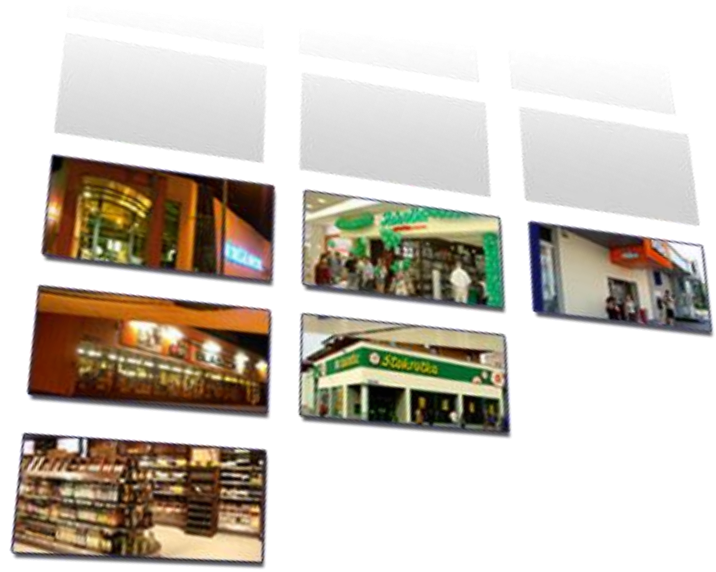

# CONDENSED SEPARATE SEMI-ANNUAL FINANCIAL STATEMENTS

## FOR THE FIRST HALF OF 2013

## PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

*(DATA IN PLN 000'S)*

LUBLIN, AUGUST 2013

**TRANSLATORS' EXPLANATORY NOTE**

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

**Contents**

EMPERIA HOLDING S.A. in PLN 000's

# 1 Selected financial data

| | SELECTED FINANCIAL DATA (current year) | PLN | | EUR | |
|---|---|---|---|---|---|
| | | For the period from 1 Jan 2013 to 30 Jun 2013 | For the period from 1 Jan 2012 to 30 Jun 2012* | For the period from 1 Jan 2013 to 30 Jun 2013 | For the period from 1 Jan 2012 to 30 Jun 2012* |
| I. | Net revenue from sale of products, goods for resale and materials | 3 798 | 7 172 | 901 | 1 698 |
| II. | Operating profit | (1 674) | (5 649) | (397) | (1 337) |
| III. | Profit before tax | 10 609 | 9 078 | 2 518 | 2 149 |
| IV. | Profit for the period | 9 669 | 8 633 | 2 294 | 2 044 |
| V. | Net cash flows from operating activities | (540) | 10 277 | (128) | 2 433 |
| VI. | Net cash flows from investing activities | 28 281 | 910 988 | 6 711 | 215 639 |
| VII. | Net cash flows from financing activities | (13 358) | (828 917) | (3 170) | (196 212) |
| VIII. | Total net cash flows | 14 383 | 92 347 | 3 413 | 21 859 |
| IX. | Total assets* | 580 474 | 585 047 | 134 083 | 143 106 |
| X. | Liabilities and liability provisions* | 2 280 | 3 149 | 527 | 770 |
| XI. | Non-current liabilities* | 769 | 813 | 178 | 199 |
| XII. | Current liabilities* | 1 511 | 2 336 | 349 | 571 |
| XIII. | Equity* | 578 194 | 581 897 | 133 557 | 142 336 |
| XIV. | Share capital* | 15 115 | 15 115 | 3 491 | 3 697 |
| XV. | Number of shares | 15 115 161 | 15 115 161 | x | x |
| XVI. | Weighted average number of shares | 14 469 466 | 14 512 325 | x | x |
| XVII. | Profit per ordinary share, annualised (in PLN/EUR)** | 0.67 | 51.75 | 0.15 | 12.14 |
| XVII. | Diluted profit per ordinary share, annualised (in PLN/EUR)*** | 0.66 | 51.53 | 0.15 | 12.09 |
| XIX. | Book value per share (in PLN/EUR)** | 39.96 | 38.17 | 9.23 | 8.96 |
| XX. | Diluted book value per share (in PLN/EUR)*** | 39.71 | 39.59 | 9.22 | 9.29 |
| XXI. | Paid out dividend per share (in PLN/EUR)**** | 0.93 | 56.41 | 0.21 | 13.06 |

* comparative data in the statement of financial position as at 31 December 2012
** valued is calculated using the weighted average number of shares in the Company
*** valued is calculated using the weighted average diluted number of shares in the Company
**** information regarding the dividend paid are presented in Note 6.3.18

**Selected financial data were translated into EUR in the following manner:**

1. Items in the statement of profit and loss and statement of cash flows were translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for H1 2013 was EURPLN 4.2140 and for H1 2012: EURPLN 4.2246.
2. Balance sheet items and book value / diluted book value were translated using the average exchange rate published by the National Bank of Poland as at the end of the reporting period, as follows: as at 30 June 2013: EURPLN 4.3292; as at 31 December 2012: EURPLN 4.0882.
3. Dividend paid out was translated using the average rate published by the National Bank of Poland on the dividend payment date, which as at 26 June 2013 was EURPLN 4.3348 and as at 14 June 2012: EURPLN 4.3207.

in PLN 000's

## 2 Statement of financial position

| | Note | 30 Jun 2013 | 31 Dec 2012 | 30 Jun 2012 |
|---|---|---|---|---|
| **Non-current assets** | | **285 768** | **286 019** | **275 964** |
| Property, plant and equipment | 6.3.4 | 15 055 | 14 373 | 2 456 |
| Investment property | | - | - | - |
| Intangible assets | 6.3.4 | 4 152 | 4 693 | 5 241 |
| Financial assets | 6.3.7 | 266 072 | 266 022 | 266 114 |
| Non-current receivables | | 395 | 757 | 1 130 |
| Deferred income tax assets | 6.3.6 | 92 | 114 | 672 |
| Other accrued expenses | | 2 | 60 | 351 |
| **Current assets** | | **294 706** | **299 028** | **319 456** |
| Inventory | | - | 20 | 60 |
| Receivables | | 2 288 | 3 214 | 4 205 |
| Short-term securities | 6.3.8 | 189 912 | 193 408 | 201 749 |
| Prepayments | | 479 | 676 | 956 |
| Cash and cash equivalents | | 87 683 | 73 300 | 94 985 |
| Other financial assets | 6.3.9 | 14 344 | 28 500 | 17 500 |
| Assets classified as 'held for sale' | | - | - | - |
| **Total assets** | | **580 474** | **585 047** | **595 420** |
| **Equity** | | **578 194** | **581 897** | **576 937** |
| Share capital | | 15 115 | 15 115 | 15 115 |
| Share premium | | 549 559 | 549 559 | 50 559 |
| Supplementary capital | | 2 526 | 2 526 | 2 526 |
| Management options provision | | 3 145 | 3 145 | 3 144 |
| Reserve capital | | 63 200 | 62 979 | 62 979 |
| Buy-back provision | | - | - | 499 000 |
| Own shares | | (65 020) | (65 020) | (65 020) |
| Retained earnings | | 9 669 | 13 593 | 8 633 |
| **Non-current liabilities** | | **769** | **813** | **800** |
| Credits, loans and debt instruments | | - | - | - |
| Non-current liabilities | | 15 | - | - |
| Provisions | 6.3.10 | 29 | 29 | 19 |
| Deferred income tax provision | 6.3.6 | 725 | 784 | 781 |
| **Current liabilities** | | **1 511** | **2 337** | **17 683** |
| Credits, loans and debt instruments | | - | - | - |
| Current liabilities | | 945 | 1 154 | 16 846 |
| Income tax liabilities | | 121 | 725 | 240 |
| Provisions | 6.3.10 | 357 | 456 | 573 |
| Deferred revenue | | 88 | 2 | 23 |
| **Total equity and liabilities** | | **580 474** | **585 047** | **595 420** |
| **Book value** | | **578 194** | **581 897** | **576 937** |
| **Number of shares** | | **15 115 161** | **15 115 161** | **15 115 161** |
| **Book value per share (in PLN)** | | **39.96** | **40.12** | **38.17** |
| **Diluted number of shares** | | **14 560 319** | **14 578 832** | **14 571 479** |
| **Diluted book value per share (in PLN)** | | **39.71** | **39.89** | **39.59** |

in PLN 000's

**Signatures of all Management Board members:**

| | | | |
|---|---|---|---|
| 2013-08-10 | Dariusz Kalinowski | President of the Management Board | ...................... Signature |
| 2013-08-10 | Cezary Baran | Vice-President of the Management Board | ...................... Signature |

**Signatures of persons responsible for book-keeping**

| | | | |
|---|---|---|---|
| 2013-08-10 | Elżbieta Świniarska | Economic Director | ...................... Signature |
| 2013-08-10 | Urszula Baczewska | Chief Accountant | ...................... Signature |

in PLN 000's

## 3 Statement of profit and loss and statement of comprehensive income

| | | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|---|
| **Revenue** | 6.3.13 | **3 798** | **7 172** |
| *- from subsidiaries* | | *2 165* | *2 794* |
| Revenue from sale of services | | 3 772 | 6 833 |
| Revenue from sale of goods for resale | | 26 | 339 |
| **Cost of sales** | | **(4 010)** | **(6 111)** |
| *- from subsidiaries* | | *(2 104)* | *(2 418)* |
| Cost of manufacture of services sold | 6.3.14 | (3 993) | (5 851) |
| Cost of manufacture of products sold | | (17) | (260) |
| **Profit from sales** | | **(212)** | **1 061** |
| Other operating revenue | 6.3.15 | 771 | 2 089 |
| Distribution costs | 6.3.14 | - | - |
| Administrative expenses | 6.3.14 | (2 075) | (6 378) |
| Other operating expenses | 6.3.15 | (158) | (2 421) |
| **Operating profit** | | **(1 674)** | **(5 649)** |
| Finance income | 6.3.16 | 12 284 | 14 736 |
| Finance costs | 6.3.16 | (1) | (9) |
| **Profit before tax** | | **10 609** | **9 078** |
| Income tax | | (940) | (444) |
| *- current* | 6.3.17 | *(977)* | *(434)* |
| *- deferred* | 6.3.6 | *37* | *(10)* |
| **Profit for the period** | | **9 669** | **8 633** |

| | | |
|---|---|---|
| **Annualised profit** | **9 669** | **750 941** |
| **Weighted average number of ordinary shares** | **14 469 466** | **14 512 325** |
| **Profit per ordinary share, annualised (in PLN)** | **0.67** | **51.75** |

| Statement of comprehensive income | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Profit for the period | 9 669 | 8 633 |
| Other comprehensive income | - | - |
| **Comprehensive income for the period** | **9 669** | **8 633** |

EMPERIA HOLDING S.A. in PLN 000's

**Signatures of all Management Board members:**

| | | | |
|---|---|---|---|
| 2013-08-10 | Dariusz Kalinowski | President of the Management Board | ....................... Signature |
| 2013-08-10 | Cezary Baran | Vice-President of the Management Board | ....................... Signature |

**Signatures of persons responsible for book-keeping**

| | | | |
|---|---|---|---|
| 2013-08-10 | Elżbieta Świniarska | Economic Director | ....................... Signature |
| 2013-08-10 | Urszula Baczewska | Chief Accountant | ....................... Signature |

in PLN 000's

## 4 Statement of changes in equity

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Buy-back provision | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2013** | **15 115** | **549 559** | **2 526** | **3 144** | **62 979** | **0** | **(65 020)** | **13 593** | **581 897** |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2013, corrected** | **15 115** | **549 559** | **2 526** | **3 144** | **62 979** | **0** | **(65 020)** | **13 593** | **581 897** |
| Profit for the period | - | - | - | - | - | - | - | 9 669 | **9 669** |
| Allocation of previous year's profit - increase of equity | - | - | - | - | 221 | - | - | (221) | **0** |
| Allocation of previous year's profit - dividend | - | - | - | - | - | - | - | (13 372) | **(13 372)** |
| Purchase of own shares | - | - | - | - | - | - | - | - | - |
| **30 Jun 2013** | **15 115** | **549 559** | **2 526** | **3 144** | **63 200** | **0** | **(65 020)** | **9 669** | **578 194** |
| | | | | | | | | | |
| **1 January 2012** | **15 115** | **50 559** | **2 526** | **3 144** | **62 845** | **499 000** | **(53 774)** | **817 805** | **1 397 221** |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2012, corrected** | **15 115** | **50 559** | **2 526** | **3 144** | **62 845** | **499 000** | **(53 774)** | **817 805** | **1 397 221** |
| Profit for the period | - | - | - | - | - | - | - | 13 593 | **13 593** |
| Allocation of previous year's profit - increase of equity | - | - | - | - | 134 | - | - | (134) | - |
| Allocation of previous year's profit - dividend | - | - | - | - | - | - | - | (817 671) | **(817 671)** |
| Purchase of own shares | | | | | | | (11 246) | | **(11 246)** |
| Release of buy-back provision | - | 499 000 | - | - | - | (499 000) | - | - | - |
| Release of buy-back provision due to purchase of own shares | - | - | - | - | - | - | - | - | - |
| Management options | - | - | - | - | - | - | - | - | - |
| **31 Dec 2012** | **15 115** | **549 559** | **2 526** | **3 144** | **62 979** | **0** | **(65 020)** | **13 593** | **581 897** |

in PLN 000's

| | Share capital | Share premium | Supplementary capital | Management options provision | Reserve capital | Buy-back provision | Own shares | Retained earnings | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2012** | **15 115** | **50 559** | **2 526** | **3 144** | **62 845** | **499 000** | **(53 774)** | **817 805** | **1 397 221** |
| Changes in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2012, corrected** | **15 115** | **50 559** | **2 526** | **3 144** | **62 845** | **499 000** | **(53 774)** | **817 805** | **1 397 221** |
| Profit for the period | - | - | - | - | - | | - - | 8 633 | **8 633** |
| Allocation of previous year's profit - increase of equity | - | - | - | - | 134 | - | - | (134) | - |
| Allocation of previous year's profit - dividend | - | - | - | - | - | - | - | (817 671) | **(817 671)** |
| Purchase of own shares | - | - | - | - | - | - | (11 246) | - | **(11 246)** |
| **30 Jun 2012** | **15 115** | **50 559** | **2 526** | **3 144** | **62 979** | **499 000** | **(65 020)** | **8 633** | **576 937** |

in PLN 000's

**Signatures of all Management Board members:**

| | | | |
|---|---|---|---|
| 2013-08-10 | Dariusz Kalinowski | President of the Management Board | ......................<br>Signature |
| 2013-08-10 | Cezary Baran | Vice-President of the Management Board | ......................<br>Signature |

**Signatures of persons responsible for book-keeping**

| | | | |
|---|---|---|---|
| 2013-08-10 | Elżbieta Świniarska | Economic Director | ......................<br>Signature |
| 2013-08-10 | Urszula Baczewska | Chief Accountant | ......................<br>Signature |

EMPERIA HOLDING S.A. in PLN 000's

## 5 Statement of cash flows

| | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| **Profit (loss) for the period** | **9 669** | **8 633** |
| **Adjusted by:** | **(10 209)** | **1 643** |
| Depreciation | 857 | 932 |
| Interest and shares of profit (dividend) | (10 709) | (10 869) |
| Income tax | 940 | 444 |
| Profit (loss) on investing activities | (615) | (1 899) |
| Change in provisions | (99) | (907) |
| Change in inventory | 19 | (15) |
| Change in receivables | 829 | 15 567 |
| Change in prepayments | 342 | 771 |
| Change in current liabilities | (192) | 847 |
| Income tax paid | (1 581) | (3 228) |
| **Net cash from operating activities** | **(540)** | **10 276** |
| **Inflows** | **1 167 449** | **1 510 407** |
| Disposal of non-financial assets | 1 046 | 12 224 |
| Disposal of financial assets | 1 146 000 | 386 083 |
| Dividends received | 5 774 | 7 880 |
| Proceeds from redeemed shares | - | 1 090 000 |
| Interest received | 429 | 675 |
| Repayment of borrowings | 14 200 | 13 540 |
| Proceeds from correction of price for purchased shares | - | 4 |
| **Outflows** | **(1 139 168)** | **(599 419)** |
| Purchase of property, plant and equipment and intangible assets | (1 076) | (1 381) |
| Purchase of subsidiaries and associates | (50) | (50 150) |
| Purchase of financial assets | (1 138 042) | (544 348) |
| Borrowings granted | - | (3 540) |
| Expenditures on maintenance of investment properties | - | - |
| Costs of disposal of property, plant and equipment | - | - |
| **Net cash from investing activities** | **28 281** | **910 988** |
| **Inflows** | **-** | **-** |
| **Outflows** | **(13 358)** | **(828 917)** |
| Dividends paid | (13 358) | (817 671) |
| Payment of finance lease liabilities | | - |
| Interest and fees paid | | - |
| Purchase of own shares | | (11 246) |
| **Net cash flows from financing activities** | **(13 358)** | **(828 917)** |
| **Change in cash and cash equivalents** | **14 383** | **92 347** |
| **Cash and cash equivalents at the beginning of period** | **73 300** | **2 638** |
| **Cash and cash equivalents at the end of period** | **87 683** | **94 985** |

EMPERIA HOLDING S.A. in PLN 000's

**Signatures of all Management Board members:**

| | | | |
|---|---|---|---|
| 2013-08-10 | Dariusz Kalinowski | President of the Management Board | ...................... Signature |
| 2013-08-10 | Cezary Baran | Vice-President of the Management Board | ...................... Signature |

**Signatures of persons responsible for book-keeping**

| | | | |
|---|---|---|---|
| 2013-08-10 | Elżbieta Świniarska | Economic Director | ...................... Signature |
| 2013-08-10 | Urszula Baczewska | Chief Accountant | ...................... Signature |

# 6 Additional information

## 6.1 Information about the Company

Company name, registered office and objects

The Company uses the trading name Emperia Holding S.A., which was registered under KRS no. 0000034566 by the District Court in Lublin, 11th Commercial Division of the National Court Register.

The Company's registered office is located in Lublin, ul. Projektowa 1.

The principal object of Emperia Holding S.A. is activities of holding companies (PKD 70.10.Z).

The Company has REGON number 430450457.

The Company is a VAT payer, with NIP no. 712-10-07-105.

The Company's shares have been listed on the Warsaw Stock Exchange since 2001.

The financial year for the Company is the calendar year. The Company has been established for an indefinite period of time.

The financial statements were prepared for the period from 1 January 2013 to 30 June 2013, and the comparative financial data covers the period from 1 January 2012 to 30 June 2012. As regards items in the statement of financial position, comparative data was presented as at 31 December 2012.

The financial statements do not contain combined data, and the Company does not have internal organisational entities that draft their own financial statements.

The financial statements were drawn up on the assumption that the business will continue as a going concern and that there are no circumstances such as would pose a threat to the continuing operations of Company in the future.

Information on consolidation

Emperia Holding S.A. is the Group's parent and prepares the Group's consolidated financial statements. As at 30 June 2013, consolidation includes Emperia Holding S.A. and the following subsidiaries:
Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A., Maro Markety Sp. z o.o., Społem Tychy S.A., P3 EKON Sp. z o.o. S.K.A., Ekon Sp. z o.o., EMP Investment Limited, IPOPEMA 55 FIZAN, P1 Sp. z o.o., P4 Sp. z o.o., P5 EKON Sp. z o.o. S.K.A. (formerly P5 Sp. z o.o.)

(amounts in PLN 000's, unless otherwise stated)

**Emperia Holding S.A. subsidiaries subject to consolidation within the Group, included in the consolidated financial statements as at 30 June 2013**

| | Entity name | Company logo | Registered office | Main object | Registration authority | Type of control | Means of consolidation | Acquisition date / date from which significant control is exerted | % of share capital held | Share of the total number of votes at general meeting |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Stokrotka Sp. z o.o. (1) | | 20-209 Lublin, Projektowa 1 | Retail sale of food, beverages and tobacco | 16977, District Court in Lublin, 11th Commercial Division of the National Court Register | Subsidiary | Full | 1999-01-27 | 100.00% | 100.00% |
| 2 | Infinite Sp. z o.o. | | 20-209 Lublin, Projektowa 1 | IT operations | 16222, District Court in Lublin, 11th Commercial Division of the National Court Register | Subsidiary | Full | 1997-03-11 | 100.00% | 100.00% |
| 3 | ELPRO EKON Sp. z o.o. S.K.A. (2) | | 20-209 Lublin, Projektowa 1 | Property development | 946, District Court in Lublin, 11th Commercial Division of the National Court Register | Subsidiary | Full | 2001-02-15 | 100.00% | 100.00% |
| 4 | Społem Tychy S.A. | | 43-100 Tychy, Damrota 72 | Retail sale of food, beverages and tobacco | 164604, District Court in Katowice, 8th Commercial Division of the National Court Register | Subsidiary | Full | 2007-07-06 | 100.00% | 100.00% |
| 5 | Maro-Markety Sp. z o.o. | | 61-615 Poznań, Skwierzyńska 20 | Retail sale of food, beverages and tobacco | 102596, District Court in Poznan, 20th Commercial Division of the National Court Register | Subsidiary | Full | 2007-09-12 | 100.00% | 100.00% |
| 6 | P3 EKON Sp. z o.o. S.K.A. (3) | | 20-209 Lublin, Projektowa 1 | Property management | 71049, District Court in Czestochowa, 17th Commercial Division of the National Court Register | Subsidiary | Full | 2007-11-29 | 100.00% | 100.00% |
| 7 | P1 Sp. z o.o. | | 20-209 Lublin, Projektowa 1 | Activities of head offices; management consultancy activities | 365614, District Court in Lublin, 11th Commercial Division of the National Court Register | Subsidiary | Full | 2010-09-06 | 100.00% | 100.00% |

(amounts in PLN 000's, unless otherwise stated)

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 8 | EKON Sp. z o.o. | 20-209 Lublin, Projektowa 1 | Property management | 367597, District Court in Lublin, 11th Commercial Division of the National Court Register | Subsidiary | Full | 2010-09-06 | 100.00% | 100.00% |
| 9 | EMP Investment Ltd.(6) | Themistokli Dervi 3, JULIA HOUSE, P.C. 1066; Nicosia, Cyprus | Investments in property | HE 272278, Ministry of Commerce, Industry and Tourism, Company Registration Department Nicosia, Cyprus | Subsidiary | Full | 2010-09-03 | 100.00% | 100.00% |
| 10 | Ipopema 55 FIZAN (4) | 00-850 Warsaw, Waliców 11 | Trusts, funds and similar financial entities | RFI 591, Investment Fund Register maintained by the District Court in Warsaw | Subsidiary | Full | 2010-12-09 | 100.00% | 100.00% |
| 11 | P4 Sp. z o.o. | 20-209 Lublin, Projektowa 1 | Activities of head offices; management consultancy activities | 400637, District Court for Lublin-Wschód based in Swidnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 03-10-2011 | 100.00% | 100.00% |
| 12 | P5 EKON Sp. z o.o. S.K.A. (formerly P5 Sp. z o.o.) (5) | 20-209 Lublin, Projektowa 1 | Renting and operating of own or leased real estate | 403506, District Court for Lublin-Wschód based in Swidnik, 6th Commercial Division of the National Court Register | Subsidiary | Full | 24-11-2011 | 100.00% | 100.00% |

(1) directly by Emperia Holding S.A. (98 472 shares; 95.93%) and indirectly by Stokrotka Sp. z o.o. (4 181 shares; 4.07%)
(2) indirectly by IPOPEMA 55 FIZAN (80 825 shares), EKON Sp. z o.o. (1 share)
(3) indirectly by IPOPEMA 55 FIZAN (138 427 shares; 99.95%), EKON Sp. z o.o. (1 share)
(4) indirectly by EMP Investment Limited
(5) indirectly by IPOPEMA 55 FIZAN (56 047 shares), EKON Sp. z o.o. (1 share)
(6) directly by Emperia Holding S.A. (40 938 shares; 80.27%), indirectly by Stokrotka Sp. z o.o. (8 770 shares; 17.20%), Społem Tychy Sp. z o.o. (1 290 shares; 2.53%)

**Subsidiaries excluded from the consolidated financial statements as at 30 June 2013, together with the legal basis for exclusion**

| Entity name | Registered office | Legal basis for exclusion | Emperia's share in share capital (% as at the end of the reporting period) | Emperia's share of the total number of votes (% as at the end of the reporting period) |
|---|---|---|---|---|
| Lider Sp. z o.o. w likwidacji (1) | 70-660 Szczecin, Gdańska 3C | The financial data of these entities is insignificant from the viewpoint of the requirement to present the Group's asset position, financial situation and financial performance in a reliable and transparent manner | 100% | 100% |
| SPOŁEM Domy Handlowe Sp. z o.o. (2) | 43-100 Tychy, Damrota 72 | | 100% | 100% |
| P2 EKON Sp. z o.o. S.K.A. (3) | 20-952 Lublin, Projektowa 1 | | 100% | 100% |

(1) indirectly by Stokrotka Sp. z o.o.
(2) indirectly by Społem Tychy S.A.
indirectly by IPOPEMA 55 FIZAN;

**Entities other than subsidiaries, associates and jointly controlled entities, with indication of name and registered office, in which related parties hold more than 20% of shares as at 30 June 2013**

| Entity name | Registered office | Share capital in PLN 000's (in PLN 000's) | Emperia's share in share capital (% as at the end of the reporting period) | Emperia's share of the total number of votes (% as at the end of the reporting period) |
|---|---|---|---|---|
| "Podlaskie Centrum Rolno-Towarowe" S.A. (1) | 15-950 Białystok, Gen. Wł. Andersa 40 | 11 115 | 0.30% | 0.60% |

(1) indirectly by P3 EKON Sp. z o.o. S.K.A.

## 6.2 Description of significant accounting policies

### 6.2.1 Basis for preparing the financial statements

The financial statements were prepared under the historical cost convention, except for financial assets measured at fair value.

Emperia Holding S.A.'s Management Board approves the financial statements on the date on which they are signed.

### 6.2.2 Statement of compliance

The financial statements of Emperia Holding S.A. were prepared in accordance with International Accounting Standards (IAS 34 - Interim Financial Reporting) and the related interpretations concerning interim financial reporting published in the form of Commission Regulations and endorsed by the European Union, and in accordance with the Ordinance of the Minister of Finance dated 19 October 2005 on current and periodic information disclosed by issuers of securities.

The financial statements reliably present the Company's financial situation, financial performance and cash flows.

### 6.2.3 Segment reporting

IFRS 8 Operating Segments, issued by the IASB on 30 November 2006, superseded IAS 14 Segment Reporting and applies to annual periods beginning on or after 1 January 2009.
Following the sale of distribution and franchise operations to Eurocash S.A., the Management Board carried out an analysis of the Group's management model, reporting system and the key economic aspects of its entities. On this basis, new operating segments were identified, which more closely reflect the Group's structure as well as its distinct products and services, from which the segments generate their revenue.

In 2012, the Group operated through the following segments:

1. **Retail** (retail segment), covering all operations of the following subsidiaries: Stokrotka Sp. z o.o., Maro Markety Sp. z o.o., Społem Tychy S.A.;

2. **Property** (property segment), covering Emperia Group's property assets, including the following companies: Elpro Ekon Sp. z o.o. S.K.A. (formerly Elpro Sp. z o.o.), P3 EKON Sp. z o.o. S.K.A. (formerly Projekt Elpro 1 Sp. z o.o.), Ekon Sp. z o.o., P5 Sp. z o.o., EMP Investment Limited, IPOPEMA 55 FIZAN;

3. **Central management** (central management segment), covering the management functions, holding services and advisory within the Group. The segment comprises the following companies: Emperia Holding S.A., P1 Spółka z o.o., P4 Spółka z o.o.;

4. **IT** (IT segment), covering the operations of Infinite Sp. z o.o. - an IT services provider

The Group applies uniform accounting principles for all segments. Inter-segment transactions are done on market terms and are subject to exclusion from the consolidated financial statements.

### 6.2.4 Functional currency

The functional and presentation currency of all items in the financial statements is PLN. Data in the financial statements and all explanatory data are presented in PLN 000's (unless stated otherwise).

Drafting financial statements in PLN 000's necessitates rounding up, which may result in a situation where the sum totals presented may not exactly equal the sum totals for individual analytical items.

#### 6.2.5 Changes in adopted accounting principles

The implemented new IFRS standards and interpretations applied for periods beginning on or after 1 January 2013 did not have a substantial impact on the Company's operations. In 2013, the Company did not change adopted accounting principles.

#### 6.2.6 Expected changes in accounting principles

New standards and interpretations applied by the Company from 1 January 2013:

The Group applies the following standards, amendments and interpretations from 1 January 2013:

**a) Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities**

On 16 December 2011, the IASB jointly with the FASB issued new disclosure requirements that aim to improve comparability of financial statements prepared in accordance with IFRS and US GAAP. The new requirements apply to annual periods beginning on or after 1 January 2013.

**b) IFRS 10 Consolidated Financial Statements**

On 12 May 2011, the IASB issued IFRS 10, which superseded IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes control as the basis for consolidation, regardless of the characteristics of the investee. The definition of control has three elements: control over the investee, exposure or rights to variable returns from involvement with the investee, and the ability to affect those returns through the investor's power over the investee. If facts or circumstances change, the investor must re-assess whether it is capable of exerting control over the investee. The standard applies to annual periods beginning on or after 1 January 2013, with early adoption permitted under certain circumstances.

**c) IFRS 11 Joint Arrangements**

On 12 May 2011, the IASB issued IFRS 11, which will supersede IAS 31 Interests in Joint Ventures and interpretation SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 classifies joint contractual arrangements as either a joint operation or joint venture. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires interests in joint arrangements to be accounted for using the equity method. Classification of joint arrangements depends upon the parties' rights and obligations arising from the arrangement. The standard applies to annual periods beginning on or after 1 January 2013, with early adoption permitted under certain circumstances.

**d) IFRS 12 Disclosure of Interests in Other Entities**

On 12 May 2011, the IASB issued IFRS 12 requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. IFRS 12 sets out information disclosure objectives and the minimum scope of disclosures required to satisfy those objectives. An entity shall disclose information that enables users of its consolidated financial statements to evaluate the nature of the interests they hold and the nature, and changes in, the risks associated with their interests in consolidated structured entities. The standard is effective from 1 January 2013, with early adoption permitted under certain circumstances.

**e) IFRS 13 Fair Value Measurement**

IFRS 13 seeks to increase consistency and comparability of international financial reporting standards. The new, common definition of fair value is as follows: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard contains a number of explanations and recommendations concerning fair value measurements in accordance with the definition and introduces information disclosure requirements concerning measurements and measurement methodology for both financial and non-financial items. The standard is effective from 1 January 2013.

**f) Amended IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures**

IAS 27 and IAS 28 were amended in connection with the issuance of IFRS 10 and IFRS 11 so as to correspond with their content. These amendments do not affect the provisions concerning separate financial statements. The amendments are effective from 1 January 2013.

**g) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

On 19 November 2011, the IASB issued interpretation IFRIC 20, which considers when and how the settlement of production should lead to the recognition of an asset, as well as how to measure such an asset both initially and subsequently. The interpretation applies to annual periods beginning on or after 1 January 2013. Earlier application is permitted.

**h) IAS 19 Employee Benefits**

The IASB introduced a number of amendments to IAS 19, the largest of which concerns defined benefit plans. The "corridor" approach, which allowed to defer the recognition of profit and losses, was eliminated and the requirement to recognise re-measurements in other comprehensive income was introduced. These amendments will apply to financial statements for periods beginning on or after 1 January 2013.

**i) Amendments to IAS 1 Government Loans**

Amendments to IAS 1 Government Loans were issued by the IASB in March 2012 and apply to annual periods beginning on or after 1 January 2013. In order to maintain compliance with IAS 20, the amendments enable first-time adopters to apply the amendments retrospectively to new government loans with a below-market rate of interest entered into on or after the date of transition to IFRSs such as are measured at less than fair value on initial recognition.

**j) Amendments to IFRSs (2009-2011)**

On 17 May 2012, the IASB issued Amendments to IFRSs (2009-2011), a collection of amendments to IFRSs, in response to six issues addressed during the 2009–2011 cycle. Five standards were amended: IFRS 1 First-time Adoption of International Financial Reporting Standards - subject of amendment: Repeated application of IFRS 1 and Borrowing costs relating to qualifying assets for which the commencement date for capitalisation was before the date of transition to IFRSs.; IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information; IAS 16 Property, Plant and Equipment - Classification of servicing equipment; IAS 32 Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments should be accounted for in line with the requirements in IAS 12; IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements of IFRS 8 Operating Segments. The amendments apply to annual periods beginning on or after 1 January 2013. Earlier application is permitted.

**k) Transition guidance - amendments to IFRS 10, IFRS 11 and IFRS 12**

On 28 June 2012, the IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities - transition guidance. The amendments should alleviate concerns that the transition requirements of IFRS 10 are more onerous than expected. When applying the disclosure requirements of IAS 8 point 28 (f), an entity need only present the quantitative information for the immediately preceding period.

The amendments aim to provide further relief from full retrospective application when transitioning to IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to supply corrected comparative information only for the immediately preceding period. Furthermore, amendments to IFRS 11 and IFRS 12 were introduced, aiming to eliminate the requirement to supply comparative information for periods before the immediately preceding period.

The effective date for these amendments concerns annual periods beginning on or after 1 January 2013 and is in compliance with the dates for IFRS 10, IFRS 11 and IFRS 12.

The Group estimates that the adoption of the above amended standards and new interpretations does not have a significant impact on the financial statements for H1 2013.

**Standards issued, but not yet effective:**

**a) IAS 32 Financial Instruments: Presentation**

The amendment to IAS 32 concerns the offsetting of financial assets and financial liabilities. It was issued on 16 December 2011 in order to explain offsetting requirements. The amendments apply to annual periods beginning on or after 1 January 2014. Earlier application is permitted.

**Earlier application of standards and applications:**

In preparing these consolidated financial statements, the Group decided against the earlier application of any standards.

**Standards and interpretations not yet endorsed by the European Union:**

**a) IFRS 9 Financial Instruments (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7)**

On 16 December 2011, the IASB deferred the effective date for IFRS 9 to 1 January 2015. The amendment eliminates the requirement to restate comparative data which are subject to disclosure (under IFRS 7) so as to enable users of financial statements to understand their effects after application of IFRS 9. This standard has not yet been endorsed by the European Union.

**b) Investment entities - amendments to IFRS 10, IFRS 12 and IAS 27**

On 31 October 2012, amendments were issued for IFRS 10, IFRS 12 and IAS 27 which allow to not consolidate in accordance with IFRS 10 and require investment entities to carry subsidiaries at fair value through profit or loss (in accordance with IFRS 9) instead of consolidating them. In addition, the amendments provide requirements concerning disclosures for investment entities. The amendments apply to annual periods beginning on or after 1 January 2014. Earlier application is permitted.

**c) New interpretation IFRIC 21 Levies**

On 20 May 2013, the IASB issued interpretation IFRIC 21 Levies, which provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37

Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.
IFRIC 21 provides guidance on progressive recognition of a liability to pay levies if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold.
IFRIC 21 applies to annual periods beginning on or after 1 January 2014. The interpretation does not supersede IFRIC 6 Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment, which remains in force and is consistent with IFRIC 21.

**d) Amendments to IAS 36 concerning disclosures of recoverable amounts of non-financial assets**

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The overall effect of the amendment is a reduction in the events where recoverable value of an asset or a cash-generating unit requires disclosure, clarification of disclosure requirements and introduction of formal requirements for the disclosure of discount rates applied to recognise impairment or reverse an impairment loss (based on fair value less costs of disposal) measured based on current value.
The amendments apply to annual periods beginning on or after 1 January 2014. Early application is permitted if IFRS 13 is applied.

**e) Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'**

On 27 June 2013, the IASB issued 'Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'). Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.
A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to benefit from the amended guidance, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.
The amendments apply to annual periods beginning on or after 1 January 2014. Early application is permitted.

The Group considers the use of the above standards not to have a significant impact on the financial statements in the period following their adoption.

### 6.2.7 Accounting estimates

Preparation of financial statements requires that the management use certain accounting estimates and assumptions concerning future events which may have an impact on the value of assets, liabilities, revenues and costs presented in current and future financial statements. Estimates and associated assumptions are subject to systematic verification, based on the management's best knowledge, historical experiences and expectations regarding future events such as presently seem justified. However, these may contain a certain margin of error, and the actual results may differ from estimates.
The main estimates may concern the following balance sheet items: property, plant and equipment and intangible assets (as regards useful economic life and impairment), employee benefit provisions (bonuses, retirement pay, unused vacation time), impairment of inventory and deferred income tax assets and provisions.

### 6.2.8 Correction of errors

Errors may relate to the recognition, measurement and presentation of items in financial statements, or to information disclosures. Errors identified during the preparation of financial statements are corrected in the statements being prepared. Errors identified in subsequent reporting periods are corrected by amending the comparative data presented in the financial statements for the period in which they were identified. The Company corrects prior-period errors using the retrospective approach and retrospective restatement of data, as long as this is practicable.

### 6.2.9 Mergers, acquisitions and capital increases

**Acquisitions and capital increases by Emperia Holding S.A.**

**a) Acquisition of shares in subsidiary Ekon Sp. z o.o.'s increased share capital**

On 9 April 2013, Emperia Holding S.A. acquired 500 new shares in Ekon Sp. z o.o.'s increased share capital, with a nominal value of PLN 100 each. The shares were paid for with cash. The capital increase was registered on 8 May 2013 by the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register.

**Mergers and acquisitions within Emperia Group**

**Merger of subsidiaries: Infinite Sp. z o.o. Emperia Info Sp. z o.o. and Tradis S.A.**

On 2 January 2013, the District Court in Lublin-Wschód, based in Świdnik, 6th Commercial Division of the National Court Register, registered the merger of subsidiaries: Infinite Sp. z o.o., Emperia Info Sp. z o.o. and Tradis S.A. The merger was executed through the acquisition by Infinite Sp. z o.o. (the acquiring company) of Emperia Info Sp. z o.o. and Tradis S.A. (the acquired companies). The merger was completed in accordance with the Merger Plan published on the companies' websites, i.e. without increasing the acquiring company's share capital or amending its articles of association.

**b) Share capital increase at EMP Investment Limited**

On 19 March 2013, acting pursuant to art. 46 of the Company's articles of association, members of EMP Investment Limited adopted a resolution on the increase of the Company's share capital from PLN 41 833 to PLN 50 998 through the issue of 9 115 new shares with a nominal value of PLN 1 each, which were acquired by:
- Stokrotka Sp. z o.o. - 7 925 shares in exchange for a monetary contribution of PLN 47 550, of which PLN 7 925 will be used to pay for the newly-issued shares and PLN 39 625 will be allocated to a share premium provision.
- Społem Tychy S.A. - 1 190 shares with a nominal value of PLN 1 in exchange for a monetary contribution of PLN 7 140, of which PLN 1 190 will be used to pay for the newly-issued shares and PLN 5 950 will be allocated to a share premium provision.

**Mergers, acquisitions and disposals of subsidiaries and other entities; capital increases - after the end of the reporting period**

Mergers, acquisitions and disposals of subsidiaries and other entities; capital increases - after the end of the reporting period - are presented in Note 6.3.19.

### 6.2.10 Property, plant and equipment

The Company recognises individual usable items which fulfil the criteria in IAS 16 as property, plant and equipment if their acquisition price (cost of manufacture) is at least PLN 1 000 which, given the specific nature of the

Company's operations and their high volume, constitute a significant asset group, the Company as property, plant and equipment regardless of the purchase price (cost of manufacture).

Given the specific nature of the Company's business, it does not recognise office furniture as property, plant and equipment; the value criterion for these has been established at PLN 3 500 .

Property, plant and equipment are recognised at purchase price or cost of manufacture less depreciation and impairment.

The Company also classifies property, plant and equipment in progress, investments in third-party property, plant and equipment and land usufruct rights as property, plant and equipment.

The initial value of property, plant and equipment includes the purchase price less any costs directly related to the purchase and adaptation of a given asset for commercial use. During the period of useful life of property, plant and equipment the initial value includes an appropriate part of the external financing costs.
The cost of upgrades is included in the carrying amount of property, plant and equipment if it is probable that the economic benefits will flow to the Company, and the upgrade costs can be reliably measured. All other expenses relating to repairs and maintenance of property, plant and equipment are recognised through profit or loss for the reporting periods in which they were incurred.

Land is not subject to depreciation. Other property, plant and equipment are depreciated throughout their useful economic life. Straight-line depreciation is used, starting from the month following the month in which the asset was entered into use. The Company has adopted the following periods of useful economic life for the particular groups of property, plant and equipment:

Rights to perpetual usufruct of land: in accordance with the term of the right or the estimated period of use

| | |
|---|---|
| Buildings and structures: | 10 to 40 years |
| Technical equipment and machinery: | 5 to 10 years |
| Computer equipment: | 1.5 to 5 years |
| Means of transport: | 5 to 7 years |
| Other: | 5 to 10 years |

The Company verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for property, plant and equipment, the residual values and depreciation approach, and the resulting changes in these estimates are applied in subsequent financial years (prospectively).

Due to the specific nature of its operations, the Company frequently incurs expenditures on investments in third-party facilities. This concerns leased office, warehousing and retail facilities. For these assets, the Company specifies periods of useful economic life of expenditures which are not always corresponding with the leasing agreement in place at the time. If the lease term is shorter than the planned depreciation period, then impairment losses are recognised on property, plant and equipment recorded as other operating expenses in the statement of profit and loss. If a lease agreement is extended, then the relevant portion of a previously recognised impairment loss is reversed.

At the end of each reporting period, the Company also tests property, plant and equipment for impairment and the necessity to recognise impairment losses. This happens when the Company gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower. Impairment losses are recognised as other operating expenses in the period in which impairment was identified, however no later than at the end of the financial year. If the Company gains sufficient certainty that the reason for recognising the impairment loss has ceased to exist, the previously recognised impairment loss is reversed, either in full or partially, through recognition of other operating revenue.

Upon the sale of a property, plant and equipment, its initial value and accumulated depreciation are taken off the books, and the result of the disposal is recognised through profit or loss under other operating revenue or other operating expenses. The result on the sale of property, plant and equipment is recognised, after offsetting, through profit or loss.

Expenses connected with the use of property, plant and equipment, together with the replacement of components, are recognised in the statement of profit and loss upon incurrence.

#### 6.2.11 External financing costs

External financing costs are capitalised as part of the cost of manufacture of property, plant and equipment, investment properties and intangible assets. External financing costs comprise interest calculated using effective interest rates, finance lease liabilities and exchange differences arising in connection with external financing up to an amount corresponding to the correction of interest costs.

Proceeds from investments resulting from short-term investing of external borrowed funds intended for the purchase or manufacture of an asset being adapted decrease the value of external financing costs which are subject to capitalisation.

An asset being adapted is an asset which requires a substantial amount of time in order to bring it to working condition for its intended use. The substantial amount of time in order to bring an asset to working condition for its intended use is understood by the Company to be 12 months.

Commissions on long-term financing raised by the Company are settled over time at amortised cost using effective interest rates and with application of the materiality principle.

#### 6.2.12 Non-current assets held for sale

The Company classifies non-current assets as held for sale (or disposal groups) if their carrying amount will be recovered through sale rather than through further use. This condition is met when there is a high likelihood that a sale transaction will take place and the asset (disposal groups) in its current form is available for immediate use. Classification of non-current assets as held for sale assumes the management's intent to complete the sale transaction within one year from the reclassification date.

Non-current assets held for sale (or disposal groups) are measured at the lower of carrying amount and fair value less costs to sell.

#### 6.2.13 Intangible assets

Intangible assets are recognised at purchase price adjusted by amortisation and impairment losses.

The Company has adopted the following periods of useful economic life for the particular groups of intangible assets:

| | |
|---|---|
| Trademarks and licences | 5 years |
| Computer software and author's rights | 2 to 5 years |
| Property rights | 5 years |

Amortisation of intangible assets through profit or loss is recognised as operating expenses (administrative expenses, distribution costs).

The Company does not have intangible assets with indefinite periods of useful life.

Goodwill is not subject to depreciation, but is annually tested for impairment.

Intangible assets acquired through a merger are recognised separately from goodwill, provided that they meet the definition of intangible assets, and their value can be reliably established. After initial recognition at fair value, in subsequent reporting periods these intangible assets are treated in the same manner as intangible assets acquired in other transactions.

Purchased computer software is capitalised up to the amount of costs incurred to purchase, prepare and implement it. Costs connected with the development and maintenance of computer software are recognised as costs on the date when they were incurred.

The Company verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for intangible assets, the residual values and amortisation approach, and the resulting changes in these estimates are applied in subsequent years (prospectively).

At the end of each reporting period, the Company also tests intangible assets for impairment and the necessity to recognise impairment losses. This happens when the Company gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower. Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the usable value.

Impairment losses are recognised as costs appropriate to the functions performed by the given intangible asset in the period in which impairment was identified, however no later than at the end of the financial year. If the Company gains sufficient certainty that the reason for recognising the impairment loss has ceased to exist, the previously recognised impairment loss is reversed, either in full or partially, through recognition of revenue.

### 6.2.14 Investments and other financial assets

***Property investments***

Investment properties are those properties which the Company considers as lease income sources or maintains them due to their growing value, or both of these benefits at the same time. On initial recognition, investment properties are measured at purchase price or cost of manufacture.

The measurement takes into consideration transaction costs. The purchase price for investments in properties acquired as a result of a merger is equal to their fair value at transaction date. As at the end of the reporting period, investment properties are measured at purchase price or cost of manufacture less accumulated amortisation and impairment losses.

Amortisation charges on investment properties (excluding land) are recognised using the straight-line approach throughout the useful period of a given tangible asset.

Investment properties are taken off the balance sheet upon disposal or - in the event of a full withdrawal from use - if no economic benefits are expected to be received as a result of the sale.

**Investments and other financial assets covered by IAS 39**

Investments and other financial assets covered by IAS 39 are assigned to the following categories:

a) Financial assets carried at fair value through profit or loss
b) Loans and receivables
c) Investments held to maturity
d) Available-for-sale financial assets

On initial recognition, a financial asset is measured at fair value, increased, in the case of a component of assets not classified as measured at fair value through profit or loss, by transaction costs, which can be directly attributed.

The classification of financial assets occurs upon initial recognition and - where permissible and appropriate - is subsequently verified at the end of each financial year.

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

Financial assets carried at fair value through profit or loss cover assets held for trading and financial assets which upon initial recognition were reclassified to the category of assets carried at fair value through profit or loss.

Financial assets are classified as held for trading if they may be purchased for further sale in the short-term. Derivatives are also classified as held for trading unless they are effective hedging instruments or financial guarantee contracts. Profit or loss on investments held for trading is recognised in the statement of profit and loss.

On initial recognition, financial assets may be classified in the category 'at fair value through profit or loss' if the following criteria are met:

- such qualification eliminates or significantly lowers inconsistencies in recognition when both the measurement
  and means of recognition of profit and loss are subject to different regulations; or
- the assets are part of a group of financial assets which are managed and evaluated on the basis of fair value in accordance with a documented risk management strategy; or
- financial assets have embedded derivatives which should be recognised separately.

b) <u>Loans and receivables</u>

Loans and receivables are financial assets, other than derivatives, that have defined maturities and are not traded on an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest rate approach.

Loans and receivables are classified as current assets if they mature in under 12 months from the end of the reporting period, and as non-current assets if they mature in more than 12 months away from the end of the reporting period.

c) <u>Investments held to maturity</u>

Financial assets other than derivatives whose payments are or can be defined and which have defined maturities, and towards which the Company has a clear intent and is able to hold them to maturity are classified as investments held to maturity.

Investments which the Company intends to hold for an indefinite period of time are classified in this category. Other non-current investments, such as bonds, which the Company intends to hold to maturity are measured at amortised cost. Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount, as calculated using the effective interest rate method. Amortised cost covers all commissions and interest paid and received by the parties to a contract such as are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The profit or loss on investments carried at amortised cost is recognised in the statement of profit and loss when the investment is removed from the balance sheet (derecognition) or upon identifying impairment or if depreciation is completed.

The same principles apply to non-current investments in property as to non-current assets. As regards non-current investments in property, plant and equipment, the effects of activities connected with determining financial results, such as: sale, liquidation, maintenance costs should be recognised as operating revenue or operating expenses.

d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets other than derivatives such as are designated as available for sale, and those other than:

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

Available-for-sale financial assets are measured at fair value as at the end of the reporting period.

**Impairment of financial assets**

Each financial asset or group of financial assets is evaluated as to whether there is objective proof of impairment at the end of each reporting period.
If such proof is available in the case of available-for-sale financial assets, the accumulated losses recognised in equity - i.e. the difference between the purchase price and the current fair value, less any impairment previously recognised in the statement of profit and loss, are excluded from equity and recognised in the statement of profit and loss. Impairment losses are recognised in the statement of profit and loss, and those concerning equity instruments are not subject to a reversal corresponding with the statement of profit and loss. The reversal of an impairment loss on debt instruments is recognised in the statement of profit and loss if - during reporting periods subsequent to the recognition of an impairment loss - the fair value of these instruments increases as a result of events occurring thereafter.

If objective proof exists as to the possibility for impairment of loans and receivables and investments held to maturity, the amount of the impairment loss is calculated as the difference between the carrying amount and the present value estimated using future cash flows discounted using the effective interest rate for these assets (i.e. the effective interest rate calculated upon initial recognition - for assets based on a fixed interest rate, and the effective interest rate determined at the last revaluation of assets, if those are based on a variable interest rate). Impairment losses are recognised in the statement of profit and loss. An impairment loss is reversed if it decreased in subsequent periods and such a decrease may be due to events taking place after the impairment loss is recognised. Following the reversal of an impairment loss, the carrying amount of a financial asset may not exceed its amortised cost such as would be calculated if the impairment loss was not originally recognised. The reversal of an impairment loss is recognised in the statement of profit and loss.

If there are indications of an impairment loss on equity instruments not quoted on an active market such as are measured at purchase price (due to there being no reliable way of determining fair value), the amount of an impairment loss is calculated as the difference between the asset's carrying amount and the present value estimated using future cash flows discounted using the current market rate of return of similar financial assets.

**Derivative instruments**

Derivatives are measured at fair value as at the end of the reporting period. Derivatives with fair value above zero constitute financial assets and are recognised as such, and derivatives with negative fair value constitute financial liabilities and are recognised as financial liabilities.

Estimated fair value corresponds with the recoverable amount or amount which must be paid in order to close an outstanding position as at the end of the reporting period. Measurement is based on market prices.

Recognition of the effects of changes in fair value or profit and losses on realising derivatives depends on their purpose. Derivatives are classified as either hedging instruments or trading instruments. There are two types of hedging instruments: fair value hedges and cash flow hedges.

**Recognition of trading derivatives**
Profit and losses resulting from changes in the fair value of a trading derivative upon measurement at the end of the reporting period or upon settlement are recognised in the statement of profit and loss as finance income/costs in the period in which they arise.

**Recognition of hedging derivatives**
Hedging for accounting purposes consists of offsetting financial results on changes in fair value or changes in cash flows on hedging instruments and the hedged position.

Gains and losses arising from changes in fair value of the cash flow hedging instrument are recognized as a separate item in equity (revaluation) in that part in which the instrument is an effective hedge of the hedged item. The ineffective part is recorded as finance cost or finance income in the statement of profit and loss.
Gains and losses arising from changes in the fair value of the ineffective part of a hedging instrument are recognised in the statement of profit and loss appropriately to the recognition of changes in the fair value of the hedged position. The ineffective part is recorded as finance cost or finance income in the statement of profit and loss.

### 6.2.15 Investments in subsidiaries and associates

**Subsidiaries**
Subsidiaries are entities directly or indirectly controlled by the Company. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed when the parent acquires more than half of the shares or voting rights of the entity.

**Associates**
An associate is an entity over which the Company has significant influence but not control. In this case the Company holds a significant, but not a majority, interest in the entity (20%-50%).

In financial statements, investments in subsidiaries and associates other than those classified as held for sale are recognised at purchase price less impairment.

The carrying amounts of such investments are subject to impairment testing. Any identified impairment is recognised in the statement of profit and loss as finance costs. The reversal of an impairment loss is recognised in the statement of profit and loss as finance income and occurs upon changes in the estimates used to determine the Company's rate of return on investment.

Dividends received from such investments are recognised in the statement of profit and loss as finance income upon establishing the right to dividend.

Mergers of jointly controlled entities are recognised at book value.

### 6.2.16 Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. The object of a lease is recognised as an asset from the inception of the lease at the lower of fair value of the leased object and present value of minimum lease payments.

Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest component of a finance lease payment is recognised in the statement of profit and loss as finance cost throughout the lease term. Assets acquired under finance leasing such as are subject to depreciation are depreciated throughout their useful periods, with consideration given to their residual value, or lease term, depending on which is shorter.

A lease is classified as an operating lease if substantially all the risks and rewards incident to ownership remain with the lessor (the financing entity). If the title to land is not expected to be transferred to the lessee before the end of the lease term, the lease is classified as an operating lease.

Lease payments under operating leasing (after accounting for any special promotional offers from the lessor - financing party) are accounted for using the straight-line approach throughout the lease term.

#### 6.2.17 Inventory

The company classifies materials and goods for resale as inventory.

Inventory items are measured at purchase prices. Because they are insignificant, the Company does not include transport costs in purchase prices.

The FIFO principle is used in respect to inventory items.

At the end of the reporting period, inventory is recognised at purchase price which may not, however, be higher than its net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

The Company creates inventory write downs based on the inventory turnover ratio and an assessment of the possibility to sell such inventory before its expiry or during its economic life. The creation of a new write down and reversal of a previously created write down are recognised as operating expenses (cost of sales) in the statement of profit and loss.

The rounding of prices connected with the purchase of materials is recognised directly in the statement of profit and loss as cost of sales.

Stock losses and a negative balance of inventory deficits regarded as unintentional are recognised directly as operating expenses.

#### 6.2.18 Trade and other receivables

Receivables are carried at amortised cost less impairment.

Non-recoverable receivables are recognised as other expenses at the date on which they are classified as non-recoverable.

Impairment of receivables is recognised when there is objective proof that the Company will not be able to receive all due amounts as per the original terms of the receivable.
The Company creates impairment losses on receivables for specific counterparties. The Company may create joint impairment losses for high-volume, low-value receivables. Detailed principles for the impairment of receivables are specified in the Receivables impairment manual.

An impairment loss is recognised in the books under other expenses. The reversal of a previously created impairment loss is recognised as other revenue and releases the impaired amount. Impairment losses in the statement of profit and loss are balanced out and recognised as either other expense or other revenue.

In consideration of the prudence principle, interest on late payment of receivables is recognised when the Company receives the funds.

All advance payments such as those concerning future goods and services, production in process, payment for shares, purchase of intangible assets and others are recognised as other receivables.

#### 6.2.19 Prepayments and deferred revenue

The Company recognises prepayments if the expenses concern subsequent periods after the period in which they are incurred. The Company classified prepayments as either short-term or long-term (those which will be realised in a period longer than 12 months from the end of the reporting period). In the statement of financial position, prepayments are presented as a separate asset item.

Deferred revenue constitutes funds received for future considerations. Deferred revenue also includes revenue recorded but not yet received for considerations that are recognised on an accrual basis.

#### 6.2.20 Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, cash in bank accounts and all deposits and short-term securities with maturities of up to three months.

At the end of the reporting period, cash and cash equivalents are recognised at nominal value, whereas bank deposits - at the amount due.

#### 6.2.21 Equity

The Company's equity comprises:
- share capital
- supplementary capital
- reserve capital
- own shares
- retained earnings, including:
  - unallocated profit or outstanding losses brought forward (accumulated profit / losses from prior years),
  - current-period result.

Share capital is recognised in the amount specified in the articles of association and in the National Court Register.

The Company's supplementary capital is divided into the following categories:
- share premium provision - the premiums received from share issues, less issue costs,
- supplementary capital - created from profit generated in successive years in an amount equal to at least 8% of the given financial year's profit until the supplementary capital reaches one third of share capital,
- management options provision - established in connection with management options programmes,

The Company's reserve capital is divided into the following categories:
- reserve capital - intended to cover extraordinary losses or expenditures, created from profit generated in successive years,
- revaluation reserve - comprises the net difference of measured net restated assets,
- buy-back provision - created pursuant to an authorisation granted through a resolution of the General Meeting and in accordance with the Company's buy-back programme.

Own shares purchased by the Company are recognised at purchase price, increased by costs directly connected with their purchase. The purchase and redemption of own shares are presented as a change in equity. In the statement of financial position, own shares are presented as a separate item reducing equity (with a negative sign).

#### 6.2.22 Net earnings per share

Net earnings per share are calculated for each reporting period through dividing the net profit generated in the period by the weighted average number of shares in that period.

#### 6.2.23 Credit facilities

Credit facilities are recognised at fair value less direct acquisition costs. In subsequent periods, credit facilities are measured at amortised cost using the effective interest rate method.

Long-term credit facilities are those facilities with maturities longer than 12 months from the end of the reporting period.

#### 6.2.24 Provisions

The Company creates provisions if there is an expected present, legal or customary obligation of a likely payment to arise, resulting from past events. There must be a higher likelihood that an outflow will be required in order to meet the obligation than that it will not be required, and its amount should be reliably estimated.

Receivables provisions are recognised as operating expenses or other operating expenses.

If there is a likelihood that a part or all of the economic benefits required to settle the provision may be recovered from a third party, the receivable is recognised as an asset, provided that the likelihood is sufficiently high and that it can be reliably estimated.

In the event that the time value of money is substantial, the size of the provision is determined through discounting future cash flows to present value using a gross interest rate reflecting the current market valuations of the time value of money and any risk associated with the given obligation. If discounting is applied, increasing the provision with passage of time is recognised as finance costs.

The amount of provisions created is verified and updated at the end of each reporting period in order to adjust estimates to the Company's present level of knowledge.
Provisions in the financial statements are presented as either current or non-current.

#### 6.2.25 Liabilities

Liabilities are present obligations as a result of past events, the settlement of which is expected to result in an outflow of resources (payment).

Non-current liabilities are liabilities that fall due for payment after more than 12 months from the end of the reporting period.

Non-current liabilities particularly include: credit liabilities, loan liabilities and finance lease liabilities.

At the end of the reporting period, non-current liabilities are measured at amortised cost using the effective interest rate method.

Current liabilities are liabilities that fall due for payment within 12 months from the end of the reporting period. Current liabilities include in particular: trade payables, credit liabilities, loan liabilities, wages and salaries, taxes, excise duties, insurance and other benefits.

Trade payables are recognised at nominal value. Interest is recognised upon receipt of bills from suppliers.

### 6.2.26 Employee benefits

Employee benefits

The Company's employees acquire rights to benefits which will be paid out once they obtain certain entitlements. In accordance with the Group's remuneration systems, all employees have the right to retirement and pension benefits, while managers and management board members are entitled to bonuses for achieving corporate and individual objectives during the reporting period, which are paid out at the end of said period.

The Company establishes employee benefit provisions. This concerns retirement benefits, compensated absences and bonuses. Employee benefit provisions are estimated at the end of each reporting period and

are measured by an independent actuary.
Employee benefits are recorded as operating expenses (distribution costs, administrative expenses), with the exception of interest costs, which are recorded as finance costs. Employee benefit provisions are presented as either current or non-current provisions in the financial statements.

Share-based payments

The Company has incentive schemes, under which management board members and key managers are entitled to acquire options to purchase shares in the company. These benefits are settled in accordance with IFRS 2. The costs of transactions settled with employees using equity instruments are measured at fair value on the date on which such rights are vested. The programme's fair value is recorded as a cost in the statement of profit and loss and as equity (management options provision) throughout the vesting period.

The fair value of the options (bonds) to purchase shares in the Company is estimated by an independent expert using modern financial engineering and numerical methods. The measurement includes: the model input price (share price on the date on which a given instrument is granted), the instrument's exercise price, expected volatility, risk-free interest rate and the expected dividends.

### 6.2.27 Income tax

Income tax includes: current tax (payable) and deferred tax.

**a) *Current tax***

Current tax liabilities are calculated on the basis of the tax result (tax base) of a given financial year.

Tax profit (loss) differs from balance sheet profit (loss) in connection with the exclusion of taxable income and expenses which are deductible in subsequent years as well as cost and revenue items which will never be taxed. The burden of the current portion of income tax is calculated using tax rates effective for a given financial year.

**b) *Deferred tax***

Deferred income tax liabilities are recorded in the balance sheet in its full amount, as regards the temporary differences between the tax value of assets and liabilities, and in the financial statements, as regards their carrying amounts.
Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. Basic temporary differences concern the differences between the carrying amount and tax base of assets and liabilities settled in time.

Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised. Deferred income tax assets and liabilities are recognised in the balance sheet as non-current assets and liabilities.

### 6.2.28 Revenue

**Revenue from sale of services**

Revenue from the sale of services is recognised when service is provided and approved by the buyer. If contractually permitted, recognition of revenue on partial delivery of service is possible, as specified in a separate agreement.

**Revenue from sale of goods for resale**

Revenue from retail sales is recognised when the product is delivered to the customer (the customer may also independently select and collect products), approved by the customer, and if there is sufficient certainty that the receivable will be recovered.

**Interest income**

Interest income is recorded on an accrual basis if there is sufficient certainty that the receivable will be recovered. In retail, due to its specific nature, interest serves a different function, so for the most part it is recognised as revenue on an accrual basis.

**Dividends**

Dividend income is recognised when the Company gains the right to receive the dividend. Dividend payments to shareholders are recognised as a liability in the period in which they are approved by the general meeting under other liabilities.

### 6.2.29 Costs

Costs constitute a probable decrease in economic benefits during the reporting period as either a decrease in assets or increase in liabilities and provisions, which reduce equity in a manner other than withdrawal by shareholders.

The Company recognises costs in the statement of profit and loss during the reporting period such as correspond to the revenue generated in that period (matching principle).

**Cost of goods for resale and materials** - covers the costs directly incurred to obtain the goods and materials sold.

**Cost of services** – covers expenses directly connected with provision of services.

**Distribution costs** – cover expenses connection with selling and distributing goods and services.

**Administrative expenses** – cover costs incurred in connection with general company operations other than those classified as other operating expenses or finance costs.

**Other operating expenses** – cover costs indirectly related to Company operations.

**Finance costs** – cover costs connected with financing Company operations as well as costs related to impairment of financial assets

### 6.2.30 Foreign-currency transactions and exchange differences

Transactions expresses in foreign currencies are recognised in the Company's functional currency (PLN), using the exchange rate in effect on the transaction date.

At the end of each reporting period:

- cash items expressed in foreign currency are translated using the closing rate;
- foreign-currency non-monetary items carried at historic cost are translated using the exchange rate in effect on the transaction date, and
- foreign-currency non-monetary items carried at fair value are translated using the exchange rate in effect on the date on which fair value was measured.

Gains and losses from settlement of foreign-currency transactions and measurement of monetary balance sheet assets and liabilities expressed in foreign currencies are recognised in the statement of profit and loss as finance income or finance costs, respectively. Exchange differences are presented after offsetting.

EMPERIA HOLDING S.A. in PLN 000's

## 6.3 Notes to the financial statements

### 6.3.1 Uniformity of accounting principles and calculation methods used in preparing the H1 2013 financial statements and the previous annual financial statements

A description of the Company's main accounting principles, applied since 1 January 2005, is presented in these financial statements under Note 6.2. The Company applies these principles retrospectively so as to reliably and credibly present its financial results.

### 6.3.2 Production seasonality and cyclicality

The Company's business is not subject to any significant seasonality or cyclicality.

### 6.3.3 Type and amount of non-typical items having an impact on assets, liabilities, equity, net financial result or cash flows, such as are non-typical due to their type, value or impact

The payment of dividend for 2012 constituted an economic event that had a substantial impact on the Company's balance sheet total and equity. Information regarding the dividend paid is presented in Note 6.3.18.

**Changes in property, plant and equipment and intangible assets**

| Changes in property, plant and equipment and intangible assets | Change in H1 2013 | Change in 2012 |
|---|---|---|
| ***Property, plant and equipment*** | | |
| As at the beginning of period | **14 373** | **3 432** |
| *Increases / decreases during the period* | *682* | *10 941* |
| **As at the end of period** | **15 055** | **14 373** |
| ***Intangible assets*** | | |
| As at the beginning of period | **4 693** | **5 073** |
| *Increases / decreases during the period* | *(541)* | *(380)* |
| **As at the end of period** | **4 152** | **4 693** |

### 6.3.4 Impairment of property, plant and equipment, intangible assets, inventory and other assets, and reversal thereof

The means for recognising and reversing impairment losses of property, plant and equipment, inventory and receivables are presented in Notes 6.2.10, 6.2.13, 6.2.14, 6.2.17 and 6.2.18, respectively.

| Item | Change in H1 2013 | Change in 2012 |
|---|---|---|
| ***Impairment of receivables*** | | |
| As at the beginning of period | **(4 445)** | **(5 779)** |
| *Recognition* | *(20)* | *(112)* |
| *Reversal* | *253* | *1 446* |
| **As at the end of period** | **(4 212)** | **(4 445)** |
| ***Impairment of financial assets*** | | |
| As at the beginning of period | **(151 200)** | **(149 285)** |
| *Recognition* | - | *( 1955)* |
| *Reversal* | - | *40* |
| **As at the end of period** | **(151 200)** | **(151 200)** |

### 6.3.5 Deferred income tax

| Deferred income tax | Change in H1 2013 | Change in 2012 |
|---|---|---|
| ***Deferred income tax assets*** | | |
| As at the beginning of period | **114** | **456** |
| *Increase* | *30* | *536* |
| *Decrease* | *(52)* | *(878)* |
| **As at the end of period** | **92** | **114** |
| ***Deferred income tax provision*** | | |
| As at the beginning of period | **784** | **555** |
| *Recognition* | *-* | *678* |
| *Reversal* | *(59)* | *(449)* |
| **As at the end of period** | **725** | **784** |

### 6.3.6 Shares

| Shares | 30 Jun 2013 | 31 Dec 2012 |
|---|---|---|
| Equity interests | 254 080 | 254 030 |
| *- including: subsidiaries* | *254 080* | *254 030* |
| Shares | 11 992 | 11 992 |
| *- including: subsidiaries* | *11 992* | *11 992* |
| **Financial assets** | **266 072** | **266 022** |

Information about purchasing and selling shares in subsidiaries is presented in Note 6.2.9.

### 6.3.7 Short-term securities

| Short-term securities | 30 Jun 2013 | 31 Dec 2012 |
|---|---|---|
| Debt instruments | 189 912 | 193 408 |
| *- including: subsidiaries* | *189 912* | *193 408* |
| **Short-term securities** | **189 912** | **193 408** |

During the reporting period, the Company purchased bonds only from subsidiaries. Interest on such bonds is set based on market conditions. Bonds are measured at amortised cost.

Information on interest received by the Company on trade in debt securities is presented in Note 6.3.16.

Short-term bond purchases (expressed in par values, in PLN 000's) :

H1 2013

| Bond trading in H1 2013 | Stokrotka Sp. z o.o. | Elpro Ekon Sp. z o.o. S.K.A. (formerly Elpro Sp. z o.o.) | Total |
|---|---|---|---|
| As at the beginning of period | 92 000 | 101 500 | 193 500 |
| *Purchase of bonds from the issuer* | 575 000 | 567 500 | 1 142 500 |
| *Redemption of bonds by the issuer* | 570 000 | 576 000 | 1 146 000 |
| **As at the end of period** | **97 000** | **93 000** | **190 000** |
| As at the end of period, after discount | 96 955 | 92 957 | 189 912 |

EMPERIA HOLDING S.A. in PLN 000's

2012

| Bond trading in 2012 | Stokrotka Sp. z o.o. | Elpro Ekon Sp. z o.o. S.K.A. (formerly Elpro Sp. z o.o.) | Total |
|---|---|---|---|
| As at the beginning of period | 6 300 | 34 984 | 41 284 |
| *Purchase of bonds from the issuer* | 795 300 | 745 900 | 1 541 200 |
| *Redemption of bonds by the issuer* | 709 600 | 679 384 | 1 388 984 |
| **As at the end of period** | **92 000** | **101 500** | **193 500** |
| As at the end of period, after discount | 91 956 | 101 452 | 193 408 |

### 6.3.8 Other financial assets

| Other financial assets | 30 Jun 2013 | 31 Dec 2012 |
|---|---|---|
| Borrowings granted | 14 344 | 28 500 |
| *- including: to related parties* | *14 344* | *28 500* |
| **Other financial assets** | **14 344** | **28 500** |

Loans as at 30 June 2013 comprise loans issued to subsidiaries: Elpro Ekon Sp. z o.o. S.K.A. (formerly Elpro Sp. z o.o.) (PLN 12.8 million) and Społem Tychy S.A. (PLN 1.5 million). The loan granted to Elpro Ekon Sp. z o.o. S.K.A. is a revolving facility - the company may, during the term of the loan, repay it in part or full, and then re-use it. The loan limit is PLN 40 million.

Interest on the above loans is based on WIBOR + margin. The contractual repayment term for both of the loans is 31 December 2013.

Information on interest received by the Company is presented in Note 6.3.16.

### 6.3.10 Type and amount of changes in estimated amounts which were published in previous interim periods of the present year or changes in estimated amounts published in previous financial years, if those had a substantial impact on the present interim period

| Employee benefit provisions | Change in H1 2013 | Change in 2012 |
|---|---|---|
| **Non-current** | | |
| As at the beginning of period | **29** | **91** |
| *Increases / decreases during the period* | - | *(62)* |
| **As at the end of period** | **29** | **29** |
| **Current** | | |
| As at the beginning of period | **434** | **1 372** |
| *Increases / decreases during the period* | *(100)* | *(938)* |
| **As at the end of period** | **334** | **434** |
| **Other provisions** | **Change in in H1 2013** | **Change in 2012** |
| **Non-current** | | |
| As at the beginning of period | - | - |
| *Increases / decreases during the period* | - | - |
| **As at the end of period** | **-** | **-** |
| **Current** | | |
| As at the beginning of period | **22** | **37** |
| *Increases / decreases during the period* | *1* | *(15)* |
| **As at the end of period** | **23** | **22** |

EMPERIA HOLDING S.A. in PLN 000's

Employee benefit provisions cover retirement pay, unused vacation time and bonuses.

Other provisions concern mainly remuneration for review and audit of financial statements.

### 6.3.11 Credits, loans, debt instruments and other financial liabilities

During the reporting period, the Company did not finance its operations using credit facilities, loans, debt instruments or other liabilities, either short- or long-term.

### 6.3.12 Issue, buyback and repayment of debt and equity securities

In 2005, Emperia Holding S.A. signed an agreement with BRE Bank S.A. concerning a short- and medium-term bond programme with an aggregate value of no more than PLN 50 000 000, however in 2012 and H1 2013 the Company did not use this type of financing.

### 6.3.13 Revenue

| Net revenue from sale of products and services | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Sale of services | 3 772 | 6 833 |
| *- including: to related parties* | *2 139* | *2 794* |
| **Net revenue from sale of products and services** | **3 772** | **6 833** |
| *- including: to related parties* | | *2 794* |

The decrease in revenue from sale of services during the reporting period concerns mainly holding company services and results from the transfer of these services to Group companies.

| Revenue from sale of goods for resale and materials | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Sale of goods for resale and materials | 26 | 339 |
| *- including: to related parties* | *26* | - |
| **Net revenue from sale of goods for resale and materials** | **26** | **339** |
| *- including: to related parties* | *26* | - |

The decrease in revenue from sale of materials (mostly IT equipment) results from the transfer of IT operations to Infinite, which is now in charge of the above sales.

The company generates revenue from sale of services and goods for resale and materials only in Poland.

### 6.3.14 Costs by nature, including costs of employee benefits

| Costs by nature | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Depreciation | (857) | (932) |
| Use of materials and energy | (645) | (594) |
| Third-party services | (2 882) | (7 893) |
| Remuneration | (1 249) | (2 228) |
| Employee benefits | (175) | (403) |
| Taxes and fees | (225) | (44) |

EMPERIA HOLDING S.A. in PLN 000's

| | | |
|---|---|---|
| Other costs | (35) | (135) |
| **Costs by nature** | **(6 068)** | **(12 229)** |
| Distribution costs | - | - |
| Administrative expenses | (2 075) | (6 378) |
| Cost of manufacture of products sold | (3 993) | (5 851) |

| Employment costs | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Remuneration | (1 249) | (2 109) |
| Social security | (172) | (354) |
| Social security fund | (4) | (22) |
| Training | (6) | (10) |
| Other | 7 | (136) |
| **Employment costs** | **(1 424)** | **2 631** |

### 6.3.15 Other operating revenue / expenses

| Other operating revenue | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Gain on disposal of non-financial assets | 615 | 1 899 |
| Revaluation | 72 | 114 |
| Other operating revenue | 84 | 76 |
| **Total oher operating revenue** | **771** | **2 089** |

Gain on disposal of non-financial assets comprises:
- gain on licencing sales: PLN 567 000;
- gain on disposal of other non-financial non-current assets: PLN 48 000.

| Revaluation | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Recognition of receivables impairment losses (negative value) | (21) | (94) |
| Reversal of receivables impairment losses (positive value) | 93 | 208 |
| **Impairment of non-financial assets** | **72** | **114** |

| Other operating revenue | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Damages received | 53 | 4 |
| Taxpayer credit for timely payment of taxes | - | 45 |
| Recovery of receivables written-down | - | - |
| Settlement of refunds on purchase of property, plant and equipment | - | - |
| Awarded legal costs | 29 | 25 |
| Other items | 2 | 2 |
| **Total other operating revenue** | **84** | **76** |

| Other operating expenses | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Loss on disposal of non-financial assets | - | - |
| Revaluation | - | - |
| Other operating expenses | (158) | (2 421) |

EMPERIA HOLDING S.A. in PLN 000's

| | | |
|---|---|---|
| **Total other operating expenses** | **(158)** | **(2 421)** |

| Revaluation | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Recognition of receivables impairment losses (negative value) | - | - |
| Reversal of receivables impairment losses (positive value) | - | - |
| **Impairment of non-financial assets** | **-** | **-** |

| Other operating expenses | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Donations | (3) | - |
| Motor and property damages | (68) | (6) |
| Legal costs | (18) | (2 105) |
| Non-returned VAT, by sales structure | (68) | (308) |
| Penalties and damages paid | - | (2) |
| Investment property maintenance costs | - | - |
| Receivables written-off | - | - |
| Other costs | (1) | |
| **Total other operating expenses** | **(158)** | **(2 421)** |

### 6.3.16 Finance income and costs

| Finance income | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Dividends received and due | 5 774 | 7 880 |
| - including: *from related parties* | *5 774* | *7 880* |
| Interest received and due | 6 509 | 6 852 |
| *- including: from related parties* | *4 935* | *2 989* |
| Fees generated on guarantees issued | - | 4 |
| *- including: from related parties* | - | - |
| **Total finance income** | **12 283** | **14 736** |

| Interest income | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Interest on borrowings | 473 | 675 |
| *- including: from related parties* | *473* | *675* |
| Interest on bank deposits | 1 554 | 3 842 |
| Interest on overdue receivables | 20 | 21 |
| *- including: from related parties* | | - |
| Interest on bonds | 4 462 | 2 314 |
| *- including: from related parties* | *4 462* | *2 314* |
| **Total interest on bonds** | **6 509** | **6 852** |

| Finance costs | Six months ended 30 Jun 2013 | Six months ended 30 Jun 2012 |
|---|---|---|
| Interest | (2) | (9) |
| *- including: to related parties* | | - |

| **Total finance costs** | **(2)** | **(9)** |
|---|---|---|
| **Cost of interest income** | **Six months ended 30 Jun 2013** | **Six months ended 30 Jun 2012** |
| Interest on finance leasing | - | - |
| *- including: to related parties* | - | - |
| Interest on overdue receivables | (2) | (8) |
| *- including: to related parties* | - | - |
| Statutory interest | - | (1) |
| **Total cost of interest income** | **(2)** | **(9)** |

### 6.3.17 Income tax

| **Current income tax** | **Six months ended 30 Jun 2013** | **Six months ended 30 Jun 2012** |
|---|---|---|
| **Gross profit** | **10 608** | **9 078** |
| **Revenue not subject to taxation and decrease tax base, according to tax regulations** | **(5 479)** | **(8 827)** |
| Finance income | (5 401) | (8 618) |
| Other operating revenue | (78) | (209) |
| **Items creating taxable revenue and increasing tax base** | **3** | **162** |
| **Costs and losses not recognised as tax deductible expenses increasing tax base, according to tax regulations** | **1 267** | **2 853** |
| operating expenses | 1 228 | 2 405 |
| finance costs | 1 | 9 |
| other operating expenses | 38 | 439 |
| **Items increasing tax deductible expenses, decreasing tax base** | **(1 258)** | **(980)** |
| **Taxable income** | **5 141** | **2 286** |
| **Income tax base** | **5 141** | **2 286** |
| **Income tax, using the 19% rate** | **(977)** | **(434)** |
| *Increases, discontinuations, exemptions, deductions and decreases of tax* | | - |
| **Correction of income tax from previous year** | **-** | **-** |
| **Total income tax burden recorded in the statement of profit and loss** | **(977)** | **(434)** |

### 6.3.18 Dividends paid

On 4 June 2013, Emperia Holding S.A.'s General Meeting adopted resolution 5 on distribution of the profit made in 2012. Pursuant to the resolution, of the net profit generated in 2012, amounting to PLN 13 593 377.58, PLN 13 480 485.78 - or PLN 0.93 per share - was allocated to dividend. In accordance with the resolution, entitled to dividend were shareholders who held shares on 12 June 2013 (ex-dividend date), and the dividend payment date was 26 June 2013.

On 13 June 2013, the number of shares subject to dividend payment was changed as a result of the buy-back programme being carried out by subsidiary P1 Sp. z o.o. Given the above, the net profit allocated to dividend was PLN 13 371 909.21.

**Selection of entity authorised to audit financial statements for 2013**

On 26 June 2013, the Supervisory Board adopted a resolution on appointment of ECA Seredyński i Wspólnicy Sp.k., based in Kraków, to audit Emperia Holding S.A.'s 2013 separate and consolidated financial statements and to review Emperia Holding S.A.'s separate and consolidated semi-annual financial statements.
ECA Seredyński i Wspólnicy Sp.k. is entered onto the list of entities authorised to audit financial statements, under number 3115. The Company retained the above statutory auditor to audit financial statements for 2010-2012.

### 6.3.19 Significant events after the end of the reporting period

**a) Intra-group bond issuance**

On 5 July 2013, subsidiaries Stokrotka Sp. z o.o. and Elpro Ekon Sp. z o.o. S.K.A. issued short-term bonds maturing on 7 August 2013, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 245 million, including:

a) Stokrotka Sp. z o.o. issued bonds with a total par value of PLN 95 million, all of which were acquired by Emperia Holding S.A.

b) Elpro Ekon Sp. z o.o. S.K.A. issued bonds with a total par value of PLN 150 million, which were bought as follows:
Emperia Holding S.A. - par value acquired: PLN 91.5 million;
Infinite Sp. z o.o. - par value acquired: PLN 6 million;
P3 Ekon Sp. z o.o. S.K.A. - par value acquired: PLN 47.5 million;
P5 Ekon Sp. z o.o. S.K.A. - par value acquired: PLN 5 million;

The above bond issues were carried out as part of Emperia Group's cash flow management programme. Interest on the bonds is based on WIBOR + margin.
The assets were deemed to be significant because their value exceeded 10% of the Issuer's equity.

**b) Purchase of shares in Emperia Holding S.A. by subsidiary P1 Sp. z o.o. under Emperia Holding S.A.'s buy-back programme (P1)**

On 31 July 2013, pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 3/04/2013 of Emperia Holding S.A.'s Supervisory Board of 10 April 2013, subsidiary P1 Sp. z o.o. purchased 15 455 shares in Emperia Holding S.A. with a nominal value of PLN 1.00 each, in a block transaction from Millennium Dom Maklerski S.A. (investment firm acting as intermediary for the share purchase programme) during a trading session on the regulated market run by the Warsaw Stock Exchange.
From the commencement of the programme, P1 Sp. z o.o. acquired 368 524 shares, entitling to 368 524 votes (2.438%) at the Issuer's general meeting and constituting 2.438% of the Issuer's share capital.

EMPERIA HOLDING S.A. in PLN 000's

### 6.3.20 Effects of changes in organisational structure during the interim period, together with mergers, acquisitions or disposal of subsidiaries and long-term investments, restructurings and discontinuations

The Company did not record any such events during the reporting period.

### 6.3.21 Changes in off-balance sheet liabilities

The Company's off-balance sheet liabilities concern collateral provided by the Company to subsidiaries for credit facilities and bank guarantees, as well as property guarantees. Furthermore, the majority of suppliers provides extended payment terms (trade credit), for which the Company issues in-blanco promissory notes as security.

Changes in off-balance sheet liabilities during H1 2013:

| Changes in off-balance sheet liabilities | Credit facilities | Bank guarantees | Security interests |
|---|---|---|---|
| ***Guarantees*** | | | |
| As at the beginning of period | | 157 | 251 |
| *Increases during the period* | | - | *9 800* |
| *Decreases during the period* | | *(157)* | - |
| As at the end of period | | **0** | **10 051** |

The Company did not have off-balance sheet liabilities other than guarantees.

Changes in off-balance sheet liabilities during 2012:

| Changes in off-balance sheet liabilities | Credit facilities | Bank guarantees | Security interests |
|---|---|---|---|
| ***Guarantees*** | | | |
| As at the beginning of period | 128 575 | 7 177 | 2 744 |
| *Increases during the period* | - | *74* | - |
| *Decreases during the period* | (128 575) | *(1 285)* | *(2 298)* |
| **As at the end of period** | **-** | **5 966** | **446** |

EMPERIA HOLDING S.A. in PLN 000's

**Information on guarantees and sureties issued and received - as at 30 June 2013**

| Guarantees, sureties | Issued / Received | Type of entity receiving - external / related party | Contractual amount, in PLN | Currency | Value as at 30 June 2012 | Contractual expiry date |
|---|---|---|---|---|---|---|
| Guarantee | Issued | Related party | 10 000 | PLN | 10 000 | Indefinite |
| Guarantee | Issued | Related party | 35 000 | PLN | 35 000 | Indefinite |
| Guarantee | Issued | Related party | 35 000 | PLN | 35 000 | Indefinite |
| Guarantee | Issued | Related party | 135 000 | PLN | 135 000 | Indefinite |
| Guarantee | Issued | Related party | 18 000 | PLN | 18 000 | Indefinite |
| Guarantee | Issued | Related party | 18 000 | PLN | 18 000 | Indefinite |
| Surety | Issued | Related party | 6 000 000 | PLN | 6 000 000 | 23-06-2014 |
| Surety | Issued | Related party | 500 000 | PLN | 500 000 | 23-06-2014 |
| Surety | Issued | Related party | 3 000 000 | PLN | 3 000 000 | 30-09-2014 |
| Surety | Issued | Related party | 300 000 | PLN | 300 000 | 31-10-2013 |
| x | x | x | **10 051 000** | x | **10 051 000** | x |

**Information on guarantees and sureties issued and received - as at 31 December 2012**

| Guarantees, sureties | Issued / Received | Type of entity receiving - external / related party | Contractual amount, in PLN | Currency | Value as at 31 December 2012 | Contractual expiry date |
|---|---|---|---|---|---|---|
| Surety | Issued | External | 195 000 | PLN | 195 000 | Indefinite |
| Surety | Issued | External | 10 000 | PLN | 10 000 | Indefinite |
| Surety | Issued | External | 35 000 | PLN | 35 000 | Indefinite |
| Surety | Issued | External | 35 000 | PLN | 35 000 | Indefinite |
| Surety | Issued | External | 135 000 | PLN | 135 000 | Indefinite |
| Surety | Issued | External | 18 000 | PLN | 18 000 | Indefinite |
| Surety | Issued | External | 18 000 | PLN | 18 000 | Indefinite |
| Surety | Issued | External | 5 965 805.18 | PLN | 5 965 805.18 | 2013-02-28 |
| x | x | x | **6 411 805.18** | x | **6 411 805.18** | x |

EMPERIA HOLDING S.A. in PLN 000's

### 6.3.22 Write down of inventory to net realisable value, and reversal thereof

The Company did not record any such events during the reporting period.

### 6.3.23 Reversal of cost restructuring provisions

The Company did not record any such events during the reporting period.

### 6.3.24 Financial and operating leasing

The Company does not have any operating leasing contracts.

FY 2013

**Arrangements containing a lease component in accordance with IFRIC 4**

| Asset | Term of agreement | As at 30 Jun 2013 | As at 30 Jun 2014 | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| | | Minimum annual payment | | | |
| Property | specified | 478 | 396 | 803 | - |
| | unspecified | 452 | 463 | 1 597 | 1 997 |
| Technical equipment and machinery | specified | - | - | - | - |
| | unspecified | - | - | - | - |
| Means of transport | specified | - | - | - | - |
| | unspecified | - | - | - | - |
| Other property, plant and equipment | specified | - | - | - | - |
| | unspecified | 7 | 14 | 57 | 72 |

FY 2012

**Arrangements containing a lease component in accordance with IFRIC 4**

| Asset | Term of agreement | As at 30 Jun 2012 | As at 30 Jun 2013 | 1 - 5 years | Over 5 years |
|---|---|---|---|---|---|
| | | Minimum annual payment | | | |
| Property | *specified* | 1 657 | 3 313 | 2 206 | - |
| | *unspecified* | 627 | 1 254 | 5 017 | 6 272 |
| Technical equipment and machinery | *specified* | - | - | - | - |
| | *unspecified* | 20 | 40 | 160 | |
| Means of transport | *specified* | - | - | - | - |
| | *unspecified* | - | - | - | - |
| Other property, plant and equipment | *specified* | - | - | - | - |
| | *unspecified* | - | - | - | - |

#### 6.3.25 Liabilities incurred in connection with purchase of property, plant and equipment

The Company did not record any such events during the reporting period.

#### 6.3.26 Settlements connected with court proceedings

On 9 May 2012, the Management Board of Emperia Holding S.A. filed a suit with the Court of Arbitration at the Polish Chamber of Commerce against Ernst & Young Audit Sp. z o.o., having its registered office in Warsaw, for payment of PLN 431 053 618.65 as compensation for damages suffered by the Company as a result of the non-performance of an agreement between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o. The Company suffered damages due to the fact that Ernst & Young Audit Sp. z o.o. did not draft a report which was to constitute the basis for establishing a price for the shares being sold to Eurocash S.A. As a result of this non-performance of obligations by Ernst & Young Audit Sp. z o.o., a dispute arose between the Company and Eurocash S.A. regarding the share price. An arbitrage proceeding was consequently initiated, which ended in an arrangement consisting of the sale of shares for a price lower than that resulting from the investment agreement between the Company and Eurocash S.A.

During the reporting period, the Company did not participate in any other proceedings before a court or other authority concerning liabilities or receivables with an aggregate value exceeding 10% of its equity.

#### 6.3.27 Correction of prior-period errors

The Company did not correct prior-period errors during the reporting period.

#### 6.3.28 Non-repayment or infringement of credit facility agreements and lack of restructuring activities

The Company did not record any such events during the reporting period.

#### 6.3.29 Related-party transactions

Transactions between Group companies are executed on market terms (in PLN 000's).

| **Revenue from related parties, including:** | | |
|---|---|---|
| sales of products and services | sale of goods for resale and materials | property, plant and equipment and intangible assets |
| 2 139 | 26 | 668 |
| **Purchases from related parties, including:** | | |
| services and materials | goods and materials for resale | property, plant and equipment and intangible assets |
| 815 | - | 18 |
| **Receivables from related parties, including:** | | |
| for products and services | from sale of property, plant and equipment and intangible assets | related to collateral |
| 176 | 1 128 | 24 |

in PLN 000's

| Liabilities towards related parties, including: | | |
|---|---|---|
| for products and services | from purchase of property, plant and equipment and intangible assets | from purchase of non-current financial assets |
| 125 | 24 | - |

As part of its cash flow management programme, the Group issued short-term bonds, described in detail in Note 6.3.8, and short-term loans, as described in note 6.3.9 hereof. Finance income and costs related to transactions presented in Note 6.3.16

Transactions connected with dividends paid by subsidiaries are presented in Note 6.3.16.

Equity transactions between Group companies are presented in Note 6.2.9.

### 6.3.30 Shareholders with at least 5% of votes at the general meeting, at report publication date

| Shareholders | Shares held, as at report publication date | % in share capital | % change | Shares held, as at the date on which the previous interim report was published | % in share capital as at the date on which the previous interim report was published | Number of votes at general meeting, as at report publication date | % of votes at general meeting as at report publication date |
|---|---|---|---|---|---|---|---|
| ALTUS TFI | 1 944 678 | 12.87% | (21.27%) | 2 469 909 | 16.34% | 1 944 678 | 13.75% |
| IPOPEMA TFI S.A. | 1 433 437 | 9.48% | - | 1 433 437 | 9.48% | 1 433 437 | 10.14% |
| AXA OFE | 891 992 | 5.90% | - | 891 992 | 5.90% | 891 992 | 6.31% |

### 6.3.31 Changes in shareholding by Management Board members

| Management Board members | Shares held, as at report publication date | % in share capital at report publication date | % change vs. 2011 | Shares as at 31 December 2011 | % in share capital as at 31 December 2011 |
|---|---|---|---|---|---|
| Dariusz Kalinowski | 19 647 | 0.13% | 23.21% | 15 946 | 0.11% |

### 6.3.32 Changes in shareholding by Supervisory Board members

| Supervisory Board members | Shares held, as at report publication date | % in share capital at report publication date | % change vs. 2011 | Shares as at 31 December 2011 | % in share capital as at 31 December 2011 |
|---|---|---|---|---|---|

Members of the Supervisory Board do not own any shares in Emperia Holding S.A.

### 6.3.33 Changes in the Company's Management Board

On 11 March 2013, Artur Kawa resigned as the President of the Management Board of Emperia Holding S.A. Mr. Kawa ceased to perform Management Board functions on 11 March 2013.
On 11 March 2013, Emperia Holding S.A.'s Supervisory Board appointed Dariusz Kalinowski, formerly Vice-President of the Management Board, as President of the Management Board, and Cezary Baran as Management Board member.

### 6.3.34 Other significant information during the reporting period

**a) Termination of distribution agreement between Stokrotka Sp. z o.o. and Tradis Sp. z o.o.**

On 31 January 2013, the Management Board of Emperia Holding S.A. announced that subsidiary Stokrotka Sp. z o.o. (the "Recipient") terminated a Distribution Agreement, the subject of which was cooperation on supplies and deliveries of FMCG products, and a Consignment Agreement, based on which the Supplier purchases certain products in its own name but on the account of the Recipient. Both of the agreements were executed with Tradis Sp. z o.o. Stokrotka Sp. z o.o. used its right to terminate the agreements with a six-month notice, which will run out on 31 July 2013. Termination of the above agreements will not have a negative financial impact on the business of Stokrotka Sp. z o.o. and the Issuer as well as the entire Emperia Group.

**b) Resignations by Emperia Holding S.A. Supervisory Board members**

On 11 March 2013, the Management Board of Emperia Holding S.A. received Piotr Długosz's resignation as member of the Supervisory Board of Emperia Holding S.A., effective from 9 April 2013.
On 7 May 2013, the Management Board of Emperia Holding S.A. received Piotr Laskowski's resignation as member of the Supervisory Board of Emperia Holding S.A., effective from 3 June 2013.

**c) Extraordinary General Meeting of Emperia Holding S.A.**

On 10 April 2013, an Extraordinary General Meeting of Emperia Holding S.A. took place, which adopted resolutions concerning the appointment of a Supervisory Board member and amendment of the Company's articles of association.

**d) Appointment of new Supervisory Board members at Emperia Holding S.A.**

On 10 April 2013, an Extraordinary General Meeting of Emperia Holding S.A. appointed Artur Kawa as member of the Supervisory Board, who took up the position of Supervisory Board Chairperson.
On 4 June 2013, an Ordinary General Meeting of Emperia Holding S.A. appointed the following persons to the Supervisory Board: Michał Kowalczewski and Andrzej Malec.

**e) Emperia Holding S.A. buy-back programme by P1 Sp. z o.o.**

On 24 April 2013, Emperia Holding S.A.'s Management Board adopted a resolution concerning the "Emperia Holding S.A. buy-back programme by P1 Sp. z o.o., based in Lublin" and decided to execute an agreement with subsidiary P1 Sp. z o.o. concerning further re-sale of Emperia Holding S.A. shares. The commencement by P1 Sp. z o.o. of the buy-back programme took place pursuant to an authorisation granted through Resolutions 3 and 4 of Emperia Holding S.A.'s Extraordinary General Meeting of 11 October 2012 concerning consent of the Company's general meeting for Emperia Holding S.A. and its subsidiaries to re-purchase Emperia Holding S.A. shares and the means of such re-purchases, and on approval for execution of agreements between Emperia and subsidiaries, and in connection with Resolution 3/04/2013 of Emperia Holding S.A.'s Supervisory Board of 10 April 2013.
Pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its

subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 3/04/2013 of Emperia Holding S.A.'s Supervisory Board of 10 April 2013, on 28 June 2013 subsidiary P1 Sp. z o.o. purchased 20 592 shares in Emperia Holding S.A. with a nominal value of PLN 1.00 each, in a block transaction from Millennium Dom Maklerski S.A. (investment firm acting as intermediary for the share purchase programme) during a trading session on the regulated market run by the Warsaw Stock Exchange. The purchased shares constitute 0.136% of the Issuer's share capital and entitle to 20 592 (0.136%) votes at the Issuer's general meeting. The price for the purchased shares was PLN 59.95 per share.
The shares bought back are to be redeemed by the Issuer.
From the commencement of the programme, P1 Sp. z o.o. acquired 236 447 shares, entitling to 236 447 votes (1.564%) at the Issuer's general meeting and constituting 1.564% of the Issuer's share capital.
P1 Sp. z o.o. and the Issuer hold a total of 856 462 shares in the Issuer, entitling to 856 462 (5.666%) votes at the Issuer's general meeting and constituting 5.666% of the Issuer's share capital.
The share purchase transactions were carried out in accordance with Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

**f) Intra-group bond issuance**

On 7 June 2013, subsidiaries Stokrotka Sp. z o.o. and Elpro Ekon Sp. z o.o. S.K.A. issued short-term bonds maturing on 5 July 2013, which were acquired by Emperia Group companies. The total par value of the issued bonds was PLN 247 million, including:
a) Stokrotka Sp. z o.o. issued bonds with a total par value of PLN 97 million, all of which were acquired by Emperia Holding S.A.
b) Elpro Ekon Sp. z o.o. S.K.A.
issued bonds with a total par value of PLN 150 million, which were acquired by:
Emperia Holding S.A. - par value acquired: PLN 93 million;
Infinite Sp. z o.o. - par value acquired: PLN 6 million;
P3 Ekon Sp. z o.o. S.K.A. - par value acquired: PLN 46.5 million;
P5 Ekon Sp. z o.o. S.K.A. - par value acquired: PLN 4.5 million;
The above bond issues were carried out as part of Emperia Group's cash flow management programme. Interest on the bonds is based on WIBOR + margin.
The assets were deemed to be significant because their value exceeded 10% of the Issuer's equity.

**g) Derivative financial instruments**

The Company did not use hedge accounting during the reporting period. As at the end of the reporting period, the Company did not have agreements with embedded derivatives such as would meet the criteria to consider them as significant.

**Signatures of all Management Board members:**

2013-08-10 Dariusz Kalinowski President of the Management Board

......................
Signature

2013-08-10 Cezary Baran Vice-President of the Management Board

......................
Signature

**Signatures of persons responsible for book-keeping**

2013-08-10 Elżbieta Świniarska Economic Director ......................
Signature

2013-08-10 Urszula Baczewska Chief Accountant ......................
Signature

# 7 Management report on the operations of Emperia Holding S.A. in H1 2013

## 7.1 Financial highlights (in PLN 000's)

| Item | As at 30 June 2013 | As at 30 June 2012 | % |
|---|---|---|---|
| Revenue | 3 798 | 7 172 | -47.0% |
| EBIDTA | -816 | -4 717 | -82.7% |
| Profit on operating activities | -1 674 | -5 649 | -70.4% |
| Profit before tax | 10 608 | 9 078 | 16.9% |
| Net profit | 9 669 | 8 633 | 12.0% |
| Total assets | 580 474 | 595 420 | -2.5% |
| Liabilities and liability provisions | 2 280 | 18 483 | -87.7% |
| Current liabilities | 1 511 | 17 683 | -91.5% |
| Net assets | 578 194 | 576 937 | 0.2% |
| Weighted average number of ordinary shares | 14 469 466 | 14 512 325 | -0.3% |
| Net earnings per share, annualised (in PLN) | 1.01 | 51.75 | -98.0% |

**Operational performance and ability to meet liabilities**

| Item | As at 30 June 2013 | As at 30 June 2012 |
|---|---|---|
| Return on invested capital (net profit for the period / equity at the end of the period) in % | 1.67% | 1.50% |
| Return on assets (net profit for the period / assets at the end of the period) in % | 1.67% | 1.45% |
| Sales margin (profit from sales for the period / revenue from sales for the period) in % | -5.58% | 14.79% |
| EBIDTA margin, in % | -21.49% | -65.77% |
| EBIT operating margin (operating profit for the period / revenue from sales for the period) in % | -44.06% | -78.76% |
| Gross margin (profit for the period / revenue from sales for the period) in % | 279.29% | 126.57% |
| Net margin (profit from sales for the period / revenue from sales for the period) in % | 254.55% | 120.38% |

EMPERIA HOLDING S.A. in PLN 000's

In H1 2013, the Company recorded 12% growth in net profit, compared to the same period the previous year. The main reason was a substantial reduction in costs, with a simultaneous drop of 47% in revenue. Other than that, finance income in H1 2013 was 17% lower than in the previous year.

### 7.2 Scope of Emperia Holding S.A.'s business

Emperia Holding S.A. is a holding company for entities comprising Emperia Group, and in particular provides services such as legal, accounting, HR, cash flow management, investment and email management, together with financing.

Emperia Holding S.A. operates in Poland.

### 7.3 Assessment of financial management in H1 2013 using liquidity ratios, along with the structure, rotation and level of debt

| Liquidity ratios | As at 30 June 2013 | As at 30 June 2012 |
|---|---|---|
| Current ratio (current assets / current liabilities) | 195.01 | 18.07 |
| Quick ratio (liquid current assets / current liabilities) | 195.01 | 18.06 |
| Cash ratio (short-term investments / current liabilities) | 193.18 | 17.77 |

The above substantial change in liquidity ratios was predominantly affected by a decrease in current liabilities.

| Rotation cycles for key components of working capital | As at 30 June 2013 | As at 30 June 2012 |
|---|---|---|
| Inventory turnover days (inventory / value of goods for resale and materials sold*number of days in period) | 0.00 | 41.51 |
| Receivables turnover days (current receivables / revenue from sales*number of days in period) | 108.41 | 105.54 |
| Payables turnover days ([current liabilities - current borrowings] / value of goods for resale and materials sold*number of days in period) | 15400.67 | 12228.64 |
| Asset productivity (revenue from sales / total assets) | 0.01 | 0.01 |
| Non-current asset productivity (revenue from sales / non-current assets) | 0.01 | 0.03 |

An inventory turnover of zero results from a lack of inventory as at the end of H1 2013. The increase in receivables turnover and payables turnover results from a substantial decrease in revenue from sales and cost of sales.

The other ratios did not significantly change.

| Debt ratios | As at 30 June 2013 | As at 30 June 2012 |
|---|---|---|
| Debt ratio (liabilities and liability provisions / total assets) | 0.00 | 0.03 |

in PLN 000's

| | | |
|---|---|---|
| Debt to equity (liabilities and liability provisions / equity) | 0.00 | 0.03 |
| Equity-to-assets ratio (equity / total assets) | 1.00 | 0.97 |
| Long-term debt ratio (non-current liabilities / total assets) | 0.00 | 0.00 |

The above change in liquidity ratios was predominantly affected by a decrease in current liabilities.

### 7.4 Sales markets

Despite a limited scope of holding services provided since the sale of a part of the distribution business and the transfer of a large part of staff to the main subsidiaries, the Company's key customers remain subsidiaries within Emperia Group.

### 7.5 Significant agreements

As regards banking services, the Company works with PKO BP S.A., Bank PEKAO S.A. and BRE Bank S.A.

As regards property and car insurance, the Company executed an agreement with Compensa TU S.A., Vienna Insurance Group and Uniqa TU S.A. The insurance covers the Company's current and non-current assets in fortuitous events, accidents (means of transport), theft and robbery. The Company also holds civil liability insurance. Insurance agreements are executed for a one-year period.

### 7.6 Key events in H1 2013 at Emperia Holding S.A.

Information on the key events taking place in the first half of 2013 are presented in Note 6.6.34.

### 7.7 Extraordinary events having an impact on annual financial performance

No such events occurred during H1 2013.

### 7.8 Capital expenditures

During H1 2013, the Company did not incur capital expenditures on environmental protection.

### 7.9 Company's dividend policy

According to the dividend policy, the Management Board plans to systematically recommend to the General Meeting the allocation of a part of the profit to dividend.

On 4 June 2013, Emperia Holding S.A.'s General Meeting adopted resolution 5 on distribution of the 2012 profit. Pursuant to the resolution, of the net profit generated in 2012, amounting to PLN 13 593 377.58, PLN 13 480 485.78 - or PLN 0.93 per share - was allocated to dividend. In accordance with the resolution, entitled to dividend were shareholders who held shares on 12 June 2013 (ex-dividend date), and the dividend payment date was 26 June 2013.

### 7.10 External factors which might have an impact on Emperia Holding S.A.'s results in the coming year

External:

1. Financial and economic situation in the retail industry, primarily concerning the Group's suppliers and customers, as regards financing and meeting liabilities
2. Market prices for goods and services used by the Group
3. Competitive activities and consolidation processes in Polish retail
4. Poland's economic situation and household wealth, having an impact on demand for the Group's products and services
5. Government policy regarding interest rates and taxes
6. Employment situation - ability to hire creative employees for new ventures
7. Financial and economic conditions in the property development sector
8. Higher competition for commercial facilities

Internal:

1. Further investment in property, plant and equipment and software; on-time and on-budget investment delivery
2. Reduction in operating costs through deployment of new organisational and IT solutions and growth in operating scale
3. Introduction of structural and organisational changes intended to create a holding organisation having a substantial market share
4. Procurement of attractive locations for retail operations
5. Expansion and supplementation of assortment
6. Qualified and experienced management
7. Stable supplier base

### 7.11 Growth perspectives

Emperia Holding S.A. was transformed into a holding company the core business of which is management of the Group's subsidiaries and provision of certain services such as: financial management, IT services, management of selected asset and liability groups, provision of financing and acquisitions in the FMCG sector.

### 7.12 Significant related-party transactions

In H1 2013, Emperia Holding S.A. did not execute any significant transactions with related parties other than transactions in the normal course of operations on market terms. Information on this subject is presented in Note 6.3.29.

### 7.13 Information regarding on-going judicial proceedings

On 9 May 2012, the Management Board of Emperia Holding S.A. filed a suit with the Court of Arbitration at the Polish Chamber of Commerce against Ernst & Young Audit Sp. z o.o., having its registered office in Warsaw, for payment of PLN 431 053 618.65 as compensation for damages suffered by the Company as a result of the non-performance of an agreement between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o. The Company suffered damages due to the fact that Ernst & Young Audit Sp. z o.o. did not draft a report which was to constitute the basis for establishing a price for the shares being sold to Eurocash S.A. As a result of this non-performance of obligations by Ernst & Young Audit Sp. z o.o., a dispute arose between the Company and Eurocash S.A. regarding the share price. An arbitrage proceeding was consequently initiated, which ended in an arrangement consisting of the sale of shares for a price lower than that resulting from the investment agreement between the Company and Eurocash S.A.

During the reporting period, the Company did not participate in any other proceedings before a court or other authority concerning liabilities or receivables with an aggregate value exceeding 10% of its equity.

### 7.14 Credits, guarantees, loans and sureties

In H1 2013, Emperia Holding S.A. did not issue credit facilities, loans or guarantees to a single entity or its subsidiary such as would result in the aggregate value of guarantees or sureties constituting the equivalent of at least 10% of the Issuer's equity.

### 7.15 Changes in key management principles

In H1 2013, Emperia Holding S.A. did not introduce any changes to its key management principles.

### 7.16 Changes in the Issuer's management and supervisory personnel

**Changes in Emperia Holding S.A.'s Management Board**

In H1 2013, the composition of the Management Board of Emperia Holding S.A. was subject to a change.

On 11 March 2013, Artur Kawa resigned as the President of the Management Board of Emperia Holding S.A. Mr. Kawa ceased to perform Management Board functions on 11 March 2013.

On 11 March 2013, the Supervisory Board of Emperia Holding S.A. appointed Dariusz Kalinowski, the Vice-President of the Issuer's Management Board, as the President of the Management Board, and Cezary Baran as the new Vice-President of the Management Board.

At report publication date, the Management Board of Emperia Holding S.A. comprised:

1. Dariusz Kalinowski – President of the Management Board
2. Cezary Baran – Vice-President of the Management Board, Finance Director

**Changes in Emperia Holding S.A.'s Management Board**

The composition of Emperia Holding S.A.'s Supervisory Board did not change during H1 2013.

On 11 March 2013, Piotr Długosz resigned as member of the Supervisory Board of Emperia Holding S.A., effective from 9 April 2013.

On 10 April 2013, the Company's Extraordinary General Meeting adopted resolution 2 on appointment of Artur Kawa as a member of the Supervisory Board of Emperia Holding S.A. At the meeting of 10 April 2013, the Supervisory Board adopted resolution 1/04/2013 on appointment of Artur Kawa as Supervisory Board Chairman.

On 6 May 2013, Piotr Laskowski resigned as member of the Supervisory Board of Emperia Holding S.A., effective from 3 June 2013.

On 4 June 2013, Tomas Krzysztofiak's mandate as member of Emperia Holding S.A.'s Supervisory Board expired in connection with the end of his three-year term.

On 4 June 2013, the Company's Ordinary General Meeting adopted resolution 17 on appointment of Michał Kowalczewski as an independent member of Emperia Holding S.A.'s Supervisory Board.

On 4 June 2013, the Company's Ordinary General Meeting adopted resolution 18 on appointment of Andrzej Malec as a member of Emperia Holding S.A.'s Supervisory Board.

At the meeting of 17 June 2013, the Supervisory Board adopted resolution 1/06/2013 on appointment of Michał Kowalczewski as Vice-Chairman of the Supervisory Board.

At report publication date, the Supervisory Board of Emperia Holding S.A. comprised:

1. Artur Kawa – Chairman of the Supervisory Board
2. Michał Kowalczewski – Vice-Chairman, Independent Member of the Supervisory Board
3. Artur Laskowski – Member of the Supervisory Board
4. Jarosław Wawerski – Member of the Supervisory Board
5. Andrzej Malec – Member of the Supervisory Board

### 7.17 Other significant information

Other significant information is presented in Note 6.3.34.

### 7.18 Description of Group structure

The Group's organisational structure, showing the companies subject to consolidation, is presented in point 6.1 of these financial statements.

### 7.19 Effects of changes in the Company's structure

There were no effects of changes in the Company's structure.

### 7.20 The management's view as regards meeting guidance published for a given year

The Company did not publish earnings guidance for the reporting period.

### 7.21 Shareholder information

Information about shareholders with at least 5% of the total number of votes at the general meeting is presented in Note 6.3.30.

### 7.22 Shareholding by management and supervisory personnel

Shareholding by management and supervisory personnel is presented in note 6.3.31.

### 7.23 Related-party transactions

Information on the Company's related-party transactions is presented in Note 6.3.29.

**Signatures of all Management Board members:**

2013-08-10 Dariusz Kalinowski President of the Management Board

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Signature

2013-08-10 Cezary Baran Vice-President of the Management Board

......................
Signature

Signatures of persons responsible for book-keeping

2013-08-10 Elżbieta Świniarska Economic Director ......................
Signature

# 8 Statement by the Management Board

The Management Board of Emperia Holding S.A. declares that, to the best of its knowledge, the semi-annual financial statements and comparative data were prepared in accordance with the binding accounting principles and that they present the Issuer's financial situation, asset position and financial results in a credible, reliable and transparent manner.

The Management Board of Emperia Holding S.A. declares that the entity authorised to audit financial statements which audited the Company's semi-annual financial statements was selected in accordance with the provisions of law and that such entity and the statutory auditors conducting the audit fulfilled the conditions for issue of an impartial and independent report on audit of the semi-annual financial statements in accordance with binding national regulations.

**Signatures of all Management Board members:**

2013-08-10 Dariusz Kalinowski President of the Management Board

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Signature

2013-08-10 Cezary Baran Vice-President of the Management Board

......................
Signature

Signatures of persons responsible for book-keeping

2013-08-10 Elżbieta Świniarska Economic Director

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Signature