capped at PLN 1,511,516 (one million five hundred and eleven thousand five hundred and sixteen zloty), however, if the share capital is increased as part of authorized capital to PLN 755,758.00 (seven hundred and fifty-five thousand seven hundred and fifty-eight zloty), the terms set forth under 3 to 8 below shall apply, and if the share capital is increased further as part of authorized capital to PLN 1,511,516 (one million five hundred and eleven thousand five hundred and sixteen zloty), the terms set forth in 9 to 15 below shall apply."

In Article 7b of the Articles of Association, the following sections 9 to 15 are inserted:

"9. The issue price of the authorized capital shares shall not be lower than the volume weighted average price of the Company's shares listed on the Stock Exchange in Warsaw, based on the closing prices over the three months directly preceding the date on which the Supervisory Board adopts the resolution referred to in Article 14(2)(s). The average price of shares established in the above manner will be rounded downwards or upwards to the full zloty, with the rounding upwards taking place if the average price of shares is short by less than PLN 0.50 from the full zloty.

10. A resolution of the Company's Management Board adopted under the authorization referred to in 1 above replaces a resolution of the General Meeting to increase the share capital and in order to be valid must be made as a notarial deed.

11. The Management Board may exercise the authorization granted to it by effecting one or several consecutive increases of the share capital with the approval of the Supervisory Board. The approval of the Supervisory Board shall be given as a resolution adopted by the absolute majority of votes in an open vote, with all the independent members of the Supervisory Board referred to in Article 12a(1) voting in favour of such resolution.

12. The Management Board may exercise the authorization granted to it to increase the share capital as part of the authorized capital exclusively to acquire interests in other companies or to raise funds for such purpose. The Company's Management Board may issue shares in exchange for both cash and non-cash contributions.

13. In the event the rights issue is excluded or limited under Article 7c hereof and shares are issued in exchange for cash contributions, the Management Board shall be required each time to offer the shares issued, first, to the Company's shareholders holding at least 5 percent of the total number of votes at the General Meeting of the Company, in accordance with the information submitted to the Company pursuant to Article 69(1) of the Act on Public Offering,

Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005, pro rata to the shares held by them as a proportion of the total number of votes at the Company's General Meeting. The shareholder shall substantiate the number of shares held as at the date of receipt of the Management Board's offer. If the identified shareholders fail to exercise the right referred to above within fourteen (14) days of the share offer, the Management Board may extend its offer to purchase shares to other parties.

14. The Management Board of the Company may not issue preferred shares or grant to the shareholders personal rights referred to in Article 354 of the Commercial Companies Code.

15. This authorization does not include the right to increase the share capital based on the Company's own cash flows."

§2.

The Company's Management Board submitted a written opinion on the resolution to amend the Company's Articles of Association authorizing the Management Board to increase the share capital as part of the authorized capital with an option to exclude or limit rights issue.

§3.

The Management Board is directed to file the amendment to the Articles of Association adopted under this Resolution with the appropriate court of registration.

§4.

This Resolution becomes effective on the date of adoption, with legal effect as of the registration of the amendment to the Articles of Association by the court of registration.

§5.

The Company's Supervisory Board is authorized to adopt the consolidated text of the amended Articles of Association of the Company."

The Opinion of the Management Board on the Resolution:

"It is the opinion of the Management Board of Emperia Holding S.A. that the proposed amendments to the Company's Articles of Association relating to the increase of the share capital within the limits of the authorised capital seek to enable the Management Board of the Company to raise funding to support the development of the Company, acquire interests in other companies, reduce the duration of the share issue process, undertake consolidation transactions which in effect will help the Emperia Holding Group strengthen its position as a leading FMCG market distributor, and improve its purchasing power and the ability to respond in a flexible manner to market needs. At the same time, the Management Board notes that the increase of the share capital as part of the authorized capital under the amended Article 7b of the Articles of Association will empower the Company's Management Board, with the prior approval of the Company's Supervisory Board, to exclude or limit the rights issue as provided for under Article 7c of the Articles of Association, in order to achieve the share capital increase objectives. At the same time, to ensure as much as possible the shareholder participation in financing the efforts relating to the proposed consolidation transactions, the Management Board proposes that the shareholders which can be identified under Article 69(1) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005, that is holding at least 5 percent of the total number of votes, should be vested with the right to receive an offer to acquire shares if, under the resolution of the Management Board, share subscription is covered by cash contributions."

**Resolution 4**
**of Extraordinary General Meeting of Emperia Holding S.A. with its seat in Lublin held on 13 October 2010 to authorise admission of shares to trading in the regulated market**

"Acting pursuant to Article 393 of the Commercial Companies Code and Article 22.1(p) of the Articles of Association of Emperia Holding S.A. ("Company") the Extraordinary General Meeting of the Company hereby resolves as follows:

§1.

Acting pursuant to 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 of 2009, No. 185, item 1439), it is hereby resolved to apply for admission of the shares issued under Article 7b of the Company's Articles of Association as part of the increase of the share capital within the limits of the authorized capital to trading in the regulated market of the Stock Exchange in Warsaw and for their dematerialisation.

2. At the same time, the Company's Management Board is authorized and requested to:

a. take all actions and perform all acts in order to have the shares issued under Article 7b of the Company's Articles of Association as part of the increased share capital within the limits of the authorized capital admitted to trading in the regulated market of the Stock Exchange in Warsaw, including without limitation to submit the requisite applications and notifications to the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego), submit applications and conclude relevant agreements with the Polish securities depository company, Krajowy Depozyt Papierów Wartościowych S.A. and the Stock Exchange in Warsaw, Giełda Papierów Wartościowych w Warszawie S.A.;

b. conclude with the Polish securities depository company, Krajowy Depozyt Papierów Wartościowych S.A., a share registration agreement referred to in Article 5 of the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws of 2005, No. 183, item 1538, as subsequently amended) in order to dematerialize the shares.

§ 2.

This Resolution becomes effective on the date of adoption and applies also to the amended Article 7b of the Articles of Association, with legal effect as of the registration of the amendment to the Articles of Association by the court of registration."

Information on Objections Lodged

During the Extraordinary General Meeting of Shareholders objections were lodged against Resolution 2, Resolution 3, and Resolution 4, and recorded in the minutes. The objections were lodged by Mr. Paweł Borowski, Mr. Jan Domański's proxy, representing 128 (one hundred and twenty-eight) votes at the General Meeting.

### g) Execution of annexe to Credit Facility Agreement by Subsidiary.

On 20 October 2010 amendments to revolving working capital credit facility was signed between subsidiary limited liability company Tradis ("Borrower") and Powszechna Kasa Oszczednosci Bank Polski Spółka Akcyjna in Warsaw ("Lender").

Subject of the annexe is reducing of amount of revolving working capital credit facility to PLN 50 000 000 and changes in credit security. Current limit was PLN 100 000 000.

The credit facility is secured by:
Guarantee under the Civil Law by Emperia Holding S.A. in amount of PLN 50 000 000;
Sponsor's Statement of Emperia Holding SA in relation to Tradis Sp. z o.o.,
Clause deduction of funds from the Borrower's current account held by the Lender.

Released was secured by a joint ceiling mortgage over real properties either owned or in perpetual usufruct of the Borrower or other members of the Emperia Holding Group.
The other terms and conditions are consistent with those customarily applied in the market in agreements of this type.

### h) Purchase of shares in Drogerie Koliber Sp. z o. o. in Gliwice.

Emperia Holding S.A. (Emperia) acquired 100% shares in Drogerie Koliber Sp. z o. o. (Company) having its registered office in Gliwice. Emperia purchased from the Company's individual shareholders 185 shares representing 100 percent of the share capital, carrying 100 percent of votes at the General Meeting of the Company's Shareholders. Drogerie Koliber Sp. z o.o. is the franchisor of a chemistry products and cosmetics retail franchise currently comprised of 64 outlets located in the province: śląskie, opolskie i małopolskie and aggregate floor area of the above locations is some 3,200 sq. m. In 2010 an estimated turnover of these franchise stores will reach 42 million PLN. Subsidiary of Emperia

Capital Group Ambra Sp. z o. o. established in Czechowice-Dziedzice is the main supplier to the company's franchise stores.

**i) Receipt information about bringing a civil action for invalidation Resolution No. 2 of EGM of 13 October 2010 and decision of the District Court in Lublin of 27 October 2010 ref. IX GC 441/10.**

The Management Board of Emperia Holding inform of receipt information about bringing a civil action by Mr. Jan Domański for invalidation Resolution No. 2 of EGM of 13 October 2010 to authorize the Management Board to acquire by the Company own shares to redeem them.

"The Management Board of Emperia Holding S.A. with seat in Lublin inform about receipt on 2 November 2010 decision of the District Court in Lublin of 27 October 2010 ref. IX GC 441/10 with the following content: „secure the plaintiff's claim for annulment of resolution No. 2 of an Extraordinary General Meeting of Emperia Holding S.A., which took place on 13 October 2010 on authority of the Management Board of Emperia Holding S.A. to acquisition by Emperia Holding S.A. its own shares to redeem them by prohibiting of exercise of Resolution No. 2 of an Extraordinary General Meeting of Emperia Holding S.A. of 13 October 2010 on the authority of the Management Board of Emperia Holding S.A. to acquisition by Emperia Holding S.A. its own shares to redeem them until the legal end of proceedings."

**j) Court's decision on changes in the Articles of Association of Emperia Holding S.A.**

On 2 November 2010 Management Board of Emperia Holding S.A. received the decision of the District Court in Lublin, XI Economic Department of the National Court Register on changes in the Articles of Association of Emperia Holding S.A

The following content of changes in the statute:

Article 7b(2) of the Articles of Association is replaced by the following:

"2. The authorized capital shall be capped at PLN 1,511,516 (one million five hundred and eleven thousand five hundred and sixteen zloty), however, if the share capital is increased as part of authorized capital to PLN 755,758.00 (seven hundred and fifty-five thousand seven hundred and fifty-eight zloty), the terms set forth under 3 to 8 below shall apply, and if the share capital is increased further as part of authorized capital to PLN 1,511,516 (one million five hundred and eleven thousand five hundred and sixteen zloty), the terms set forth in 9 to 15 below shall apply."

In Article 7b of the Articles of Association, the following sections 9 to 15 are inserted:

"9. The issue price of the authorised capital shares shall not be lower than the volume weighted average price of the Company's shares listed on the Stock Exchange in Warsaw, based on the closing prices over the three months directly preceding the date on which the Supervisory Board adopts the resolution referred to in Article 14(2)(s). The average price of shares established in the above manner will be rounded downwards or upwards to the full zloty, with the rounding upwards taking place if the average price of shares is short by less than PLN 0.50 from the full zloty.

10. A resolution of the Company's Management Board adopted under the authorization referred to in 1 above replaces a resolution of the General Meeting to increase the share capital and in order to be valid must be made as a notarial deed.

11. The Management Board may exercise the authorization granted to it by effecting one or several consecutive increases of the share capital with the approval of the Supervisor Board. The approval of the Supervisory Board shall be given as a resolution adopted by the absolute majority of votes in an open vote, with all the independent members of the Supervisory Board referred to in Article 12a(1) voting in favour of such resolution.

12. The Management Board may exercise the authorization granted to it to increase the share capital as part of the authorized capital exclusively to acquire interests in other companies or to raise funds for such purpose. The Company's Management Board may issue shares in exchange for both cash and non-cash contributions.

13. In the event the rights issue is excluded or limited under Article 7c hereof and shares are issued in exchange for cash contributions, the Management Board shall be required each time to offer the shares issued, first, to the Company's shareholders holding at least 5 percent of the total number of votes at the General Meeting of the Company, in accordance with the information submitted to the Company pursuant to Article 69(1) of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of 29 July 2005, pro rata to the shares held by them as a proportion of the total number of votes at the Company's General Meeting. The shareholder shall substantiate the number of shares held as at the date of receipt of the Management

Board's offer. If the identified shareholders fail to exercise the right referred to above within fourteen (14) days of the share offer, the Management Board may extend its offer to purchase shares to other parties.

14. The Management Board of the Company may not issue preferred shares or grant to the shareholders personal rights referred to in Article 354 of the Commercial Companies Code.

15. This authorization does not include the right to increase the share capital based on the Company's own cash flows."

# 9. Report of activities of the Management Board of Holding Emperia Group.

## 9.1 Description of assumptions of the new functioning strategy of Emperia Holding Capital Group S.A.

Emperia Management Holding SA made significant strategic decisions affecting on assumptions as to continued functioning of the Emperia Holding Capital Group (Emperia Group)

These are decisions on:

a) public presentation of the Emperia Group new strategy for the next years, which was reflected in the Current Reports: No. 41/2010 dated 20.9.2010, 43/2010 dated 21.09.2010, and 45/2010 of 28.09.2010
b) introduction to trading by the end of March 2011 Tradis Distribution Group by:
   - separation in the structure of the Company's area responsible for managing of the distribution segment of Emperia Holding Capital Group;
   - bring the distribution segment to a separate, created specifically for this purpose Capital Company;
   - authorization of New Shares to trading on a regulated market of Stock Exchange in Warsaw,

which was reflected in the Current Report no 51/2010 dated 11.10.2010

The new operation strategy is the result of:

- analysis of market trends in FMCG industry,
- review of operational structure of the Group Emperia,
- assessment of internal resources and competences.

That was the basis for decision to separation operationally uniform Business Division of Emperia Holding which are:

**<u>Tradis Distribution Group Division</u>**

Group specializes in the distribution activity.

The Division includes the following entities:

a) Companies operate in the wholesale of FMCG through magazines Cash & Carry and Distribution Centers located throughout the Poland.
   They are:
   - Tradis Sp. z o.o – operates throughout the country. It has 8 distribution centers and 52 Service warehouses and Cash & Carry.
   - DEF Sp. z o.o. – operates in the north-eastern Poland. It has 4 warehouse.
   - Ambra Sp. z o.o. - specializes in sale of chemical products. It operates in the southern Poland. It has warehouse located in Czechowice - Dziedzice.

b) Companies operating as a franchise chains:
   - Detal Koncept Sp. z o.o. (brand: Milea, Groszek)
   - Euro Sklep S.A. (brand Euro Sklep)
   - Lewiatan Podlasie Sp. z o.o. (brand: Lewiatan)
   - Lewiatan Śląsk Sp. z o.o. (brand: Lewiatan)

and

c) PSD S.A. (Partnerski Serwis Detaliczny S.A.) - appointed specifically to work for the Consumer Cooperative"Społem".
d) Maro-Markety Sp. z o.o. – operates retail outlets under the brand Milea.
e) Społem Tychy Sp. z o.o. – operates own stores.

In addition to the above-mentioned consolidated entities to Tradis Distribution Group belong also not consolidated due to importance, companies:

- Lewiatan Zachód Sp. z o.o.
- Lewiatan Orbita Sp. z o.o.
- Lewiatan Wielkopolska Sp. z o.o.
- Lewiatan Północ Sp. z o.o.
- Lewiatan Opole Sp. z o.o.
- Lewiatan Kujawy Sp. z o.o
- Lewiatan Mazowsze Sp. z o.o.
- Lewiatan Holding as an organizer of own chains and owner of brand Lewiatan.

Companies are operators of Lewiatan franchise chains of which franchisee work closely with Tradis Distribution Group, as its customers.

**Stokrotka / Delima Supermarkets Division**

Group specializes in retail FMCG.
Division consists of Stokrotka Sp. z o.o. who operates a nationwide chain of supermarkets Stokrotka and Delima supermarkets.
Stokrotka supermarkets are located in housing estates, mini-centers and shopping malls. Delima supermarkets are located in large shopping malls.
At the end of September 2010 operated 174 Stokrotka supermarkets and 8 Delima supermarkets.

**Real Estate Division**

Group dealing with property management and developer investment mainly for needs of DivisionTradis Distribution Group and Stokrotka and Delima supermarkets.
The Division consists of the following consolidated entities:

- Elpro Sp. z o.o
- Projekt Elpro 1 Sp. z o.o.

The Division also includes a newly incorporated company's unconsolidated because of the importance:

- P1 Sp. z o.o.
- Ekom Sp. z o.o
- EMP Investment Ltd

**External IT Division**

Division consists of IT company – Infinite Sp. z o.o.
The aim of company activity is providing IT services both for domestic entities and abroad.
The company offers services: electronic data interchange (EDI), B2B Integration, archiving of electronic documents, electronic signature technology, mobile solutions, support real estate management and modern marketing.

**Support Division (Back Office)**

The Division consists of the following entities:

- Emperia Holding S.A. – main activities of Emperia Holding S.A. is to set strategy and coordination of activities of companies forming Emperia Group. Moreover, Company provides a wide range of management services to entities comprising the Emperia Group in particular: financial and accounting services, legal, personnel management, controlling.

- Emperia Info Sp. z o.o. – company provides services to companies forming Emperia Group. Provides support for these entities in the IT software services, service of computer hardware and IT network administration services.

The Support Division includes Ezon Sp. z o.o. which is not consolidated due to importance.
Main activities of Company is to activation of persons with disabilities. Its main purpose is to support companies of the Emperia Group in the underlying and ancillary activities related to the functioning of these entities.

## 9.2 Assumptions to presented results of each Divisions.

**Assumptions to the presented results of each Divisions are as follows::**

1. Within each Division are presented results of consolidated entities.
2. Corrections related to the creation of new Divisions have been carried out by two methods: value adjustments resulting from the evidence and value adjustment using statistical and estimates indicators.
3. From results of division were excluded operations related with dividends payment within the Division, other exclusions taken into account on the consolidated financial statements level.
4. All currently existing in the Emperia Group property are presented in Real Estate Division – which makes it necessary to make appropriate corrections in results of other Divisions. On that basis the following correction were made:
   - Transfer of assets related to each properties to the Real Estate Division
   - The transfer of income from rental of property to the Real Estate Division.
   - Transferring cost associated with the properties operation to the Real Estate Division, especially depreciation, taxes and fees and costs of financing.
   - Establishing rents at market levels for their own properties of companies outside the Real Estate Division.
   - Adjustments to the legal person income tax resulting from allocation of costs and revenues in each Divisions is calculated by nominal tax rate.
   - Total of corrections made between the Divisions, gives value of zero at the level of consolidation.
5. To maintain comparability of data of Divisions in 2009 result of Arsenal are included at the level of presentation correction of Division
6. For each of Division presented also „The net result adjusted for the margin at holding services”, which is obtained by changing Net result of Division by margins achieved at services provided by Emperia Holding and Emperia Info. This increases result of Divisions: Tradis Distribution Group, Stokrotka / Delima Supermarkets, Real Estate and External IT and reducing result of Support Division.
7. Correction of margin on holding services also entail need for adjustment of income tax from legal persons in accordance with the principle described above.

( in PLN 000s, unless indicated otherwise)

## 9.3 Presentation of basic financial and operating results by Business Divisions

Below are basic financial and operating data of the Emperia Holding Capital Group (Emperia Group) for third quarter 2010 by Business Divisions:

- Tradis Distribution Group Division
- Stokrotka / Delima Supermarkets Division
- Real Estate Division
- External IT Division
- Support Division

### 9.3.1 Main financial highlights by Divisions

Information on Business Divisions of Emperia Group for third quarter of 2010 is as follows

| Q3 2010 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Divisions | | | | | | | |
| *in mln PLN* | Tradis Dystribution Group | Stokrotka / Delima Supermarkets | Real Estate | External IT | Support | Presentation Correction | Consolidation exclusions | Total |
| Sales revenues | 1 359,5 | 388,2 | 15,9 | 1,4 | 15,0 | -7,0 | 220,4 | **1 552,7** |
| EBIT | 26,9 | 4,9 | 7,4 | 0,3 | -1,1 | 0,0 | -0,4 | **38,7** |
| *Profitability on EBIT* | *2,0%* | *1,3%* | *46,2%* | *19,5%* | *-7,6%* | | | ***2,5%*** |
| EBITDA | 32,6 | 10,8 | 10,9 | 0,3 | 1,3 | 0,0 | -0,1 | **56,1** |
| *Profitability on EBITDA* | *2,4%* | *2,8%* | *68,3%* | *23,7%* | *8,9%* | | | ***3,6%*** |
| Gross result | 25,0 | 4,7 | 2,6 | 0,4 | 0,7 | 0,0 | -0,4 | **33,8** |
| Net result | 20,2 | 3,6 | 2,1 | 0,3 | 0,5 | 0,0 | -0,3 | **26,9** |
| *Profitability on Net result* | *1,5%* | *0,9%* | *12,9%* | *20,2%* | *3,1%* | | | ***1,7%*** |
| | | | | | | | | |
| Investment outlays | 4,4 | 8,2 | 13,9 | 0,2 | 1,3 | 0,0 | 0,1 | **27,9** |

( in PLN 000s, unless indicated otherwise)

Information on Business Divisions of Emperia Group for third quarter of 2009 is as follows

| **Q3 2009** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Divisions** | | | | | | | |
| *in mln PLN* | **Tradis Distribution Group** | **Stokrotka / Delima Supermarkets** | **Real Estate** | **External IT** | **Support** | **Presentation Corrections** | **Consolidation Exclusions** | **Total** |
| Sales revenues | 1 231,1 | 356,5 | 14,3 | 1,3 | 15,2 | -3,9 | 199,0 | **1 415,5** |
| EBIT | 19,0 | 3,4 | 6,4 | 0,2 | 0,8 | 0,0 | 0,6 | **29,1** |
| *Profitability on EBIT* | *1,5%* | *0,9%* | *44,8%* | *15,3%* | *5,1%* | | | ***2,1%*** |
| EBITDA | 25,0 | 8,4 | 9,5 | 0,3 | 2,9 | 0,0 | 0,7 | **45,5** |
| *Profitability on EBITDA* | *2,0%* | *2,4%* | *66,9%* | *21,9%* | *19,3%* | | | ***3,2%*** |
| Gross result | 18,6 | 2,9 | 2,2 | 0,2 | 2,1 | 0,0 | 0,6 | **25,4** |
| Net result | 15,2 | 2,4 | 1,8 | 0,2 | 1,7 | 0,0 | 0,6 | **20,6** |
| *Profitability on Net result* | *1,2%* | *0,7%* | *12,6%* | *16,4%* | *11,1%* | | | ***1,5%*** |
| | | | | | | | | |
| Investment outlays | 15,2 | 13,1 | 7,5 | 0,0 | 2,4 | 0,0 | 0,0 | **38,3** |

( in PLN 000s, unless indicated otherwise)

Information on Business Divisions of Emperia Group for three quarters of 2010 is as follows:

| | Divisions | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *in mln PLN* | **Tradis Distribution Group** | **Stokrotka / Delima Supermarkets** | **Real Estate** | **External IT** | **Support** | **Presentation Corrections** | **Consolidation Exclusions** | **Total** |
| Sales revenues | 3 815,9 | 1 147,5 | 48,0 | 4,6 | 45,8 | -15,7 | 661,3 | **4 384,9** |
| EBIT | 55,6 | 8,4 | 22,4 | 1,2 | -2,7 | 0,0 | -0,9 | **85,8** |
| *Profitability on EBIT* | *1,5%* | *0,7%* | *46,6%* | *25,8%* | *-5,8%* | | | ***2,0%*** |
| EBITDA | 72,9 | 25,3 | 32,8 | 1,4 | 4,5 | 0,0 | 0,0 | **136,8** |
| *Profitability on EBITDA* | *1,9%* | *2,2%* | *68,4%* | *30,2%* | *9,8%* | | | ***3,1%*** |
| Gross result | 53,4 | 7,2 | 8,6 | 1,5 | 60,7 | 4,7 | 62,7 | **73,3** |
| Net result | 44,2 | 5,0 | 7,1 | 1,2 | 60,1 | 4,7 | 63,0 | **59,3** |
| *Profitability on Net result* | *1,2%* | *0,4%* | *14,8%* | *25,2%* | *131,1%* | | | ***1,4%*** |
| | | | | | | | | |
| Investment outlays | 14,3 | 36,8 | 24,6 | 0,3 | 5,6 | 0,0 | 0,6 | **81,0** |
| Net debt | 3,9 | -5,7 | 344,7 | -6,5 | -123,3 | 0,0 | 0,0 | **213,1** |

( in PLN 000s, unless indicated otherwise)

Information on Business Divisions of Emperia Group for three quarters of 2009 is as follows:

| | Divisions | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| *in mln PLN* | **Tradis Dystribution Group** | **Stokrotka / Delima Supermarkets** | **Real Estate** | **External IT** | **Support** | **Presentation Corrections** | **Consolidation Exclusions** | **Total** |
| Sales revenues | 3 531,9 | 999,9 | 42,8 | 4,2 | 47,6 | 92,0 | 618,7 | **4 099,9** |
| EBIT | 35,2 | 6,1 | 35,2 | 1,3 | 3,3 | 6,2 | 0,9 | **86,4** |
| *Profitability on EBIT* | *1,0%* | *0,6%* | *82,2%* | *30,7%* | *7,0%* | | | ***2,1%*** |
| EBITDA | 53,5 | 20,8 | 44,2 | 1,6 | 8,4 | 6,3 | 1,3 | **133,6** |
| *Profitability on EBITDA* | *1,5%* | *2,1%* | *103,2%* | *36,8%* | *17,7%* | | | ***3,3%*** |
| Gross result | 30,9 | 3,7 | 22,9 | 1,4 | 45,7 | 26,1 | 61,2 | **69,5** |
| Net result | 21,5 | 2,5 | 18,5 | 1,2 | 44,3 | 25,4 | 61,3 | **52,2** |
| *Profitability on Net result* | *0,6%* | *0,2%* | *43,2%* | *29,0%* | *92,9%* | | | ***1,3%*** |
| | | | | | | | | |
| Investment outlays | 56,6 | 46,1 | 32,7 | 0,1 | 16,2 | 0,0 | 26,0 | **125,7** |
| Net debt | 63,7 | 16,2 | 321,5 | -5,6 | -91,6 | 0,0 | 0,0 | **304,2** |

( in PLN 000s, unless indicated otherwise)

### 9.3.2 Key operating data for each Division

#### 9.3.2.1 Tradis Distribution Group Division

**Financial Highlights**

| *in mln PLN* | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Sales revenues | 1 359,5 | 1 231,1 | *10,4%* | 3 815,9 | 3 531,9 | *8,0%* |
| EBIT | 26,9 | 19,0 | | 55,6 | 35,2 | |
| *Profitability on EBIT* | *2,0%* | *1,5%* | | *1,5%* | *1,0%* | |
| EBITDA | 32,6 | 25,0 | *30,0%* | 72,9 | 53,5 | *36,2%* |
| *Profitability on EBITDA* | *2,4%* | *2,0%* | | *1,9%* | *1,5%* | |
| Gross result | 25,0 | 18,6 | | 53,4 | 30,9 | |
| Net result | 20,2 | 15,2 | *33,0%* | 44,2 | 21,5 | *105,2%* |
| *Profitability on Net result* | *1,5%* | *1,2%* | | *1,2%* | *0,6%* | |
| Net result adjusted by margin on holding services | 20,9 | 16,3 | *28,0%* | 46,3 | 24,9 | *85,8%* |
| *Profitability on adjusted Net result* | *1,5%* | *1,3%* | | *1,2%* | *0,7%* | |

**Selected Ratios**

| Selected data and ratios | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Investment outlays (in mln PLN) | 4,4 | 15,2 | *-71,3%* | 14,3 | 56,6 | *-74,7%* |
| Net debt (in mln PLN) | 3,9 | 63,7 | *-93,8%* | 3,9 | 63,7 | *-93,8%* |
| | | | | | | |
| Inventory turnover | 23,56 | 30,69 | | 24,75 | 31,78 | |
| Receivables rotation | 32,99 | 31,66 | | 34,88 | 32,75 | |
| Liabilities rotation | 41,40 | 43,50 | | 43,49 | 45,05 | |
| **Cash conversion cycle** | **15,15** | **18,85** | | **16,14** | **19,48** | |

In the third quarter of 2010 Tradis Distribution Group Division realized revenues from sales of PLN 1 359 500 000, which is an increase of 10.4% compared to the same period of 2009. Cumulatively in 2010 revenues from sales amounted PLN 3 815 900 000, which is an increase of 8.0% compared the same period in 2009.
Growth of sales revenues was caused primarily by obtaining a contract for selling to the Orlen station by Tradis, increasing the number and shopping of own shops and expanding cooperation with franchise chains.
Profitability of EBITDA of the Tradis Distribution Group in the third quarter increased by 0.4% to 2.4%. Cumulatively is on the level of 1.90% which is an increase of 0.4%
Net profits for the third quarter of 2010 amounted PLN 20 200 000 which is an increase of 33.0% compared to the same period in 2009. Cumulatively Net profit for 2010 amounted PLN 44 200 000, which is an increase of 105.2% compared to 2009.
The most significant impact on improvement of net result and EBITDA of Tradis Distribution Group has costs optimization in the companies: Detal Koncept and Tradis and achieve economies of scale related with an increment of sales of existing logistics infrastructure.

( in PLN 000s, unless indicated otherwise)

Cash conversion cycle in the third quarter of 2010 amounted to 15.15 day and was about 3.70 day higher in comparison to the corresponding period of 2009. On improving of this rate primarily affected improving inventory turnover about 7.13 day.
The most significant impact on changing of the turnover rates had Tradis. In this Company in the third quarter of 2010 was initiated process of optimizing assortment and implemented a new IT solution to streamline the process and increasing the effectiveness of ordering goods, additionally Tradis reduced number of location, in which stored goods and increased sales in existing warehouses.
Development of new assortment groups such as : alcohol, cigarettes and beer, where are shorter payment terms, resulted in decrease of rotation of liabilities about 2.10 day in the third quarter of 2010.

**Selected operating data**

**Number of distribution locations (under Division's Companies which actively leading wholesale operations)**

| Company | Number of the locations* | | | Warehouse space (sq)* | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | Change 2010 / 2009 | 2010 | 2009 | Change 2010 / 2009 |
| Tradis Sp. z o.o. | 60 | 67 | -7 | 258 293 | 278 656 | -20 363 |
| *including Distribution Centers* | *8* | *7* | *1* | 120 557 | 112 836 | *7 721* |
| DEF Sp. z o.o. | 4 | 4 | 0 | 14 548 | 14 548 | 0 |
| AMBRA Sp. z o.o. | 1 | 1 | 0 | 5 824 | 5 123 | 701 |
| **Total** | **65** | **72** | **-7** | **278 665** | **298 327** | **-19 662** |

** values presented as of last day of period*

As result of merger of the distribution companies (Tradis Sp. z o.o , DLS S.A., BOS S.A. and Sygel-Jool S.A), which took place in the second half of 2009, and ongoing integration activities, were closed branches that do not meet expected efficiency criteria and quality.

**Number of stores under franchising chains of Tradis Distribution Group**

| Operator | Number of stores in chains * | | |
|---|---|---|---|
| | 2010 | 2009 | Change 2010 / 2009 |
| Groszek | 1 100 | 1 098 | 2 |
| Milea** | 91 | 91 | 0 |
| Euro Sklep S.A. | 631 | 604 | 27 |
| Lewiatan Podlasie Sp. z o.o. | 197 | 176 | 21 |
| Lewiatan Śląsk Sp. z o.o. | 302 | 276 | 26 |
| Lewiatan Zachód Sp. z o.o. | 294 | 254 | 40 |
| Lewiatan Orbita Sp. z o.o. | 106 | 99 | 7 |
| Lewiatan Wielkopolska Sp. z o.o | 183 | 183 | 0 |
| Lewiatan Północ Sp. z o.o. | 167 | 164 | 3 |
| Lewiatan Opole Sp. z o.o. | 186 | 174 | 12 |
| Lewiatan Kujawy Sp. z o.o. | 246 | 246 | 0 |
| Lewiatan Mazowsze Sp. z o.o. | 21 | 15 | 6 |
| **Total** | **3 524** | **3 380** | **144** |

** presented number as at the last day of the period*
*** including its own stores of Detal Koncept and Maro-Markety*

( in PLN 000s, unless indicated otherwise)

***Number of stores cooperating under Partnerski Serwis Detaliczny***

| | 2010 | 2009 | Change 2010 / 2009 |
|---|---|---|---|
| Number of cooperating Consumer Cooperative* | 56 | 33 | **23** |
| Number of stores* | 488 | 278 | **210** |

** presented number as at the last day of the period*

***Number of stores cooperating under Społem Tychy***

| | 2010 | 2009 | Change 2010 / 2009 |
|---|---|---|---|
| Number of stores* | 24 | 25 | **-1** |

** presented number as at the last day of the period*

***Structure of sales of goods cumulatively in respect of companies which actively leading the wholesale operations divided by Group of Customers***

| Group of customers | Sales of goods cumulatively in ths. PLN | | Change % 2010 / 2009 | % participation of groups of customers | |
|---|---|---|---|---|---|
| | 2010 | 2009 | | 2010 | 2009 |
| Sales to own Retail (Stokrotka /Delima Supermarkets Division) | 486 841 | 418 537 | 16,32% | 13,8% | 12,8% |
| Sales to own Retail :Społem Tychy | 21 842 | 23 518 | -7,12% | 0,6% | 0,7% |
| Sales to related franchise chains | 937 479 | 790 523 | 18,59% | 26,5% | 24,2% |
| Other | 2 088 544 | 2 034 420 | 2,66% | 59,1% | 62,3% |
| **Total** | **3 534 706** | **3 266 998** | **8,19%** | | |

***Structure of sales of goods cumulatively in respect of companies which actively leading the wholesale operations divided by Distribution Channels***

| Distribution Channels | Sales of goods cumulatively in ths PLN | | Change % 2010 / 2009 | % participation of distribution channels | |
|---|---|---|---|---|---|
| | 2010 | 2009 | | 2010 | 2009 |
| Cash & Carry | 505 679 | 511 216 | -1,1% | 14,3% | 15,6% |
| Serwis | 3 029 028 | 2 755 783 | 9,9% | 85,7% | 84,4% |
| *including :Petrol Stations* | 75 727 | 0 | | 2,1% | 0,0% |
| **Total** | **3 534 706** | **3 266 998** | **8,2%** | | |

In units closed during year 2009 was carry out B2B sales and Cash & Carry. B2B sales was taken over by the other units and distribution centers, in Cash & Carry sales volume decrease.

( in PLN 000s, unless indicated otherwise)

In fixed number of Cash & Carry objects, sales for three quarters increased by 0.5% and in the third quarter increase by 3.7% year to year.

### 9.3.2.2 Stokrotka / Delima Supermarkets Division

**Financial Highlights**

| *in mln PLN* | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Sales revenues | 388,2 | 356,5 | 8,9% | 1 147,5 | 999,9 | 14,8% |
| EBIT | 4,9 | 3,4 | 44,8% | 8,4 | 6,1 | 38,5% |
| *Profitability on EBIT* | *1,3%* | *0,9%* | | *0,7%* | *0,6%* | |
| EBITDA | 10,8 | 8,4 | 29,0% | 25,3 | 20,8 | 21,6% |
| *Prifitability on EBITDA* | *2,8%* | *2,4%* | | *2,2%* | *2,1%* | |
| Gross result | 4,7 | 2,9 | 65,4% | 7,2 | 3,7 | 91,5% |
| Net result | 3,6 | 2,4 | 52,4% | 5,0 | 2,5 | 103,3% |
| *Profitability on Net result* | *0,9%* | *0,7%* | | *0,4%* | *0,2%* | |
| Net result adjusted by margin on holding services | 4,0 | 2,9 | 38,6% | 6,3 | 3,9 | 59,5% |
| *Profitability on adjusted Net result* | *1,0%* | *0,8%* | | *0,5%* | *0,4%* | |

**Selected Ratios**

| | | | | | | |
|---|---|---|---|---|---|---|
| Investment outlays (in mln PLN) | 8,2 | 13,1 | -37,4% | 36,8 | 46,1 | -20,1% |
| Net debt (in mln PLN) | -5,7 | 16,2 | -135,3% | -5,7 | 16,2 | -135,3% |
| | | | | | | |
| Inventory rotation | 25,95 | 26,08 | | 26,27 | 28,02 | |
| Receivables turnover | 7,91 | 7,96 | | 8,01 | 8,49 | |
| Liabilities turnover | 57,35 | 52,91 | | 58,05 | 56,84 | |
| **Cash conversion cycle** | **-23,49** | **-18,87** | | **-23,77** | **-20,33** | |

In the third quarter of 2010 Stokrotka/Delima Supermarkets Division realized sales revenue of PLN 388 200 000, which is an increase of 8.9% compared to the same period of 2009. The cumulative sales revenues in 2010 increased by 14.8% compared to analogue period of 2009 and amounted PLN 1 147 500 000. Increase in revenues results from better sales results of existing stores and new openings.

Net profit of Stokrotka/Delima Supermarkets Division for third quarter was PLN 3 600 000 and he was higher of PLN 1 200 000 compared to the same period of 2009, the cumulative net profit for 2010 was PLN 5 000 000 and he was higher of 2 500 000compared to the same period in 2009.

Investment outlays in the third quarter of 2010 were lower of 4 900 000 than in the third quarter of 2009, the cumulative investment outlays were lower of PLN 9 300 000 . It results from less number of openings of new stores in the same period of previous year.

Cash conversion cycle in the third quarter has improved on 4.62 day, mainly due to increased of rotation of liabilities compared to the corresponding period of previous year.

( in PLN 000s, unless indicated otherwise)

**Selected operating data**

**Number of retail stores**

| Company | Number of stores * | | | Sales area(sq)* | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | Change 2010 / 2009 | 2010 | 2009 | Change 2010 / 2009 |
| Stokrotka Sp. z o.o. | 182 | 161 | 21 | 117 906 | 100 774 | 17 132 |
| *including Delima* | 8 | 5 | 3 | 11 398 | 6 756 | 4 642 |

* values are presented as of the last day of the analyzed period

**Change of sales in the third quarter for a fixed number of retail facilities year to year (LFL)**

| | Q3 2010 | Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|
| Stokrotka Sp. z o.o. | 316 123 | 310 857 | 1,7% |
| *including Delima* | *17 335* | *15 479* | 12,0% |

*For a fixed number of stores - 153- active at 1 VII 2009*

Sales, year to year, in a fixed number of stores increased in the third quarter of 2010 by 1.7% and in Delima this increase amounted to 12.0%

### 9.3.2.3 Real Estate Division

**Financial Highlights**

| *in mln PLN* | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Sales revenues | 15,9 | 14,3 | 11,8% | 48,0 | 42,8 | 12,0% |
| EBIT | 7,4 | 6,4 | 15,4% | 22,4 | 35,2 | -36,4% |
| *Profitability on EBIT* | *46,2%* | *44,8%* | | *46,6%* | *82,2%* | |
| EBITDA | 10,9 | 9,5 | 14,2% | 32,8 | 44,2 | -25,8% |
| *Profitability on EBITDA* | *68,3%* | *66,9%* | | *68,4%* | *103,2%* | |
| Gross result | 2,6 | 2,2 | 15,5% | 8,6 | 22,9 | -62,5% |
| Net result | 2,1 | 1,8 | 14,6% | 7,1 | 18,5 | -61,6% |
| *Profitability on Net result* | *12,9%* | *12,6%* | | *14,8%* | *43,2%* | |
| Net result adjusted by margin on holding services | 2,1 | 1,8 | 14,2% | 7,2 | 18,6 | -61,3% |
| *Profitability on adjusted Net result* | *13,1%* | *12,8%* | | *15,0%* | *43,4%* | |

( in PLN 000s, unless indicated otherwise)

**Selected Ratios**

| Selected data and ratios | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Investment outlays (in mln PLN) | 13,9 | 7,5 | 85,1% | 24,6 | 32,7 | 75,2% |
| Net debt (in mln PLN) | 344,7 | 321,5 | 7,2% | 344,7 | 321,5 | 107,2% |
| | | | | | | |
| Fixed Assets | 471,2 | 414,2 | 13,8% | | | |
| | | | | | | |
| ROE | 7,1% | 6,6% | | | | |

** ROE corrected by sale of real estate in Lomża in 06/2009*

Property Division realized in the third quarter of 2010 sales revenues of PLN 15 900 000, which is an increase of 11.8% compared to analogue period of 2009. The cumulative sales revenues in 2010 increased by 12.0% compared to analogue period of previous year. Growth of revenues is mainly connected with start up new trading buildings in current year.
Net profit of Real Estate Division in the third quarter was PLN 2 100 000, and was higher by PLN 300 000 compared to the same period of 2009, cumulative net profit in 2010 was PLN 7 100 000 and was lower by 11 400 000 compared to the same period of previous year. Presented profit for 2009 included result of selling of real estate in Łomża PLN 13 400 000.
Investment outlays in the third quarter of 2010 were higher by PLN 6 400 000 than in the third quarter of 2009, which was caused by higher number of openings of new facilities.

**Selected operating data**

**Number of retail facilities**

| Type of properties | Number of properties * | | | Sales area (sq)* | | |
|---|---|---|---|---|---|---|
| | 2010 | 2009 | Change 2010 / 2009 | 2010 | 2009 | Change 2010 / 2009 |
| Property operationally active | **105** | **99** | **6** | **230 663** | **220 580** | **10 083** |
| *including :* | | | | | | |
| *distribution* | 45 | 45 | 0 | 133 077 | 133 077 | 0 |
| *retail* | 45 | 39 | 6 | 61 498 | 51 415 | 10 083 |
| *other* | 15 | 15 | 0 | 36 088 | 36 088 | 0 |
| Commercial buildings under construction and land intended for investments | **23** | | | **30 651** | | |

** values presented as of the last day of analyzed period*

( in PLN 000s, unless indicated otherwise)

**Revenues from property rent**

| Own property (as at 30.09.2010) | Operational Property | | Property under construction (as at 30.09.2010) |
|---|---|---|---|
| | Q1-Q3 2010 | Q1-Q3 2010 | |
| **Nieruchomości dystrybucyjne** | | | |
| - area | 133 077 | | 3 500 |
| - number | 45 | | 1 |
| - revenues ( in ths. PLN) | 6 011 | 18 033 | 168 |
| - from external tenants (actual) | | | |
| - from own tenants (potential) | 6 011 | 18 033 | 168 |
| **Nieruchomości detaliczne** | | | |
| - area | 61 498 | | 26 151 |
| - number | 45 | | 21 |
| -revenues ( in ths. PLN) | 5 679 | 16 733 | 3 516 |
| - from external tenants (actual) | 2 192 | 6 575 | 937 |
| - from own tenants (potential) | 3 488 | 10 158 | 2 580 |
| **Nieruchomości pozostałe** | | | |
| - area | 36 088 | | 1 000 |
| - number | 15 | | 1 |
| - revenues in ths. PLN) | 1 570 | 4 709 | |
| - from external tenants (actual) | 1 570 | 4 709 | |
| - from own tenants (potential) | | | |

At the end of the third quarter of 2010, Real Estate Division had 105 operationally active real estates, of usable area of more than 230 thousand. sq and 23 commercial buildings under construction of which scheduled open is in year-end 2011. Carrying value of retail facilities under construction at the end of September 2010 was PLN 57 500 000.

### 9.3.2.4 External IT Division

**Financial Highlights**

| *in mln PLN* | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Sales revenues | 1,4 | 1,3 | 11,0% | 4,6 | 4,2 | 8,6% |
| EBIT | 0,3 | 0,2 | 40,9% | 1,2 | 1,3 | -8,7% |
| *Profitability on EBIT* | 19,5% | 15,3% | | 25,8% | 30,7% | |
| EBITDA | 0,3 | 0,3 | 20,0% | 1,4 | 1,6 | -10,6% |
| *Profitability on EBITDA* | 23,7% | 21,9% | | 30,2% | 36,8% | |
| Gross result | 0,4 | 0,2 | 93,8% | 1,5 | 1,4 | 3,4% |
| Net result | 0,3 | 0,2 | 36,9% | 1,2 | 1,2 | -5,7% |
| *Profitability on Net result* | 20,2% | 16,4% | | 25,2% | 29,0% | |
| Net result adjusted by margin on holding services | 0,3 | 0,2 | 35,5% | 1,2 | 1,3 | -5,5% |
| *Profitability on adjusted Net result* | 21,0% | 17,2% | | 25,9% | 29,8% | |

( in PLN 000s, unless indicated otherwise)

**Selected Ratios**

| Selected data and ratios | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Investment outlays (in mln PLN) | 0,2 | 0,0 | 296,8% | 0,3 | 0,1 | 116,1% |
| Net debt ( in mln PLN) | -6,5 | -5,6 | 16,9% | -6,5 | -5,6 | 16,9% |
| | | | | | | |
| Receivables turnover | 50,25 | 72,64 | | 45,30 | 64,11 | |

In the third quarter of 2010 company Infinite realized sales revenue of PLN 1 400 000, which is an increase of 11% compared to the same period of 2009. This was caused mainly by increase of domestic sales, which offset the decline in value of sales in foreign markets. One of the reasons of this decrease was strengthening of Zloty exchange rate against Euro. Revenues for the three quarters 2010 increased of 8.6%.

**Selected operating data**

**Sales revenues – geographical structure**

| *in ths. PLN* | Value of revenues cumulatively | | | % share | |
|---|---|---|---|---|---|
| | 2010 | 2009 | Change % 2010 / 2009 | 2010 | 2009 |
| Sales revenues | **4 585,6** | **4 222,3** | **8,6%** | | |
| *Domestic* | 3 982,1 | 3 562,3 | 11,8% | 86,8% | 84,4% |
| *Foregin* | 603,5 | 660,0 | -8,6% | 13,2% | 15,6% |

### 9.3.2.5 Support Division

**Financial Highlights**

| *in mln PLN* | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q1-Q3 2010 | Q1-Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Sales revenues | 15,0 | 15,2 | -1,5% | 45,8 | 47,6 | -3,8% |
| EBIT | -1,1 | 0,8 | -247,7% | -2,7 | 3,3 | -180,6% |
| *Profitability on EBIT* | *-7,6%* | *5,1%* | | *-5,8%* | *7,0%* | |
| EBITDA | 1,3 | 2,9 | -54,3% | 4,5 | 8,4 | -46,5% |
| *Profitability on EBITDA* | *8,9%* | *19,3%* | | *9,8%* | *17,7%* | |
| Gross result | 0,7 | 2,1 | -68,8% | 60,7 | 45,7 | 32,9% |
| Net result | 0,5 | 1,7 | -72,7% | 60,1 | 44,3 | 35,7% |
| *Profitability on Net result* | *3,1%* | *11,1%* | | *131,1%* | *92,9%* | |
| Net result adjusted by margin on holding services | -0,7 | 0,0 | -4408,1% | 56,6 | 39,3 | 44,0% |
| *Profitability on adjusted Net result* | *-4,3%* | *0,1%* | | *123,5%* | *82,5%* | |

Support Division generates revenues by providing services to related entities within the Group Emperia.
Net result of Support Division includes dividends received of PLN 59 300 000 in 2010 and PLN 38 700 000 in 2009.

( in PLN 000s, unless indicated otherwise)

### Selected Ratios

| Selected data and ratios | Q3 2010 | Q3 2009 | Change % 2010 / 2009 | Q3 2010 | Q3 2009 | Change % 2010 / 2009 |
|---|---|---|---|---|---|---|
| Investment outlays (in mln PLN) | 1,3 | 2,4 | -45,7% | 5,6 | 16,2 | -65,5% |
| Net debt (in mln PLN) | -123,3 | -91,6 | 34,5% | -123,3 | -91,6 | 34,5% |
| | | | | | | |
| Receivables turnover | 30,66 | 37,77 | | 29,81 | 35,86 | |

### Definitions of terms used in the report:

**Cash & Carry Channel** - form of self-service wholesale consisting of self-made purchases of goods by customers.
**Service Channel –** other sales which does not belong to Cash & Carry channel.
***Return on EBIT*** – EBIT ratio (profit on operations) to sales revenues.
***Return on EBITDA*** – EBITDA ratio (result on operating plus depreciation) to sales revenues.
***Net* return** - net profit /sales revenues.
***Rotation of Inventory*** – ratio of the inventory at the end of the period to cost of sales in the period multiplied by number of days in the period.
***Receivables turnover*** – ratio of trade receivables (supplies of goods and services) at the end of the analyzed period to the value of revenues from sales in analyzed period multiplied by number of days in the period.
***Liabilities* turnover** – ratio of trade payables (supplies of goods and services) the end of the analyzed period to cost of sales in the analyzed period multiplied by number of days in the period
***Cash conversion cycle*** – difference between the sum of turnover of receivables and inventory and rotation of trade liabilities
***Net debt –*** difference between financial liabilities and cash, short-term securities and other short-term financial assets at the end of period
***ROE – Return on Equity –*** ratio of net profit to equity

( in PLN 000s, unless indicated otherwise)

# 10. Issuer's Summary Stand-Alone Financial Statements

## 10.1 Stand-Alone Selected Financial Highlights

| SELECTED FINANCIAL HIGHLIGHTS (current year) | | PLN | | EURO | |
|---|---|---|---|---|---|
| | | For period 01.Jan.2010 to 30.Sep.2010 | For period 01.Jan.2009 to 30.Sep.2009* | For period 01.Jan.2010 to 30.Sep.2010 | For period 01.Jan.2009 to 30.Sep.2009* |
| I. | Net revenues from sale of products, goods and materials | 39 221 | 38 381 | 9 799 | 8 724 |
| II. | Profit (loss) on operating activity | (1 079) | 3 736 | (270) | 849 |
| III. | Profit (loss) before tax | 61 068 | 44 842 | 15 257 | 10 193 |
| IV. | Profit (loss) for period | 60 446 | 43 631 | 15 101 | 9 918 |
| V. | Net cash flows from operating activity | 8 339 | 7 264 | 2 083 | 1 651 |
| VI. | Net cash flows from investing activity | 15 009 | (2 474) | 3 750 | (562) |
| VII. | Net cash flows from financing activity | (18 865) | (5 406) | (4 713) | (1 229) |
| VIII. | Total net cash flows | 4 483 | (616) | 1 120 | (140) |
| IX. | Total assets | 675 677 | 632 397 | 169 470 | 153 935 |
| X. | Liabilities and provisions against liabilities | 7 543 | 11 310 | 1 892 | 2 753 |
| XI. | Long-term liabilities | 2 118 | 1 404 | 531 | 342 |
| XII. | Short-term liabilities | 5 425 | 9 906 | 1 361 | 2 411 |
| XIII. | Equity | 668 134 | 621 087 | 167 578 | 151 182 |
| XIV. | Initial capital | 15 115 | 15 115 | 3 791 | 3 679 |
| 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 | 15 115 161 | 15 115 161 | 15 115 161 |
| XVII. | Profit (loss) per ordinary share (annualized) (PLN/EUR) | 4,02 | 2,92 | 1,00 | 0,66 |
| XVIII. | Diluted profit (loss) per ordinary share annualized (PLN/EUR)** | 4,02 | 2,92 | 1,00 | 0,66 |
| XIX. | Book value per share (PLN/EUR) | 44,20 | 41,09 | 11,09 | 10,00 |
| XX. | Diluted book value per share (PLN/EUR) | 44,20 | 41,09 | 11,09 | 10,00 |
| XXI. | Declared or distributed dividend per share (PLN/EUR)** | 0,92 | 0,59 | 0,23 | 0,14 |

* Comparative data on the Statement of Financial Position refer to 31 December 2009
** Amount of distributed dividend per share is calculated by the number of shares at the report date, i.e.: 15 115 161 shares.

The weighted average number of shares:

– in 2010: in January-September 15 115 161;
– in 2009: in January-September 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 4,0027 PLN/EURO for three quarters of 2010, and 4,3993 PLN/EURO for three quarters of 2009,
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 3,9870 PLN/EURO on 30 September 2010, and 4,1082 PLN/EURO on 31 December 2009.

( in PLN 000s, unless indicated otherwise)

## 10.2 Stand-Alone Summary Statement of Financial Position.

| | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|---|---|---|---|
| **Fixed Assets** | **572 596** | **573 644** | **572 363** | **558 262** |
| Tangible fixed assets | 42 937 | 43 927 | 45 825 | 47 683 |
| Investment real property | 3 166 | 3 166 | 3 166 | 3 166 |
| Intangible assets | 6 848 | 6 998 | 6 418 | 5 532 |
| Financial assets | 519 327 | 519 225 | 516 581 | 501 570 |
| Long-term loans | | | | |
| Long-term receivables and other deferred income | 59 | 60 | 63 | 65 |
| Deferred income tax assets | 259 | 268 | 310 | 246 |
| **Current Assets** | **103 081** | **115 424** | **60 034** | **72 872** |
| Stock | 72 | 47 | 49 | 31 |
| Receivables | 6 520 | 6 466 | 6 495 | 5 134 |
| Receivables under income tax | 888 | 555 | 1 695 | 1 371 |
| Short-term securities | 87 850 | 84 629 | 31 745 | 31 149 |
| Prepaid expenses | 694 | 1 076 | 476 | 408 |
| Cash | 7 057 | 22 651 | 2 574 | 2 579 |
| Other financial assets | | | 17 000 | 32 200 |
| **Total Assets** | **675 677** | **689 068** | **632 397** | **631 134** |
| | | | | |
| **Equity** | **668 134** | **667 951** | **621 087** | **620 534** |
| Share capital | 15 115 | 15 115 | 15 115 | 15 115 |
| Share premium capital | 549 559 | 549 559 | 549 559 | 549 559 |
| Supplementary capital | 1 526 | 1 526 | 1 526 | 1 526 |
| Supplementary capital from the evaluation of managerial options | 1 675 | 1 278 | 482 | 268 |
| Reserve capital | 499 | 499 | 12 376 | 12 376 |
| Revaluation capital | | | | |
| Creation of reserve capital to acquisition treasury shares | 40 000 | 40 000 | | |
| Treasury shares | (686) | | | |
| Retained profit | 60 446 | 59 974 | 42 029 | 41 690 |
| **Total equity allocated to shareholders of dominant entity** | **668 134** | **667 951** | **621 087** | **620 534** |
| Non-controlling interests | | | | |
| **Long-term liabilities** | **2 118** | **1 874** | **1 404** | **1 280** |
| Credit facilities, loans and debt securities | 141 | 88 | 21 | 28 |
| Long-term liabilities | | | | |
| Provisions | 112 | 111 | 88 | 42 |
| Provision against deferred income tax | 1 865 | 1 675 | 1 295 | 1 210 |
| **Short-term liabilities** | **5 425** | **19 243** | **9 906** | **9 320** |
| Credit facilities, loans and debt securities | 188 | 115 | 4 023 | 4 021 |
| Short-term liabilities | 4 375 | 18 277 | 4 825 | 4 353 |
| Income tax liabilities | | | | 157 |
| Provisions | 839 | 798 | 953 | 728 |
| Deferred income | 23 | 53 | 105 | 61 |
| **Total liabilities** | **675 677** | **689 068** | **632 397** | **631 134** |

( in PLN 000s, unless indicated otherwise)

| | 30 September 2010 | 30 June 2010 | 31 December 2009 | 30 September 2009 |
|---|---|---|---|---|
| **Book value** | **668 134** | **667 951** | **621 087** | **620 534** |
| **Number of shares** | 15 115 161 | 15 115 161 | 15 115 161 | 15 115 161 |
| **Diluted number of shares** | 15 115 161 | 15 115 161 | 15 115 161 | 15 115 161 |
| **Book value per share (PLN)** | **44,20** | **44,19** | **41,09** | **41,05** |

## 10.3 Stand-Alone Summary Profit and Loss Account and Stand-Alone Summary Statement of Comprehensive Income

| | 3 months ended 30 September 2010 | 9 months ended 30 September 2010 | 3 months ended 30 September 2009 | 9 months ended 30 September 2009 |
|---|---|---|---|---|
| Sales revenues | **12 605** | **39 221** | **12 776** | **38 381** |
| Cost of goods sold | **(10 637)** | **(32 642)** | **(10 126)** | **(29 376)** |
| **Profit on sales** | **1 968** | **6 579** | **2 650** | **9 005** |
| Other operating income | 118 | 367 | 79 | 226 |
| Selling expense | (1) | (3) | (1) | (3) |
| General administrative expense | (2 787) | (7 864) | (1 675) | (5 417) |
| Other operating expense | (19) | (158) | (15) | (75) |
| **Profit on operations** | **(721)** | **(1 079)** | **1 038** | **3 736** |
| Financial income | 1 422 | 62 278 | 1 131 | 41 625 |
| Financial expense | (29) | (131) | (212) | (519) |
| **Profit before tax** | **672** | **61 068** | **1 957** | **44 842** |
| Income tax | (200) | (622) | (371) | (1 211) |
| - Current | | | (41) | (41) |
| - Deferred | (200) | (622) | (331) | (1 170) |
| **Profit for period** | **472** | **60 446** | **1 586** | **43 631** |
| Profit for shareholders of dominant entity | 472 | 60 446 | 1 586 | 43 631 |
| Profit for period for non-controlling interests | 0 | 0 | 0 | 0 |

| | | |
|---|---|---|
| **Profit (loss) for period (annualised)** | **60 786** | **44 156** |
| **Weighted average of ordinary shares *** | 15 115 161 | 15 115 161 |
| **Diluted weighted average number of ordinary shares *** | 15 115 161 | 15 115 161 |
| **Profit (loss) per ordinary share (PLN) annualised** | **4,02** | **2,92** |

* The weighted average number of shares:
– for 2010: January-September 15 115 161;
– for 2009: January-September 15 115 161;

| Statement of total income | 3 months ended 30 September 2010 | 9 months ended 30 September 2010 | 3 months ended 30 September 2009 | 9 months ended 30 September 2009 |
|---|---|---|---|---|
| Profit for period | 472 | 60 446 | 1 586 | 43 631 |
| Other total income: | | | | |
| **Total income for period** | **472** | **60 446** | **1 586** | **43 631** |

( in PLN 000s, unless indicated otherwise)

## 10.4 Summary Report of Changes in Equity

| | Share capital | Share premium capital | Supplementary capital | Supplementary capital from the evaluation of managerial options | Reserve capital | Revaluation capital | Reserve Capital for purchase of own shares | Treasury shares | Retained profit | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **1 July 2010** | **15 115** | **549 559** | **1 526** | **1 278** | **499** | | **40 000** | | **59 974** | **667 951** |
| Change in accounting standards and policies | | | | | | | | | | |
| **1 July 2010 adjusted** | **15 115** | **549 559** | **1 526** | **1 278** | **499** | | **40 000** | | **59 974** | **667 951** |
| Total revenue for 3 months until 30 September 2010 | | | | | | | | | 472 | **472** |
| Valuation of managerial option | | | | 397 | | | | | | **397** |
| Purchase of treasury shares | | | | | | | | (686) | | **(686)** |
| **30 September 2010** | **15 115** | **549 559** | **1 526** | **1 675** | **499** | | **40 000** | **(686)** | **60 446** | **668 134** |

| | Share capital | Share premium capital | Supplementary capital | Supplementary capital from the evaluation of managerial options | Reserve capital | Revaluation capital | Reserve Capital for purchase of own shares | Treasury shares | Retained profit | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **1 January 2010** | **15 115** | **549 559** | **1 526** | **482** | **12 376** | | | | **42 029** | **621 087** |
| Change in accounting standards and policies | | | | | | | | | | |
| **1 January 2010 adjusted** | **15 115** | **549 559** | **1 526** | **482** | **12 376** | | | | **42 029** | **621 087** |
| Total revenue for 9 months until 30 September 2010 | | | | | | | | | 60 446 | **60 446** |
| Valuation of managerial option | | | | 1 193 | | | | | | **1 193** |
| Distribution of 2009 profit – allocation to capital funds | | | | | (11 877) | | | | (28 123) | **(40 000)** |
| Creation of reserve capital to acquisition treasury shares | | | | | | | 40 000 | | | **40 000** |
| Purchase of treasury shares | | | | | | | | (686) | | **(686)** |
| Dividend for shareholders as part of 2009 profit distribution | | | | | | | | | (13 906) | **(13 906)** |
| **30 September 2010** | **15 115** | **549 559** | **1 526** | **1 675** | **499** | | **40 000** | **(686)** | **60 446** | **668 134** |

( 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 | Total equity |
|---|---|---|---|---|---|---|---|---|
| **1 January 2009** | **15 115** | **549 559** | **1 526** | **268** | **19 871** | | **(519)** | **585 820** |
| Change in accounting standards and policies | | | | | | | | |
| **1 January 2009 adjusted** | **15 115** | **549 559** | **1 526** | **268** | **19 871** | | **(519)** | **585 820** |
| Profit for 12 months until 31 December 2009 | | | | | | | 43 971 | **43 971** |
| Valuation of managerial option | | | | 214 | | | | **214** |
| Dividend for shareholders as part of 2008 profit distribution | | | | | (7 496) | | (1 422) | **(8 918)** |
| **31 December 2009** | **15 115** | **549 559** | **1 526** | **482** | **12 376** | | **42 029** | **621 087** |

( in PLN 000s, unless indicated otherwise)

## 10.5 Stand-Alone Summary Consolidated Report of Cash Flows

| | 3 months ended 30 September 2010 | 9 months ended 30 September 2010 | 3 months ended 30 September 2009 | 9 months ended 30 September 2009 |
|---|---|---|---|---|
| **Profit (loss) for period** | **472** | **60 446** | **1 586** | **43 631** |
| Adjustments for: | **1 810** | **(52 107)** | **2 452** | **(36 367)** |
| Depreciation | 2 672 | 7 754 | 2 392 | 5 783 |
| Interest and share in profit (dividends) | (1 239) | (61 885) | (913) | (40 971) |
| Income tax | 200 | 622 | 372 | 1 211 |
| Profit (loss) on investing activity | (31) | (12) | (54) | (110) |
| Change in provisions | 41 | (91) | (330) | (1 200) |
| Change in stock | (25) | (23) | 2 | (9) |
| Change in receivables | (90) | 1 462 | 1 237 | 1 310 |
| Change in accruals | 353 | (296) | 258 | (110) |
| Change in liabilities | (135) | 57 | (41) | (983) |
| Other adjustments | 397 | 1 193 | | |
| Income tax paid | (333) | (888) | (471) | (1 288) |
| **Net cash flows from operating activity** | **2 282** | **8 339** | **4 038** | **7 264** |
| **Income** | **272 417** | **581 631** | **166 240** | **513 263** |
| Sale of fixed and intangible asset | 117 | 386 | 193 | 602 |
| Sale of financial assets | 272 300 | 503 800 | 134 796 | 470 796 |
| Dividends received | | 59 314 | 29 251 | 38 748 |
| Interest received | | 231 | 490 | 607 |
| Repayment of loans granted | | 17 900 | 1 510 | 2 510 |
| Other income | | | | |
| **Expenditures** | **(275 598)** | **(566 622)** | **(152 239)** | **(515 737)** |
| Purchase of fixed and intangible assets | (1 245) | (5 536) | (2 265) | (16 029) |
| Investments in real property | | | | |
| Purchase of subsidiaries and associated entities | (102) | (2 746) | (37) | (33 441) |
| Purchase of financial assets | (274 251) | (557 440) | (125 452) | (433 782) |
| Loans granted | | (900) | (24 485) | (32 485) |
| Cash in subsidiaries at date of sale | | | | |
| Other expenditures | | | | |
| **Net cash flows from investing activity** | **(3 181)** | **15 009** | **14 001** | **(2 474)** |
| **Income** | | **3 939** | **12 833** | **38 537** |
| Income from credit facilities and loans contracted | | | | |
| Issue of short-term debt securities | | 3 939 | 12 833 | 38 537 |
| Share issue | | | | |
| Other income | | | | |
| **Expenditures** | **(14 695)** | **(22 804)** | **(30 926)** | **(43 943)** |
| Repayment of credit facilities and loans | | | | |
| Redemption of short-term debt securities | | (8 000) | (22 000) | (35 000) |
| Payment of liabilities under financial leases | (73) | (154) | (6) | (20) |
| Interest and charges paid | (30) | (58) | (2) | (5) |
| Dividends paid | (13 906) | (13 906) | (8 918) | (8 918) |
| Purchase of treasury shares | (686) | (686) | | |
| Other | | | | |
| **Net cash flows from financial activity** | **(14 695)** | **(18 865)** | **(18 093)** | **(5 406)** |

( in PLN 000s, unless indicated otherwise)

| | | | | |
|---|---|---|---|---|
| **Change in cash** | **(15 594)** | **4 483** | **(54)** | **(616)** |
| *Exchange differences* | | | | |
| **Cash at beginning of period** | **22 651** | **2 574** | **2 633** | **3 195** |
| **Cash at end of period** | **7 057** | **7 057** | **2 579** | **2 579** |

Lublin, November 2010

**Signatures of members of Management Board:**

| | | | |
|---|---|---|---|
| 2010-11-15 | Artur Kawa | Chairman of Management Board | ....................... signature |
| 2010-11-15 | Jarosław Wawerski | Vice-Chairman of Management Board Wholesale Business Director | ....................... signature |
| 2010-11-15 | Dariusz Kalinowski | Vice-Chairman of Management Board - Financial Director | ....................... signature |
| 2010-11-15 | Marek Wesołowski | Vice-Chairman of Management Board – Retail Business Director | ....................... signature |
| 2010-11-15 | Grzegorz Wawerski | Vice-Chairman of Management Board – Retail Business Development Director | ....................... signature |

**Person responsible for accountancy:**

| | | | |
|---|---|---|---|
| 2010-11-15 | Elżbieta Świniarska | Economic Director | ....................... signature |