# STAND ALONE FINANCIAL STATEMENT

## SEMI-ANNUAL REPORT 2010

## PREPARED ACCORDING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

*(ALL AMOUNTS IN THOUSANDS PLN)*

LUBLIN, AUGUST 2010

**TRANSLATORS' EXPLANATORY NOTE**

The following document is a free translation of the 2010 Semi-Annual Report of Emperia Holding S.A.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

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# 1 Selected Financial Highlights

| | SELECTED FINANCIAL HIGHLIGHTS (current year) | PLN | | EUR | |
|---|---|---|---|---|---|
| | | For period 01.01.2010 to 30.06.2010 | For period 01.01.2009 to 30.06.2009* | For period 01.01.2010 to 30.06.2010 | For period 01.01.2009 to 30.06.2009* |
| I. | Net revenues from sale of products, goods and materials | 26 616 | 25 605 | 6 647 | 5 667 |
| II. | Profit (loss) on operating activity | (358) | 2 698 | (89) | 597 |
| III. | Profit (loss) before tax | 60 396 | 42 885 | 15 083 | 9 491 |
| IV. | Profit (loss) for period | 59 974 | 42 046 | 14 978 | 9 305 |
| V. | Net cash flows from operating activity | 6 057 | 3 227 | 1 513 | 714 |
| VI. | Net cash flows from investing activity | 18 190 | (16 476) | 4 543 | (3 647) |
| VII. | Net cash flows from financing activity | (4 170) | 12 687 | (1 041) | 2 808 |
| VIII. | Total net cash flows | 20 077 | (562) | 5 014 | (124) |
| IX. | Total assets* | 689 068 | 632 397 | 166 209 | 153 935 |
| X. | Liabilities and provisions against liabilities * | 21 117 | 11 310 | 5 094 | 2 753 |
| XI. | Long-term liabilities* | 1 874 | 1 404 | 452 | 342 |
| XII. | Short-term liabilities* | 19 243 | 9 906 | 4 642 | 2 411 |
| XIII. | Equity* | 667 951 | 621 087 | 161 115 | 151 182 |
| XIV. | Initial capital* | 15 115 | 15 115 | 3 646 | 3 679 |
| XV. | Number of shares | 15 115 161 | 15 115 161 | 15 115 161 | 15 115 161 |
| XVI. | Weighted average number of shares | 15 115 161 | 15 115 161 | 15 115 161 | 15 115 161 |
| XVII. | Profit (loss) per ordinary share annualized (PLN/EUR) | 4,10 | 2,91 | 1,02 | 0,64 |
| XVIII. | Diluted profit (loss) per ordinary share annualized (PLN/EUR) | 4,10 | 2,91 | 1,02 | 0,64 |
| XIX. | Book value per share (PLN\EURO) | 44,19 | 40,95 | 10,66 | 9,97 |
| XX. | Diluted book value per share ** ( PLN\EURO) | 44,19 | 40,95 | 10,66 | 9,97 |
| XXI. | Declared or distributed dividend per share ** (PLN\EURO) | 0,92 | 0,59 | 0,22 | 0,14 |

* comparative data on the balance sheet refer to 31.12.2009 .
** Amount of dividend declared on the basis of a resolution of 23 June 2010 of Ordinary General Meeting of Shareholders on the distribution of profit for the year 2009; information on this subject in Note No. 6.3.19

**The selected financial highlights are converted into EUR as follows:**

1. The profit and loss and cash flow statement items are converted at an exchange rate being the arithmetic average exchange rates published by the National Bank of Poland, effective on the last day of each month, which was 4,0042 PLN/EURO in first half of 2010, and 4,5184 PLN/EURO in first half of 2009.
2. The balance sheet items and book value/diluted book value are converted at the average exchange rate published by the National Bank of Poland, effective on the balance sheet date, which was: at 30.06.2010 4,1458 EURO, and at 31.12.2009 4,1082 PLN/EURO.

# 2 Statement of Financial Position

| | Note | 30 June 2010 | 31 December 2009 | 30 June 2009 |
|---|---|---|---|---|
| **Fixed Assets** | | **573 644** | **572 363** | **559 580** |
| Tangible fixed assets | 6.3.4 | 43 927 | 45 825 | 49 029 |
| Investment real property | | 3 166 | 3 166 | 3 166 |
| Intangible assets | 6.3.4 | 6 998 | 6 418 | 5 445 |
| Financial assets | 6.3.7 | 519 225 | 516 581 | 501 532 |
| Long-term receivables and other deferred income | | 60 | 63 | 66 |
| Deferred income tax assets | 6.3.6 | 268 | 310 | 342 |
| **Current Assets** | | **115 424** | **60 034** | **88 849** |
| Stock | | 47 | 49 | 33 |
| Receivables | | 6 466 | 6 495 | 35 496 |
| Income tax withholding | | 555 | 1 695 | 941 |
| Short-term securities | 6.3.8 | 84 629 | 31 745 | 39 880 |
| Prepaid expenses | | 1 076 | 476 | 661 |
| Cash | | 22 651 | 2 574 | 2 633 |
| Other financial assets | 6.3.9 | - | 17 000 | 9 205 |
| Assets earmarked for sale | | - | - | - |
| **Total Assets** | | **689 068** | **632 397** | **648 429** |
| **Equity** | | **667 951** | **621 087** | **618 948** |
| Share capital | | 15 115 | 15 115 | 15 115 |
| Share premium capital | | 549 559 | 549 559 | 549 559 |
| Supplementary capital | | 1 526 | 1 526 | 1 526 |
| Supplementary capital from the evaluation of managerial options | | 1 278 | 482 | 268 |
| Reserve capital | | 499 | 12 376 | 12 376 |
| Revaluation capital | | - | - | - |
| Reserve capital for the purchase of treasury shares | 6.3.35 j | 40 000 | - | - |
| Retained profit | | 59 974 | 42 029 | 40 104 |
| **Total equity allocated to shareholders of dominant entity** | | **667 951** | **621 087** | **618 948** |
| **Long-term liabilities** | | **1 874** | **1 404** | **1 052** |
| Credit facilities, loans and debt securities | 6.3.11 | 88 | 21 | 35 |
| Long-term liabilities | | - | - | - |
| Provisions | 6.3.10 | 111 | 88 | 42 |
| Provision against deferred income tax | 6.3.6 | 1 675 | 1 294 | 975 |
| **Short-term liabilities** | | **19 243** | **9 906** | **28 429** |
| Credit facilities, loans and debt securities | 6.3.11 | 115 | 4 023 | 12 977 |
| Short-term liabilities | | 18 277 | 4 825 | 14 179 |
| Income tax liabilities | | - | - | 157 |
| Provisions | 6.3.10 | 798 | 953 | 1 059 |
| Deferred income | | 53 | 105 | 57 |
| **Total liabilities** | | **689 068** | **632 397** | **648 429** |

| | | | | |
|---|---|---|---|---|
| **Book value** | | **667 951** | **621 087** | **618 948** |
| **Number of shares** | | **15 115 161** | **15 115 161** | **15 115 161** |
| **Book value per share (PLN)** | | **44,19** | **41,09** | **40,95** |

**Signatures of members of Management Board:**

2010-08-31 Artur Kawa
Chairman of Management Board .....
signature

2010-08-31 Jarosław Wawerski
Vice-Chairman of Management Board .....
signature

2010-08-31 Dariusz Kalinowski
Vice-Chairman of Management Board - Financial Director .....
signature

2010-08-31 Marek Wesołowski
Vice-Chairman of Management Board – Retail Business Director .....
signature

2010-08-31 Grzegorz Wawerski
Vice-Chairman of Management Board – Retail Business Development Director .....
signature

**Signature of person responsible for maintaining the accounts:**

2010-08-31 Elżbieta Świniarska Economic Director .....
signature

2010-08-31 Edyta Onufryjuk-Lacek Chief Accountant .....
signature

# 3 Profit and Loss Account and Statement of Comprehensive Income

| | Note | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|---|
| **Sales revenues** | 6.3.14 | **26 616** | **25 605** |
| *- including related entities* | | *24 675* | *24 614* |
| Sales of products and services | | 26 413 | 25 267 |
| Sales of goods and materials | | 203 | 338 |
| **Cost of goods sold** | | **(22 005)** | **(19 250)** |
| *- including related entities* | | *(21 153)* | *(18 501)* |
| Cost of manufactured products sold | 6.3.15 | (21 861) | (18 983) |
| Cost of goods and materials sold | | (144) | (267) |
| **Profit on sales** | | **4 611** | **6 355** |
| Other operating income | 6.3.16 | 249 | 147 |
| Selling expense | 6.3.15 | (2) | (2) |
| General administrative expense | 6.3.15 | (5 077) | (3 742) |
| Other operating expense | 6.3.16 | (139) | (60) |
| **Profit on operations** | | **(358)** | **2 698** |
| Financial income | 6.3.17 | 60 856 | 40 494 |
| Financial expense | 6.3.17 | (102) | (307) |
| **Profit before tax** | | **60 396** | **42 885** |
| Income tax | | (422) | (839) |
| - current tax | 6.3.18 | - | - |
| - deferred tax | | (422) | (839) |
| **Profit for period** | | **59 974** | **42 046** |

| | | |
|---|---|---|
| **Profit (loss) for period (annualised)** | **61 899** | **43 993** |
| **Weighted average of ordinary shares *** | **15 115 161** | **15 115 161** |
| **Profit (loss) per ordinary share (PLN) annualised** | **4,10** | **2,91** |

| Statement of total income | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| Profit for period | 59 974 | 42 046 |
| Other total income: | - | - |
| **Total income for period** | **59 974** | **42 046** |

**Signatures of members of Management Board:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Artur Kawa | Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Jarosław Wawerski | Vice-Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Dariusz Kalinowski | Vice-Chairman of Management Board - Financial Director | .....<br>signature |
| 2010-08-31 | Marek Wesołowski | Vice-Chairman of Management Board – Retail Business Director | .....<br>signature |
| 2010-08-31 | Grzegorz Wawerski | Vice-Chairman of Management Board – Retail Business Development Director | .....<br>signature |

**Signature of person responsible for maintaining the accounts:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Elżbieta Świniarska | Economic Director | .....<br>signature |
| 2010-08-31 | Edyta Onufryjuk-Lacek | Chief Accountant | .....<br>signature |

# 4 Statement of changes in equity

**As at 30 June 2010**

| | Share capital | Share premium capital | Supplementary capital | Supplementary capital from the evaluation of managerial options | Reserve capital | Revaluation capital | Reserve Capital for purchase of own shares | Retained profit | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2010** | **15 115** | **549 559** | **1 526** | **482** | **12 376** | **-** | **-** | **42 029** | **621 087** |
| Change in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2010 adjusted** | **15 115** | **549 559** | **1 526** | **482** | **12 376** | **-** | **-** | **42 029** | **621 087** |
| Profit for 6 months until 30 June 2010 | - | - | - | - | - | - | - | 59 974 | **59 974** |
| Distribution of 2009 profit | - | - | - | | 28 123 | - | - | (28 123) | **-** |
| Dividend for shareholders as part of 2009 profit distribution | - | - | - | - | - | - | - | (13 906) | **(13 906)** |
| Valuation of managerial option | - | - | - | 796 | - | - | - | - | **796** |
| Creation of reserve for acquisition of own shares | - | - | - | - | (40 000) | - | 40 000 | - | **-** |
| **30 June 2010** | **15 115** | **549 559** | **1 526** | **1 278** | **499** | **-** | **40 000** | **59 974** | **667 951** |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2009** | **15 115** | **549 559** | **1 526** | **268** | **19 871** | **-** | **-** | **(519)** | **582 820** |
| Change in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2009 adjusted** | **15 115** | **549 559** | **1 526** | **268** | **19 871** | **-** | **-** | **(519)** | **585 820** |
| Profit for 6 months until 30 June 2009 | - | - | - | - | - | - | | 42 046 | **42 046** |
| Dividend for shareholders as part of 2008 profit distribution | - | - | - | - | (7 495) | - | | (1 423) | **(8 918)** |
| **30 June 2009** | **15 115** | **549 559** | **1 526** | **268** | **12 376** | **-** | **-** | **40 104** | **618 948** |

| | Share capital | Share premium capital | Supplementary capital | Supplementary capital from the evaluation of managerial options | Reserve capital | Revaluation capital | Reserve capital for purchase of own share | Retained profit | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **1 January 2009** | **15 115** | **549 559** | **1 526** | **268** | **19 871** | **-** | **-** | **(519)** | **582 820** |
| Change in accounting standards and policies | - | - | - | - | - | - | - | - | - |
| **1 January 2009 adjusted** | **15 115** | **549 559** | **1 526** | **268** | **19 871** | **-** | **-** | **(519)** | **585 820** |
| Profit for 12 months until 31 December 2009 | - | - | - | - | - | - | | 43 971 | **43 971** |
| Managerial option | - | - | - | 214 | | | | | **214** |
| Dividend for shareholders as part of 2008 profit distribution | - | - | - | - | (7 495) | - | | (1 423) | **(8 918)** |
| **31 December 2009** | **15 115** | **549 559** | **1 526** | **482** | **12 376** | **-** | **-** | **42 029** | **621 087** |

**Signatures of members of Management Board:**

| | | | |
|---|---|---|---|
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| 2010-08-31 | Jarosław Wawerski | Vice-Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Dariusz Kalinowski | Vice-Chairman of Management Board - Financial Director | .....<br>signature |
| 2010-08-31 | Marek Wesołowski | Vice-Chairman of Management Board – Retail Business Director | .....<br>signature |
| 2010-08-31 | Grzegorz Wawerski | Vice-Chairman of Management Board – Retail Business Development Director | .....<br>signature |

**Signature of person responsible for maintaining the accounts:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Elżbieta Świniarska | Economic Director | .....<br>signature |
| 2010-08-31 | Edyta Onufryjuk-Lacek | Chief Accountant | .....<br>signature |

# 5 Statement of cash flows

| | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| **Profit (loss) for period** | **59 974** | **42 046** |
| Adjustments for: | **(53 917)** | **(38 819)** |
| Share in net (profits) losses of entities consolidated using equity method | - | - |
| Depreciation | 5 082 | 3 391 |
| (Gain) loss on exchange rate differences | - | - |
| Interest and share in profit (dividends) | (60 646) | (40 058) |
| Income tax | 422 | 839 |
| Profit (loss) on investing activity | 19 | (56) |
| Change in provisions | (132) | (870) |
| Change in stock | 2 | (11) |
| Change in receivables | 1 552 | 73 |
| Change in accruals | (649) | (368) |
| Change in short-term liabilities | 192 | (942) |
| Other adjustments | 796 | - |
| Income tax paid | (555) | (817) |
| **Net cash flows from operating activity** | **6 057** | **3 227** |
| **Income** | **309 213** | **347 022** |
| Sale of fixed and intangible asset | 269 | 409 |
| Sale of financial assets | 231 500 | 336 000 |
| Dividends received | 59 314 | 9 497 |
| Interest received | 231 | 116 |
| Repayment of loans | 17 900 | 1 000 |
| Other income | - | - |
| **Expenditures** | **(291 023)** | **(363 498)** |
| Purchase of fixed and intangible assets | (4 291) | (13 764) |
| Investments in real property | - | - |
| Purchase of subsidiaries and associated entities | (2 644) | (33 404) |
| Purchase of financial assets | (283 189) | (308 330) |
| Loans granted | (900) | (8 000) |
| Other expenditures | - | - |
| **Net cash flows from investing activity** | **18 190** | **(16 476)** |
| **Income** | **3 939** | **25 704** |
| Income from credit facilities and loans contracted | - | - |
| Issue of short-term debt securities | 3 939 | 25 704 |
| Share issue | - | - |
| Other income | - | - |
| **Expenditures** | **(8 109)** | **(13 017)** |
| Repayment of credit facilities and loans | - | - |
| Redemption of short-term debt securities | (8 000) | (13 000) |
| Payment of liabilities under financial leases | (81) | (14) |
| Payment of liabilities under financial leases | (28) | (3) |
| Interest and charges paid | - | - |
| Other expenditures | - | - |
| **Net cash flows from financial activity** | **(4 170)** | **12 687** |

| | | |
|---|---|---|
| **Change in cash** | **20 077** | **(562)** |
| *Exchange differences* | | - |
| **Cash at beginning of period** | **2 574** | **3 195** |
| **Cash at end of period** | **22 651** | **2 633** |

**Signatures of members of Management Board:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Artur Kawa | Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Jarosław Wawerski | Vice-Chairman of Management Board | .....<br>signature |
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**Signature of person responsible for maintaining the accounts:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Elżbieta Świniarska | Economic Director | .....<br>signature |
| 2010-08-31 | Edyta Onufryjuk-Lacek | Chief Accountant | .....<br>signature |

# 6 Notes to Stand Alone Financial Statement.

## 6.1 Group Background.

Name, seat and objects of business of the dominant entity

The Company operates under the business name of Emperia Holding S.A. (formerly Eldorado S.A.) as a Polish joint stock company entered into the Register of Entrepreneurs maintained by the District Court in Lublin, XI Commercial Division of the National Court Register, entry no. KRS 0000034566.

The seat of the dominant entity is in Lublin, ul. Mełgiewska 7-9.

the main object of business of Emperia Holding S.A. has been the provision of company holding services (PKD2007 – 7010Z). Previously, the Company engaged in non specialised wholesaling of food, beverages, and tobacco products (PKD 5139Z). The company is registered in CSO and has REGON number 430450457.

The Company is a taxpayer of tax on goods and services (VAT), NIP Tax No 712-10-07-105.

The shares of the Company have been listed on the Stock Exchange in Warsaw since 2001.

The financial year of the Company coincides with the calendar year. The term of the Company is indefinite.

The financial statements have been prepared for the period from 1 January 2010 to 30 June 2010, with comparable data for the period from 1 January 2009 to 30 June 2009. The financial statements contain no combined data.
The Company does not have internal units that prepare independent financial statements.
The financial statements have been prepared assuming that the Company will continue its business, and there is nothing to indicate any threat to the continued business of the Company in the future.

Consolidation details:

Emperia Holding S.A. is the parent (dominant) entity for the Group of Companies, preparing consolidated financial statements for the Group.
As at 30 June 2009, Emperia Holding S.A. and fifteen subsidiaries, operating as limited liability companies (Sp. z o.o.) or joint-stock companies (S.A.), are subject to consolidation:

Stokrotka Sp. z o.o., Infinite Sp. z o.o., Detal Koncept Sp. z o.o., Elpro Sp. z o.o., Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Lewiatan Śląsk Sp. z o.o., Maro Markety Sp. z o.o., Społem Tychy Sp. z o.o., Euro Sklep S.A., Emperia Info Sp. z o.o., Projekt Elpro 1 Sp. z o.o. and PSD S.A.*.

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

* At 30.06.2010 due to the limited access to financial data, Emperia Holding S.A. valued shares of Partnerski Serwis Detaliczny S.A subsidiary using the equity method.

**The data presented in this Report as at 30 June 2010 includes stand-alone results of the following subsidiaries subject to consolidation in financial statements**

| | Subsidiary name | Logo | Registered address | Main objects of business | Court of registration | Relation to parent | Consolidation method | Date of acquiring control / Date of material impact | Interest held | Voting power at general meeting |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Stokrotka Sp. z o.o. (1) | | 20-952 Lublin, Mełgiewska 7-9 | Food product retailing | 16977, District Court in Lublin, XI Commercial Division of National Court Register ("NCR") | Subsidiary | Full | 1999-01-27 | 100,00% | 100,00% |
| 2 | Infinite Sp. z o.o. | | 20-150 Lublin, Ceramiczna 8 | IT services | 16222, District Court in Lublin, XI Commercial Division of NCR | Subsidiary | Full | 1997-03-11 | 100,00% | 100,00% |
| 3 | Detal Koncept Sp. z o.o. | | 20-952 Lublin, Mełgiewska 7-9 | Retail franchising | 40575, District Court in Lublin, XI Commercial Division of the NCR | Subsidiary | Full | 1995-04-25 | 100,00% | 100,00% |
| 4 | Elpro Sp. z o.o. | | 20-952 Lublin, Mełgiewska 7-9 | Developer activity | 946, District Court in Lublin, XI Commercial Division of the NCR | Subsidiary | Full | 2001-02-15 | 100,00% | 100,00% |
| 5 | Tradis Sp. z o.o. | | 20-952 Lublin, Mełgiewska 7-9 | Food product wholesaling | 272382, District Court in Lublin, XI Commercial Division of NCR | Subsidiary | Full | 2007-01-23 | 100,00% | 100,00% |
| 6 | DEF Sp. z o.o. (2) | | 15-399 Białystok, Handlowa 6 | Food product wholesaling | 48125, District Court in Białystok, XII Commercial Division of NCR | Subsidiary | Full | 2007-01-02 | 100,00% | 100,00% |
| 7 | Lewiatan Podlasie Sp. z o.o. (2) | | 15-399 Białystok, Sokólska 9 | Food product retailing | 33766, District Court in Białystok, XII Commercial Division of NCR | Subsidiary | Full | 2007-01-02 | 100,00% | 100,00% |
| 8 | Społem Tychy Sp. z o.o. (3) | | 43-100 Tychy, Damrota 72 | Food product retailing | 164604, District Court in Katowice, VIII Commercial Division of NCR | Subsidiary | Full | 2007-07-06 | 99,22% | 99,22% |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| 9 | Maro-Markety Sp. z o.o. | | 61-615 Poznań, Skwierzyńska 20 | Food product retailing | 102596, District Court in Poznań, XX Commercial Division of NCR | Subsidiary | Full | 2007-09-12 | 100,00% | 100,00% |
| 10 | Euro Sklep S.A. | | 43-309 Bielsko-Biała, Bystrzańska 94a | Retail franchising | 12291, District Court in Bielsko Biała, VIII Commercial Division of NCR | Subsidiary | Full | 2007-10-24 | 100,00% | 100,00% |
| 11 | Emperia Info Sp. z o.o. | | 20-952 Lublin, Mełgiewska 7-9 | IT services | 314260, District Court in Lublin, XI Commercial Division of NCR | Subsidiary | Full | 2008-09-12 | 100,00% | 100,00% |
| 12 | Ambra Sp. z o.o.(2) | | 43-502 Czechowice-Dziedzice, Hutnicza 7 | wholesaling of household chemistry articles and cosmetics | 254307, District Court in Katowice, VIII Commercial Division of NCR | Subsidiary | Full | 2009-03-11 | 100,00% | 100,00% |
| 13 | Partnerski Serwis Detaliczny S.A. (PSD S.A.) | | 02-739 Warszawa, Grażyny 15 | Franchise chain management | 280288, District Court for the Capital City of Warsaw in Warsaw , XIII Commercial Division of NCR | Subsidiary | Equity method | 2007-12-20 | 100,00% | 100,00% |
| 14 | Projekt Elpro 1 Sp. z o.o. (4) | | 42-202 Częstochowa, Bór 66 F | Property development | 71049, District Court in Wrocław, VI Commercial Division of NCR | Subsidiary | Full | 2007-11-29 | 100,00% | 100,00% |
| 15 | Lewiatan Śląsk Sp. z o.o. (5) | | 42-202 Częstochowa, Bór 66 F | Retail franchising | 175768, District Court Katowice-Wschód in Katowicach, VIII Commercial Division of NCR | Subsidiary | Full | 2007-01-01 | 100,00% | 100,00% |

(1) directly by Emperia (98.482 shares, 95,93%) and indirectly by Tradis Sp. z o.o. (1.254 shares, 1,22%) and Lewiatan Podlasie Sp. z o.o.(2.927 shares, 2,85%)
(2) indirectly by Tradis Sp. z o.o.
(3) directly by Emperia Holding S.A. (140.292 shares, 81,91% ) indirectly by Tradis Sp. z o.o. (29.645 shares ,31% )
(4) directly by Emperia Holding S.A. (98 shares, 60,00%) indirectly by Tradis Sp. z o.o. (64 shares, 40,00%)
(5) directly by Emperia Holding S.A. (66 shares, 66,00%) indirectly by Tradis Sp. z o.o. (34 shares, 34,00%)

**List of subsidiaries at the balance sheet date 30 June 2010 excluded from consolidation in financial statements with indication of legal grounds**

| Entity name | Registered address | Legal grounds for exclusion | Emperia Group interest in share capital (% at balance sheet date) | Emperia Group voting power (% at balance sheet date) |
|---|---|---|---|---|
| "Lider" Sp. z o.o. in liquidation (1) | 70-660 Szczecin, Gdańska 3C | The financial data of these entities is immaterial to the extent of the obligation to present a reliable and clear picture of the Group's assets, financial standing and financial result | 100,00% | 100,00% |
| "Lewiatan Orbita" Sp. z o.o.(4) | 10-680 Olsztyn, Lubelska 33 | | 100,00% | 100,00% |
| "Lewiatan Kujawy" Sp. z o.o. (3) | 87-800 Włocławek, Komunalna 6 | | 100,00% | 100,00% |
| „Lewiatan Częstochowa" Sp. z o.o. (2) | 42-200 Częstochowa, Wręczycka 22/26 | | 37,50% | 37,50% |
| „Lewiatan Mazowsze" Sp. z o.o. (2) | 00-718 Warszawa, Czerniakowska 71 lokal 99 | | 38,20% | 38,20% |
| „Piccolo" Sp. z o.o. (5) | 43-100 Tychy, Grota Roweckiego 60 | | 50,00% | 50,00% |
| „Lewiatan Wielkopolska" Sp. z o.o. (6) | 60-665 Poznań, ul.Osiedle Winiary 54 | | 70,00% | 70,00% |
| „Lewiatan Opole" Sp. z o.o. (6a) | 45-325 Opole, Światowida 2 | | 89,21% | 89,21% |
| „Lewiatan Zachód" Sp. z o.o. | 73-100 Stargard Szczeciński, Przemysłowa 5 | | 100,00% | 100,00% |
| "ZKiP Lewiatan 94 Holding" S.A. (7) | 87-800 Włocławek, Zielony Rynek 5 | | *56,81% | *63,25% |
| „Lewiatan Północ" Sp. z o.o. | 80-298 Gdańsk, Bysewska 30 | | 100,00% | 100,00% |

* indirectly weighted share

(1) indirectly by Stokrotka Sp. z o.o.
(2) indirectly by Tradis Sp. z o.o.
(2a) directly (50,0% shares) and indirectly by Tradis Sp. z o.o. (50,0% shares)
(3) indirectly by Tradis Sp. z o.o. (59,11% shares) and directly (40,89% shares)
(4)indirectly by Społem Tychy Sp. z o.o.
(5) directly (7 shares, 10,0%), indirectly by Maro-Markety Sp. z o.o. (42 shares, 60,00%)
(5a) indirectly by Maro-Markety Sp. z o.o. (901 shares, 89,21%)
(6) directly and indirectly by Lewiatan: Kujawy, Podlasie, Śląsk, Orbita, Opole, Wielkopolska, Zachód

**List of entities other than subsidiaries entities in which associated entities hold less than 20% of shares as at 30 June 2010**

| Entity name | Registered address | Share capital (PLN) | Emperia Group interest in share capital (% at balance sheet date) | Emperia Group voting power (% at balance sheet date) |
|---|---|---|---|---|
| Giełda Rolno-Towarowa Sp. z o.o. (2) | 15-950 Białystok, Gen. Wł. Andersa 38 | 14 805 | 0,30% | 0,36% |
| Spółdzielnia Mieszkaniowa Lokatorsko-Własnościowa w Lidzbarku Warmińskim (1) | Lidzbark Warmiński | The acquisition is necessary as the commercial space in which the business is conducted is owned by the cooperative; | | |
| Beskidzkie Towarzystwo Kapitałowe S.A. (3) | 43-300 Bielsko Biała, Kamińskiego 19 | 21 520 | 4,37% | 4,37% |
| SPOŁEM" Domy Handlowe Sp. z o.o. (4) | 43-100 Tychy, Damrota 72 | 6 | 16,66% | 16,66% |
| Lewiatan Podkarpacie Spółka z o.o. (5) | 39-200 Dębica, Drogowców 8. | 170 | 0,59% | 0,59% |
| Elektroniczna Sieć Handlowa Merkury Spółka z o.o. (5) | 01-728 Warszawa, Powązkowska 46/50 | 3 298 | 11,20% | 11,20% |

(1) indirectly by Tradis Sp. z o.o.
(2) indirectly by Projekt Elpro 1 Sp. z o.o.
(3) indirectly by Euro Sklep S.A.
(4) indirectly by Społem Tychy Sp. z o.o.
(5) indirectly by ZKiP Lewiatan 94 Holding S.A.

## 6.2 Outline of Key Accounting Policies

### 6.2.1 Basis for Preparation of Financial Statements

These financial statements have been prepared on a historical-cost basis, with the exception of financial assets, which are reported at fair value.

The Management Board of Emperia Holding S.A. approves these financial statements on the date of signing them.

### 6.2.2 Conformity Statement

The financial statements of Emperia Holding S.A. have been prepared in compliance with the International Financial Reporting Standards („IFRS") adopted by the European Union.
The attached financial statements present in a reliable manner the financial standing of the Group, its financial performance and cash flows.
Presented condensed financial statements have been prepared in accordance with IAS 34.

### 6.2.3 Segment Reporting

From 2009 IFRS 8 *Operating Segments* replaced IAS 14 Reporting Financial Information by Segment. In new standard for identifying and measuring results of operating segments which are subject to reporting and disclosure adopted an approach based on perspective of Management Board.
Operating segment is a component of the operator:

- who runs the business associated with obtaining revenue and incurring expenses (including revenues and expenses related to transactions with other segments of the same operator)
- whose results is regularly reviewed by persons responsibility for making operational decisions concerning allocation of resources to segment and assess of results achieved by him,
- about which can be obtained the separate financial information.

A geographical segment is a component of an enterprise that provides products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.
The Company operates exclusively in Poland, the regions of which—given their proximity—demonstrate similar economic conditions and the scope of risks, and thus must be seen as largely uniform.
The Company as the parent company of the Group distinguishes the following operating segments:

1. **Wholesaling** (Wholesale Segment)* comprised of the following subsidiaries: Tradis Sp. z o.o., DEF Sp. z o.o., Ambra Sp. z o.o. - consisting in wholesale distribution of goods and related services;
2. **Retailing** (Retail Segment) comprised of the following subsidiaries:: Stokrotka Sp. z o.o., Detal Koncept Sp. z o.o., Lewiatan Podlasie Sp. z o.o., Maro Markety Sp. z o.o., Społem Tychy Sp. z o.o., Euro Sklep S.A., Lewiatan Śląsk Sp. z o.o. - consisting in retail sale and related services;
3. **Other** include the holding operations of the Issuer's Company and the operation of other subsidiaries: Elpro Sp. z o.o., Projekt Elpro 1 Sp. z o.o. – providing property development and facility management services; Infinite Sp. z o.o., Emperia Info Sp. z o.o. – providing IT services, and PSD S.A. a partner network management company.

As regards geographical segments, given the above considerations, the Group does not distinguish any other segments except for the entire Poland.
Inter-segment business transactions are effected on an arm's length basis. These transactions are subject to exclusion in the consolidated financial statements.

### 6.2.4 Functional Currency

PLN is the functional currency and the currency of presentation for all the items of the financial statements. All the

figures in the financial statements and in the explanatory notes are reported in PLN 000s (unless indicated otherwise).

The reporting in PLN 000s is due to rounding, and consequently total figures presented in these financial statements may not add up exactly to the sum to their individual components.

### 6.2.5 Changes in Accounting Policies Applied

The newly introduced IFRS standards and interpretations for reporting periods from 1 January 2010 had no material application to the operations of the Emperia Holding Group. The Company did not change its accounting policies in 2010.

### 6.2.6 Future Expected Changes in Accounting Policies

New standards, their changes and interpretations which became effective as from 2010:

**a) IFRIC 12 „Concession Agreement"**

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

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

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

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

The revised IAS 39 was issued on 31 July 2008 and is effective for annual periods beginning on and after 1 July 2009. The amendments relate to the criteria for recognising an item as a hedged item. Two issues that relate to hedge accounting were clarified: recognition of inflation as a risk subject to hedging and hedge in the form of an option.

**d) IFRIC 15 Agreements for the Construction of Real Estate**

The interpretation was issued on 3 July 2008 and is effective for annual periods beginning on and after 1 September July 2009. The interpretation relates to accounting for revenues and costs of real estate construction carried out directly by the entity or by subcontractors. The agreements covered by the scope of IFRIC 15 are referred to as "agreements for the construction of real estate" and may also provide for the supply of other goods and services. The interpretation specifies whether or not the relevant agreement for the construction of real estate is covered by the scope of IAS 11 or IAS 16, and when revenues from real estate construction need to be recognised.

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

The interpretation was issued on 3 July 2008 and is effective for annual periods beginning on and after 30 June 2009. The interpretation applies to those entities which hedge exchange risk inherent in net investments in foreign operations and apply hedge accounting in accordance with IAS 39.

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

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

**g) IFRIC 18 Transfers of Assets from Customers**

The interpretation was issued on 29 January 2009 and is effective for annual periods beginning on and after 1 July 2009. The interpretation will apply mainly to the sector of utilities. The interpretation provides guidelines for recognition of assets received from customers to be used to connect such customer to the grid or to provide the customer with services using the asset so contributed.

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

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

**i) Updated IAS 27 Consolidated and Separate Financial Statements**

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

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

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

**k) Amendments to IFRS 2 Share-based Payment**

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

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

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

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

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

**n) Amendments to IFRS 2009**

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

**o) Amendments to IFRS 7 Financial Instruments: Disclosures**

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

It is the Company view that the adoption of the above revised standards and new interpretations will not have any material effect on the financial statements for first half of 2010.

It is the Company's view that the adoption of the above revised standards and new interpretations will not have any material effect on the financial statements for first half of 2010.

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

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

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

**b) IFRS 9 Financial Instruments**

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

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

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

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

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

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

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

**f) Amendment to IAS 24 Related Party Disclosures**

The amendment to IAS 24 is effective for annual periods beginning on and after 1 January 2011. The amendment removed the requirement for state-related entities to make detailed disclosures on all transactions with the state and other state-related entities. It also clarified and simplified the definition of a related party. The amendment has not as yet been adopted by the European Union.

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

### 6.2.7 Accounting Estimates

The preparation of the financial statements requires the Management Board to apply certain accounting estimates and make assumptions as to future events which can affect the value of assets and liabilities reported in the current and future financial statements. These estimates and assumptions are subject to on-going monitoring, are based on the Management Board's best of knowledge, historical experience and expectations as to future events which appear likely in the relevant situation. Still, they may include a certain margin of error and the actual performance may differ from the forecasts The key estimates may relate to the following balance sheet items: fixed assets and intangible assets (to the extent of useful economic life and the impairment of assets), provisions against employee benefits (bonuses, pensions, accrued leave payments), provisions against customer loyalty programmes, stock revaluation allowances, deferred tax assets and liabilities.

### 6.2.8 Correction of Errors

Errors may relate to the recognition, valuation, presentation or disclosure of information relating to specific items of the financial statements.
Any errors identified at the stage of preparation of the financial statements are corrected by the company in the relevant financial statements. Any errors identified in the successive periods are corrected by adjusting comparable data presented in the financial statements for the period in which the error is identified. The Company corrects errors of previous periods using the retrospective approach and by retrospective transformation of data, if practically feasible.

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

**Acquisition of shares in subsidiaries and other**

**a) Purchase of additional shares in Społem Tychy Sp. z o.o.**

On 8 February 2010 Emperia Holding SA purchased from an individual 10 shares in a share capital of limited liability company Społem Tychy Sp. z o.o. with its seat in Tychy, which—alongside the interest previously held by subsidiary Tradis Sp. z o.o. carries 99,22 percent of votes at the general meeting of shareholders and represents 99,22 percent of the share capital of Społem Tychy Sp. z o.o.

**b) Purchase of additional shares in Lewiatan Kujawy Sp. z o.o. in Włocławek**

On 7 April 2010 Emperia Holding SA purchased a package of 430 shares in the company Lewiatan Kujawy Sp. z o.o. in Włocławku. This package represents 50% of share capital of Lewiatan Kujawy Sp. z o.o. Following the above acquisition, Emperia holds directly or indirectly through its subsidiaries 100 percent of the Company's share capital, carrying 100 percent of votes at the General Meeting of Shareholders.
Lewiatan Orbita Sp. z o.o. operates 9 own shops and organize a chain of retail FMCG outlets, currently comprising 246 stores located in the regions of Poland: kujawsko-pomorskie, pomorskie, łódzkie, mazowieckie, śląskie. Company turnover in 2009 amounted to 34,000,000. PLN.

**c) Acquisition of Shares in Newly-Established Company Ezon Sp. z o.o. z in Lublin**

On 22 June 2010 Emperia Holding S.A. acquired 200 shares of nominal value 500 PLN/each in a newly-established company - Ezon Sp. z o.o.. Acquired shares are covered by a cash contribution in amount of PLN 100 000 and represent 100 percent of the share capital and carry a right to 100 percent of votes at the Company's general meeting. On 26 July 2010 Company was registered in the District Court, XI KRS Department in Lublin, number 0000361697. Subject of activity of Company is a market research and public opinion..

**Acquisition of shares and Internal Mergers within Emperia Holding Group**

No such event occurred in the Group.

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

No such event occurred in the Group.

### 6.2.10 Tangible fixed assets

The Company recognises as individual fixed assets things capable of use, meeting the requirements set forth for fixed assets in IAS 16, if the purchase price (cost of construction) is at least PLN 1,000, with the exception of computer hardware, which, given the specific nature of the Company's operations, taken together constitute a material asset, and thus are recognised as fixed assets by the Company, regardless of the purchase price (cost of construction).

Due to the nature of the Company, office furniture despite meet the criterion of value shall not be regarded as fixed assets, their value criterion was set at 3,500 PLN.

Fixed assets are reported at purchase price or cost of construction less depreciation to date and allowances for impairment, if any.

Fixed assets under construction and lease improvements are also recognised by the Company as fixed assets and law of perpetual using of ground.

The initial value of fixed assets comprises the purchase price plus all purchase-related costs and costs necessary to bring the asset to working condition for its intended use. During the adjustment of fixed assets to use for initial value of the Company also includes an appropriate part of the external financial cost.

The upgrade costs are recognised as part of the balance sheet value of fixed assets if it is likely that the upgrade will improve economic benefits for the Company and the upgrade costs can be reliably measured. All other fixed asset repair and maintenance expenditures are recorded as costs in the profit and loss account in the reporting period in which they are incurred.

Land is not depreciated. The other fixed assets are depreciated over their useful economic life on a straight-line basis, from the month following the month in which the asset is brought into use. The Company has adopted the following economic useful life periods for the various categories of fixed assets:

| | |
|---|---|
| Buildings and structures | 10 to 40 years |
| Machinery and equipment | 5 to 10 years |
| Computer hardware | 1.5 to 5 years |
| Vehicles | 5 to 7 years |
| Other | 5 to 10 years |

The Company reviews periodically, not later than at the end of the financial year, the adopted economic useful life periods for fixed assets, final value and depreciation methods, and the effects of changes in these estimates, if any, are reflected in the following and subsequent financial years (prospectively).

Given the specific nature of the Company's operations, the Company is often required to undertake leasehold improvements. This applies to warehousing and retail facilities held by the Company under lease. As regards those assets, the Company sets the economic useful life for its expenditures which does not always corresponds with the term of the lease agreement in effect at a given time. If the lease term is shorter than the expected depreciation period, assets impairment allowances are charged and recognised as other operating expense in the profit and loss account. In the event the term of the lease is extended, the relevant part of the allowance made is reversed.

As at the balance sheet date, the Company also reviews fixed assets for impairment and the need to make revaluation allowances on these grounds. This happens once the Company obtains sufficient assurance that the relevant asset will not generate the expected economic benefits in the future or will generate them at a level that is significantly lower than expected.
The allowances are charged against other operating expense in the period in which impairment is identified, not later than at the end of the financial year.
If the Company obtains sufficient assurance that the cause for asset revaluation have ceased, it reverses the revaluation allowance previously effected in part or in full by recognising other operating income.

At the time of disposal of fixed assets, the initial value and the depreciation to date are derecognised, and the

disposal result is recorded as other operating income or expense, as the case may be, in the profit and loss account. The fixed asset disposal result is reported as profit or loss, as appropriate.
The costs of day-to-day operation of fixed assets, including replacement of parts, are recognised in the profit and loss account when incurred.

### 6.2.11 Costs of external financing

Commissions on long-term financing contracted by the Company are accounted for over time at the adjusted purchase price (amortised cost) using the effective interest rate method.

The costs of external financing contracted to purchase or construct a fixed asset incurred until the fixed asset is brought into use are capitalised as a component of the purchase or construction of the asset.
When external financing is specifically targeted and it is possible to identify a specific expenditure with specific costs of financing the asset, financing costs increase the value of expenditures for the purchase, construction or production of the relevant tangible fixed asset or intangible asset.

In the other cases, external financing costs are recognised in the profit and loss account. For the Company external financing over one year is long-term financing.

### 6.2.12 Fixed assets for sale

The Group classifies fixed assets for sale (or a category of fixed assets for sale) as disposable if it decides that their carrying value will be recovered by disposal rather than continued use as part of business operations. The condition is deemed fulfilled when the disposal transaction is highly likely to take place, and the asset (category of assets) is available for immediate disposal as it is at the given moment. Classifying fixed assets as disposable rests on the assumption that the management board of the company intends to complete the disposal within a period of one year from the date of fixed asset reclassification.

The Company carries a fixed asset (or a category of fixed assets for sale) classified as disposable at the lower of the balance sheet value and fair value less cost of sale

### 6.2.13 Intangible assets

Intangible assets are carried at purchase price adjusted for depreciation to date and impairment allowances, if any.

The Group has adopted the following useful life periods for the various categories of intangible assets:

| | |
|---|---|
| Trademarks and licenses | 5 years |
| Software and copyrights | 2 to 5 years |
| Proprietary interests | 5 years |

Depreciation of intangible assets is recorded in the profit and loss account as operating expense (administrative expense and selling expense).

The Group holds no intangible assets with an indefinite useful life.

Goodwill is not subject to depreciation. It is annually tested for impairment.

Intangible assets acquired as part of mergers are identified separately from goodwill providing they meet the definition of intangible assets and their fair value can be reliably measured. After the initial recognition at fair value, in subsequent period such intangible assets are treated in the same way as assets acquired under separate transactions.

Computer software purchased is activated up to the cost of purchase and the cost of preparation and implementation for its intended use. Any costs relating to the development and maintenance of software are charged against costs on the date of being incurred.

The Company reviews periodically, not later than at the end of the financial year, the adopted economic life periods, final value, and depreciation methods of intangible assets, and the effects of changes in these estimates, if any, are reflected in the following and subsequent financial years (prospectively).

As at the balance sheet date, the Company also reviews intangible assets for impairment and the need to make revaluation allowances on these grounds. This happens once the Company obtains sufficient assurance that the relevant asset will not generate the expected economic benefits in the future or will generate them at a level that is significantly lower than expected.
The allowances are charged against other operating expense in the period in which impairment is identified, not later than at the end of the financial year.
If the Company obtains sufficient assurance that the cause for asset revaluation have ceased, it reverses the revaluation allowance previously effected in part or in full by recognising other operating income.

### 6.2.14 Investments and other financial assets

**Investments in real property**

Investment real properties are those real properties which are treated by the Company as a source of income from rent and/or which the Company retains with a view to their expected appreciation in value. The investments in real property are initially recognised at price of purchase or cost of construction.

The carrying value includes costs of transaction. The purchase price of real property investments acquired by way of merger of businesses corresponds to their fair value as at the date of merger. On the balance sheet date, investment real properties are reported at the purchase price or cost of construction less accumulated depreciation and impairment allowances.

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

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

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

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

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

Financial assets are initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable.

The classification of financial assets is made at their initial recognition, and where it is permissible and appropriate, the classification is reviewed at the end of each financial year.

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

Financial assets recognised at fair value through profit or loss include marketable assets and the financial assets which upon initial recognition were classified as measured at fair value through profit or loss.

Financial assets are classified as marketable if they are bought for resale in a short period of time. Derivatives are also classified as marketable, unless they are recognised as effective hedging instruments or financial guarantee agreements. Profit or loss on marketable investments is reported in the profit and loss account.

At the time of initial recognition financial assets may be classified as measured at fair value through profit or loss if the following criteria are met:

- such classification eliminates or significantly reduces incoherence of treatment when both the measurement and principles of recognising losses or profits are subject to other regulations; or
- assets are part of a category of financial assets which are managed and measured at fair value in accordance with a documented risk management strategy; or
- financial assets include embedded derivatives which require separate recognition.

b) Loans and receivables

Loans and receivables are non-derivative financial assets, capable of being held to maturity, which are not traded on an active market. After initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

c) Investments held to maturity

The non-derivative financial assets, with fixed or determinable maturity, that the Company definitely intends and is able to hold to maturity are classified as investments held to maturity.

The investments that the Company intends to hold over an indefinite time are not part of this category. Other long-term investments, such as bonds, which the Company intends to maintain to maturity are recognised at amortised cost. Amortised cost is the amount at which a financial asset is measured when initially recognised, less principal repayments, and plus or minus the accumulated amortisation using the effective interest rate of all differences between the initial value and the value at maturity. The amortised cost includes all commissions and interest paid and received by the parties to the agreement as an inherent part of the interest rate, transaction costs and all premiums or discounts. Gains or losses on investments measured at amortised cost are recognised in the profit and loss account at derecognition of the investment from the balance sheet or upon impairment, and also as a result of amortisation.

The same principles of as those used for measuring fixed assets apply to long-term investments in real property. To the extent of transactions involving long-term tangible investments, relating to the determination of the financial result such as: sales, disposal, maintenance costs, the effects of those transactions are recognised respectively as other income and operating expense.

d) Financial assets available for sale

The financial assets available for sale are non-derivative instruments which are classified as available for sale or which are not:

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

Financial assets available for sale are measured at fair value as at the balance sheet date.

**Impairment of financial assets**

An assessment is made on each balance sheet date, as to whether there is objective evidence of impairment of a financial asset or a category of financial assets.

If such evidence exists with respect to financial assets available for sale, the aggregate losses to date recognised in equity—established as the difference between the purchase price and the current fair value, less any impairment recognised earlier in the profit and loss account—are derecognised from equity and recognised in the profit and loss account. Any impairment recorded in the profit and loss account with respect to equity instruments is not subject to reversal in correspondence to the profit and loss account. The reversal of impairment losses on financial debt

securities is recognised in the profit and loss account if, in the following periods, after the impairment is recognised the fair value of such financial instruments increases as a result of events occurring after impairment recognition.

If there is evidence as to the likely impairment of loans and receivables, the impairment loss is determined as the difference between the balance sheet value of assets and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (that is an effective interest rate calculated at the initial recognition for assets based on the fixed interest rate and the effective interest rate established at the time of last revaluation of assets based on variable interest rate). Impairment losses are recorded in the profit and loss account. The reversal of impairment losses is recognised if, in the following periods, the impairment is reduced and the reduction can be attributed to events that occur after recognition. Upon reversal of impairment loss, the carrying amount of financial assets may not exceed the amortised cost which would be established if the impairment loss had not been recognised previously. The reversal of impairment is recognised in the profit and loss account.

If there is indication of impairment of unlisted equity instruments which are recognised at cost of purchase (as a reliable measurement of the fair value is not possible), the impairment loss is determined as the difference between the carrying value of the asset and the present value of estimated future cash flows discounted at similar financial assets' present market rate of return.

**Derivatives**

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

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

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

**Recognising commercial derivatives**

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

**Recognising protecting derivatives**

Protecting, for purposes of the bookkeeping, consists in compensating between himself for get scores as a result of changes of fair value or changes of flows of financial means resulting from the protecting instrument and the protected position.

Profit and loss resulting from the change of fair value of the instrument protecting financial flows presents in the separate position of own capital- revaluation capital, in such a part, in which the given instrument constitutes the effective protection bound with it. The ineffective part is being taken back as financial costs or financial incomes for the profit and loss account.

Profit and loss resulting from changes of fair value of the instrument protecting in the effective part they are taking the profit and loss account away in the position appropriately for taking hold of changes of fair value of protected position. The ineffective part is being taken back as financial costs or financial incomes for the profit and loss account.

### 6.2.15 Lease financing

A lease financing agreement, under which substantially all the risks inherent in and benefits deriving from ownership are vested in the Company, is classified as a financial lease. The leased object is recognised in assets on the date of commencement of the lease at the lower of the following amounts: fair value of the leased object or the current value

of the minimum lease payments.

Each lease payment is divided into the amount reducing the liability and the amount of financial costs in a way that ensures maintaining a fixed rate with respect to the outstanding portion of the liability. The interest portion of the lease payment is reported as financing expense in the profit and loss account throughout the lease term. Depreciated assets acquired under lease financing are depreciated throughout the shorter of the useful life of the assets, taking into account the residual value, and the lease term.

A lease financing agreement, under which the lessor (financing party) retains a significant part of the risk inherent in and benefits deriving from ownership, represents an operating lease. In the event of land lease financing, unless the legal title to the land passes onto the lessee prior to the expiry of the lease term, such lease is classified as an operating lease.

Lease payments effected under an operating lease, less any promotions offered by the lessor (financing party), are charged against costs on a straight-line basis throughout the lease term.

### 6.2.16 Stock

Stock is carried at the purchase price or cost of construction, not higher however than the net selling price. The net selling price corresponds to the estimated selling price of stock plus the costs of effecting stock sale or of identifying the purchaser (that is the selling expense, marketing costs, etc.). The Company does not include transport costs in the purchase price, due to the fact that most suppliers of goods, from whom purchases goods, apply prices “loco” customer magazine.

The Company revaluates stock based on the stock ratio and the assessment of its marketability within the shelf life or economic use. New revaluation allowances and reversals of earlier allowances are recognised as operating (sale) expense in the profit and loss account.

Price rounding on stock purchases is recognised directly in the profit and loss account, including cost of goods sold.

Stock losses and the negative balance of stocktaking shortages which are found not to have occurred due to a fault are recorded as operating expense.

### 6.2.17 Accounts receivable and other receivables

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

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

The Company makes receivables revaluation allowances for specific buyers. The Company may also make collective revaluation allowances with respect to numerous but small receivables. The detailed terms of measuring receivables revaluation allowances are set forth under the Terms of effecting receivables revaluation allowances. A revaluation allowance is recorded as other expense. The reversal of an earlier allowance is recognised as other income and derecognized as a revaluation allowance.
As required under the prudence principle, default interest on delayed receivables is recognised at the time the funds are credited to the Comapny.

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

All prepayments, among others, on future deliveries of goods and services, assets under construction, shares,

intangible assets, etc. are recognised as other receivables.

### 6.2.18 Prepayments and accrued income

The Company reports prepayments if the expenditures incurred relate to periods following the period in which they are incurred.

Accrued income constitutes moneys received on account of future performances. Accrued income also includes accrued but not yet received income on account of performances recognised as income on a cash-accounting basis.

### 6.2.19 Cash and cash equivalents

Cash is recognised as at the balance sheet date at nominal value.

Cash includes: cash on hand, cash at bank and all cash deposits and short-term securities with maturity of up to three months.

The balance of cash and cash equivalents reported in the cash flow statement comprises the above cash and cash equivalents

### 6.2.20 Equity capital funds

The equity capital funds of dominant entity Emperia Holding S.A. comprise:
- initial (share) capital
- supplementary capital
- reserve capital,
- retained profit

The supplementary capital of Emperia Holding SA is divided into three categories:
- share premium capital – surplus generated as part of a share issue less costs of such share issue;
- supplementary capital – annual profit allocations of no less than 8 percent of net profit generated in the relevant financial year, until the supplementary capital reaches one third of the initial capital;
- supplementary capital – established in connection with the management option plan

The reserve capital of Emperia Holding SA is divided into two categories:
- reserve capital –earmarked to cover specific losses or expenditures, based on annual profit allocations;
- revaluation reserve capital – represents net difference arising as part of assets revaluation.

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

### 6.2.21 Bank credit facilities

Bank credit facilities are carried at the fair value of proceeds received less costs directly related to generating such proceeds. In the subsequent periods bank credit facilities are carried at the amortised purchase price, based on the effective interest rate.

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

### 6.2.22 Provisions

The Company establishes provisions when there is a current, legal or customarily expected obligation, arising from past events, that a likely liability to pay will arise. It must be more likely that funds will be required to be expensed to meet that obligation than the opposite, and it must be possible to reliably measure its amount.

The costs of a provision are recognised as other operating expense or sales costs .

If it is likely that part or all of the economic benefits required to settle the provision will be recovered from a third party, such amount is recognised as an asset, providing that the likelihood of recovery is sufficiently high and it can be reliably measured.

If the time value of money is significant, the provision is measured by discounting projected future cash flows to the current value based on a gross discount rate reflecting the actual market evaluations of the time value of money and the potential risk relating to the relevant liability. If discounting is used as a measuring method, the increase of the provision due to passage of time is recognised as financial expense.

The value of provisions established is reviewed on the balance sheet date to adjust the estimates based on the state of knowledge prevailing at that time.

### 6.2.23 Short-term liabilities, including accounts payable

Short-term liabilities include liabilities whose maturity falls within 12 months of the balance sheet date (with accounts payable being classified in the balance sheet as short-term liabilities regardless of their respective maturity date).

Short-term liabilities include in particular accounts payable, credit facilities and loans contracted, payroll, taxes, duties, insurance and other payments.

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

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

### 6.2.24 Employee benefits

Over time, the Company's employees acquire certain rights to benefits which are paid after the rights become vested. The Company's pay systems provide all employees with a right to an old-age pension bonus, managers and the management board members to an annual and three-year bonuses for meeting corporate and individual objectives.

In the light of the above, the Company established provisions against these benefits. These include pension bonuses, annual leaves accrued, annual and longer bonuses. The Company estimates related provisions. The provisions against old-age pension bonuses and accrued leaves are estimated in each reporting period, provisions against bonuses are estimated at the end of financial year. Estimates of retirement pay are made at the request of the company's by independent actuary.

#### *6.2.24.1 Share-based payments*

I Management Option Programme 2008-2009

The share-based scheme, three-year Management Option Programme, enables the Group's employees to acquire shares in the ultimate parent company. The Programme is targeted at the company's and subsidiary companies'

management board members and key managers. The aim of the Programme is to incentivise key management to achieve the Group's strategic objectives and tie them with the Group over the long-term.

The Company measured the Programme at fair value on the launch date, in accordance with the requirements of IFRS 2 and IFRIC 11. The valuation was prepared by a third-party expert based on the Monte-Carlo valuation model. The valuation took into account: model input price (share price on the day of granting the instrument) of PLN 40.50 per share, instrument exercise price of PLN 142, its expected variability at the level of 35 percent, the likelihood of earlier exercise at the level of 0 percent per annum in the case of Company's Management Board members and 3 percent per annum in the case of other eligible officers, expected dividend of PLN 0.90 per share (with assumed dividend increase by 10 percent in the following years), and the risk-free interest rate estimated as the rate of return on the PLN-denominated zero-coupon bills issued by the Polish government readily available on the vesting date. The fair value of the Programme was amortised throughout the term of the Programme, , starting from 30 October 2008 until the end of 2009.

The fair value of the Programme is recognised in the profit and loss account as the costs of the management option programme in correspondence to the increase of supplementary capital.

II Management Option Programme 2010-2012

Three-year Management Option Programme, will be implemented between 2010-2012 and is targeted at the company's and subsidiary companies' management board members and key managers. The aim of the Programme is to tie first-rate specialists with the Group over the long-term to ensure growth and improved efficiency of the Group's operations.

Options granted to entitled persons, under that tranche will be divided into two parts (financial objective and market objective) and will be depend on the fulfillment of certain aims (financial and market) of the Company.

The Company recognised the Plant at fair value on the launch date, in accordance with the requirements of IFRS 2 and IFRIC 11. The valuation was prepared by using modern financial engineering, modern numerical methods by an independent expert based on Monte-Carlo valuation model. The valuation took into account: model input price of PLN 75,50 per share (share price on the day of granting the instrument - 26 March 2010), price of instrument execution of PLN 79,82, expected volatility of level of 39%, and risk-free rate 5,5%, expectation of dividend at level PLN 0.92 per share in 2010, PLN 1,12 per share in 2011, PLN 1,35 per share in 2012, PLN 1,60 per share in 2013 and taking into account the increase of dividend by 15% in subsequent years.

The fair value of the Plan is amortised throughout the term of the Plan, starting from 26 March 2010 to 31 December 2010. In the Financial Statements the fair value of the Plan for first half of 2010 is PLN 795 600 and is presented in the profit and loss statement as cost of a managerial program options with a corresponding increase in capital.

### 6.2.25 Corporate tax

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

#### a) Current tax

The current corporate tax is established on the basis of the tax result (taxation base) of the relevant financial year.

Tax profit (loss) differs from the balance sheet profit (loss) due to exclusion of taxable revenues and costs treated as revenue costs in the following years as well as those revenues and costs which will never be taxable. The current tax payable is calculated at tax rates effective in the relevant financial year.

#### b) Deferred tax

The deferred tax liability is carried at full amount using the liability method on account of temporary differences between the tax value of assets and liabilities and their balance sheet value reported in the financial statements.

The deferred corporate tax is determined at tax rates legally or actually applicable as at the balance sheet date, which

will be applicable when realised. The basic temporary differences relate to the different measuring of assets and liabilities settled in time for tax and balance sheet purposes.

Deferred tax assets are recognised if it is likely that in the future taxable income will be generated, thus enabling consumption of the temporary differences. In the balance sheet, the deferred tax liabilities or assets are carried respectively as long-term liabilities or assets.

### 6.2.26 Sales revenues

**Revenues from sale of goods**

**Wholesale** – recognised at the time of delivery of goods to the client (client may also decide to individually select and collect the goods), after the client accepts the goods, and there is sufficient assurance that the related receivable is recoverable. The retrospective discounts granted by suppliers of goods are recognised when received and recorded as a reduction of the cost of goods sold in the profit and loss account. The bonuses and discounts granted by suppliers based on the volume of trade with the supplier are recognised in stock

**Retail** – recognised when goods are sold to the customer. Retails sales are mainly paid for in cash or by credit/debit card. Credit/debit card transaction charges are recorded as selling expense.

**Revenues from sale of services**

Revenues from sale of services are recognised once the service commissioned are provided. If the relevant agreement with the buyer so stipulates, revenues with respect to partial provision of the services can also be recognised, as agreed in an individual agreement.

**Revenues from interest**

Interest revenues are recognised on an accrual basis if there is sufficient assurance that the related receivable is recoverable. In the trading business, given its specificity, interest has a different role and hence for the most part it is recognised as revenues on a cash basis.

**Dividends**

Revenues from dividends are recognised when the right to obtain the payment becomes vested in the Company. Dividend payments to shareholders are recognised as a liability in the period in which they are approved by the General Meeting of Shareholders and recorded in other liabilities.

### 6.2.27 Costs

**Cost of goods and materials sold** – includes direct costs of goods and materials sold, which are commensurate with revenues generated on their sale.

**Cost of services** – includes expenditures directly related to the provision of services.

**Selling expense** – includes expenditures relating to goods marketing and distribution.

**General administrative expense** – includes costs relating to the operation of the company as a whole, in addition to those which are treated as other operating expense or financial expense.

**Other operating expense** – includes costs directly relating to the Group's operations.

**Financial expense** – includes costs relating to the financing of the Group's business and those of impairment of its financial assets.

### 6.2.28 Transactions in foreign currencies and exchange differences

All business transactions denominated in foreign currencies are converted into the Group's functional currency (PLN) at the average exchange rate effective on the date of the transaction.

On each balance sheet date:

- cash assets denominated in a foreign currency are converted at the closing rate;
- non-cash assets carried at historical cost in a foreign currency are converted at the exchange rate effective on the date of the transaction, and
- non-cash assets carried at fair value in a foreign currency are converted at the exchange rate of the date of measuring the fair value.

Foreign exchange gains and losses on the settlement of transactions denominated in foreign currencies and balance sheet recognition of cash assets and liabilities denominated in foreign currencies are recorded in the profit and loss account respectively as financial income or expense. The exchange differences are recognised as per account balance.

## 6.3 Additional explanatory notes

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

Description of the Group's basic accounting policies applied from 1 January 2005 is presented in Note 6.2 of these financial statements.
These principles Company applies retrospectively, to present fairly and credibly financial results.

### 6.3.2 Seasonality and cyclicality of production.

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

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

The Company experienced no such events.

### 6.3.4 Changes in tangible fixed assets and intangible assets

| Changes in tangible fixed assets and intangible assets | Changes in first half of 2010 | Changes in 2009 |
|---|---|---|
| **Tangible fixed assets** | | |
| As at the beginning of the period | 45 825 | 41 446 |
| *acquisition / disposal* | *(1 898)* | *4 379* |
| **As at the end of the period** | **43 927** | **45 825** |
| **Intangible assets** | | |
| As at the beginning of the period | 6 418 | 4 565 |
| *acquisition / disposal* | *580* | *1 853* |
| **As at the end of the period** | **6 998** | **6 418** |

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

Principles of creating and reversal of write–offs of tangible fixed assets Revaluation of stock, and Revaluation of receivable under the Company presented in Note No. 6.2.10, 6.2.13, 6.2.14, 6.2.16, 6.2.17.

| Description | Changes in first half of 2010 | Changes in 2009 |
|---|---|---|
| ***Revaluation allowances for receivables*** | | |
| As at the beginning of the period | (3 881) | (4 147) |
| Creating of write-offs | *(102)* | *(134)* |
| Reversal of write–offs | *781* | *400* |
| **As at the end of the period** | **(3 202)** | **(3 881)** |
| ***Revaluation allowances for financial assets*** | | |
| As at the beginning of the period | (263) | (263) |
| Creating of write-offs | - | - |
| Reversal of write–offs | - | - |
| **As at the end of the period** | **(263)** | **(263)** |

The company did not make any write-downs or reversals of other titles than those presented above, both during the period for which financial statements are presented, as well as in the comparative period.

### 6.3.6 Deferred corporate tax.

| Deferred corporate tax | Changes in first half of 2010 | Changes in 2009 |
|---|---|---|
| ***Deferred corporate tax assets*** | | |
| As at the beginning of the period | 310 | 929 |
| *Increase of assets* | *7* | *64* |
| *Reduction of assets* | *(49)* | *(683)* |
| **As at the end of the period** | **268** | **310** |
| ***Provision against deferred corporate tax*** | | |
| As at the beginning of the period | 1 294 | 723 |
| *Increase of assets* | *381* | *572* |
| *Reduction of assets* | - | - |
| **As at the end of the period** | **1 675** | **1 295** |

### 6.3.7 Financial assets

| Financial assets | 30 June 2010 | 31 December 2009 |
|---|---|---|
| Other shares | 496 223 | 493 579 |
| *- including related entities* | *496 223* | *493 579* |
| Shares | 23 002 | 23 002 |
| *- including related entities* | *23 002* | *23 002* |
| **Total financial assets** | **519 225** | **516 581** |

Information on acquisitions and disposals of shares in subsidiaries are in Note No. 6.2.9.

Information of financial assets revaluation allowances are in Note No. 6.3.5.

### 6.3.8 Short-term securities

| Short-term securities | 30 June 2010 | 31 December 2009 |
|---|---|---|
| Debt securities | 84 629 | 31 745 |
| *- including related entities* | *84 629* | *31 745* |
| **Total short-term securities** | **84 629** | **31 745** |

During the reporting period the Company purchased solely the bonds from subsidiaries. The interest rate on bonds is determined by market conditions. Bonds are valued at amortized cost.

Information on realized by the Company interest on debt securities are in note 6.3.17.

Purchase of short-term bonds (in nominal value) presented below:

First half of 2010

| Transactions in the bonds in 2010 | Stokrotka Sp. z o.o. | Elpro Sp. z o.o. | Total |
|---|---|---|---|
| As at the beginning of the period | 19 000 | 12 900 | 31 900 |
| *Bonds issue* | 130 800 | 153 800 | 284 600 |
| *Bonds redemption* | (119 200) | (112 300) | (231 500) |
| As at the end of the period | 30 600 | 54 400 | 85 000 |
| **As at the end of the period - discounted** | **30 466** | **54 163** | **84 629** |

Year 2009

| Transactions in the bonds in 2009 | Tradis Sp. z o.o. | Stokrotka Sp. z o.o. | Elpro Sp. z o.o. | Total |
|---|---|---|---|---|
| As at the beginning of the period | 15 000 | 32 800 | 18 500 | 66 300 |
| *Bonds issue* | 94 000 | 269 200 | 169 096 | 532 296 |
| *Bonds redemption* | (109 000) | (283 000) | (174 696) | (566 696) |
| As at the end of the period | - | 19 000 | 12 900 | 31 900 |
| **As at the end of the period - discounted** | **-** | **18 908** | **12 837** | **31 745** |

### 6.3.9 Other financial assets

| Other financial assets | 30 June 2010 | 31 December 2009 |
|---|---|---|
| Deposit hedging credit | - | - |
| Granted loans | - | 17 000 |
| *- including related entities* | - | *17 000* |
| **Total other financial assets** | **-** | **17 000** |

Value of granted loans at 31 December 2009 consists of loan granted to a subsidiary Stokrotka Sp. z o.o. The loan rate is based on market rate WIBOR + margin. Loan was repaid in first half of 2010.

During firs half of 2010 Company granted a total short-term loan to a subsidiary Emperia Info Sp. z o.o in amount of PLN 900 000. These loans were repaid during the first half of year. Information on realized by the Company interest on debt securities are in note 6.3.17.

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

| Provisions against employee benefits | Changes in first half of 2010 | Changes in 2009 |
|---|---|---|
| **Long-term** | | |
| As at the beginning of the period | 88 | 42 |
| *Increases/reductions during the period* | *24* | *46* |
| **As at the end of the period** | **112** | **88** |
| **Short-term** | | |
| As at the beginning of the period | 877 | 1 834 |
| *Increases/reductions during the period* | *(109)* | *(957)* |
| **As at the end of the period** | **768** | **877** |
| **Other provisions** | **Changes in first half of 2010** | **Changes in 2009** |
| **Long-term** | | |
| As at the beginning of the period | - | - |
| *Increases/reductions during the period* | - | - |
| **As at the end of the period** | **-** | **-** |
| **Short-term** | | |
| As at the beginning of the period | 76 | 95 |
| *Increases/reductions during the period* | *(46)* | *(19)* |
| **As at the end of the period** | **30** | **76** |

Other provisions are relate to remuneration for the review and audit of financial statements for the first half of 2010

### 6.3.11 Loans, debt securities and other long-term financial liabilities

| Loans, debt securities and other long-term financial liabilities | 30 June 2010 | 31 December 2009 |
|---|---|---|
| Bank credits | - | - |
| Loan | - | - |
| *- including related entities* | - | - |
| Debt securities | - | - |
| *- including related entities* | - | - |
| Financial leasing | 88 | 21 |
| Valuation of other financial instruments | - | - |
| **Total loans, debt securities and other long-term financial liabilities** | **88** | **21** |

In first half of 2010 Company signed a lease, which subject is computer equipment. The contract value amounts to PLN 235 000. The agreement was concluded for a period of 24 months. In addition, the Company is a party to lease agreement, which subject is passenger car.

Performance of the obligations secured by the Company for each of the leases is blank promissory note. The terms of the contracts are standard and do not deviate from the terms of contracts on the market.

The line "Financial leasing" presented in this note are long-term liabilities arising from leases.

Futher informations in Note No. 6.3.26.

Futher informations about cost of financial leasing in Note No. 6.3.17

### 6.3.12 Loans, debt securities and other short-term financial liabilities

| Loans, debt securities and other short-term financial liabilities | 30 June 2010 | 31 December 2009 |
|---|---|---|
| Bank credits | - | - |
| Loan | - | - |
| *- including related entities* | - | - |
| Debt securities | - | 3 995 |
| *- including related entities* | - | - |
| Financial leasing | 115 | 28 |
| Valuation of other financial instruments | - | - |
| **Total loans, debt securities and other short-term financial liabilities** | **115** | **4 023** |

The line "Financial leasing" presented in this note are short-term liabilities arising from leases.

Information on incurred by the Company expense under interest on the lease are in note 6.3.17.

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

In 2005, Emperia Holding S.A. concluded an agreement with BRE Bank S.A. providing for a five-year short-term and medium-term bonds issue programme of the aggregate of up to PLN 50,000,000.

Information on costs incurred by the Company under issuance and redemption of bonds are in note 6.3.17.

Bonds issue and redemption (expressed in nominal amounts) of Emperia Holding S.A. in first half of 2010 and 2009 were as follows:

First half of 2010:

| Bonds issue and redemption in first half of 2010 | Total | External issue |
|---|---|---|
| As at the beginning of the period | **4 000** | **4 000** |
| *Bonds issue* | ***4 000*** | *4 000* |
| *Bonds redemption* | ***(8 000)*** | *(8 000)* |
| **As at the end of the period** | **-** | **-** |
| **As at the end of the period - discounted** | **-** | **-** |

Year 2009:

| Bonds issue and redemption in 2009 | Total | Elpro Sp. z o.o. | External issue |
|---|---|---|---|
| As at the beginning of the period | - | - | - |
| *Bonds issue* | ***43 700*** | ***700*** | ***43 000*** |
| *Bonds redemption* | ***(39 700)*** | ***(700)*** | ***(39 000)*** |
| **As at the end of the period** | **4 000** | **-** | **4 000** |
| **As at the end of the period - discounted** | **3 995** | | **3 995** |

### 6.3.14 Net sales

| NET SALES OF PRODUCTS (by type of products) | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| Sales of services | 26 413 | 25 267 |
| *- including to related entities* | *24 656* | *24 573* |
| **Total net sales of products** | **26 413** | **25 267** |
| ***- including to related entities*** | *24 656* | *24 573* |
| **NET SALES OF PRODUCTS (by geographic area)** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
| Domestic | 26 413 | 25 267 |
| *- including to related entities* | *24 656* | *24 573* |
| Export | - | - |
| *- including to related entities* | - | - |
| **Total net sales of products** | **26 413** | **25 267** |
| ***- including to related entities*** | *24 656* | *24 573* |

| NET SALES OF MERCHANDISES AND MATERIALS (by type of activity) | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| Sales of merchandises and materials | 203 | 338 |
| *- including to related entities* | *19* | *41* |
| **Sales of merchandises and materials** | **203** | **338** |
| ***- including to related entities*** | *19* | *41* |
| **NET SALES OF MERCHANDISE AND MATERIALS (by geographic area)** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
| Domestic | 203 | 338 |
| *- including to related entities* | *19* | *41* |
| Export | - | - |
| *- including to related entities* | - | - |
| **Total net sales of merchandise and materials** | **203** | **338** |
| ***- including to related entities*** | *19* | *41* |

### 6.3.15 Costs by kind including payroll

| COST BY KIND | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| depreciation and amortization | (5 082) | (3 391) |
| materials and energy | (917) | (888) |
| external services | (9 457) | (8 594) |
| payroll | (9 486) | (7 806) |
| social security and other employee benefits | (1 531) | (1 473) |
| taxes and charge | (363) | (452) |
| other costs | (104) | (123) |
| **Total cost by kind of expenditure** | **(26 940)** | **(22 727)** |
| Sales costs | (2) | (2) |
| Overhead costs | (5 077) | (3 742) |
| Cost of products sold | (21 861) | (18 983) |

| **Payroll** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
|---|---|---|
| Salary | (9 486) | (7 806) |
| -Including the cost of a managerial options program | *(796)* | - |
| social security | (1 326) | (1 258) |
| company's social benefit fund | (132) | (132) |
| personnel training | (44) | (57) |
| other | (29) | (26) |
| **Total payroll** | **(11 017)** | **(9 279)** |

### 6.3.16 Non operating income and expenses

| NON OPERATING EXPENSES AND INCOME | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
|---|---|---|
| Profit from the sale of non-financial fixed assets | - | 56 |
| Revaluation of non-financial assets | 116 | 42 |
| Other non operating expenses | 133 | 49 |
| **Total non operating income** | **249** | **147** |
| **Revaluation of non-financial assets** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
| Creating of write-offs – inventory | - | - |
| Reversal of write-offs – inventory | - | - |
| Creating of write-offs – fixed assets | - | - |
| Reversal of write-offs – fixed assets | - | - |
| Creating of write-offs - receivable | (102) | (14) |
| Reversal of write-offs - receivable | 218 | 56 |
| **Total revaluation of non-financial assets** | **116** | **42** |
| **Other non operating income** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
| Compensation of vehicle damages | 50 | 38 |
| VAT received from the state budget previously classified to cost | 48 | - |
| Overdue trade payables | 10 | - |
| Compensation of fixed assets purchase | 5 | 5 |
| Court proceedings income | 20 | 6 |
| **Total other non operating income** | **133** | **49** |

| **Other non operating expenses** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
|---|---|---|
| Loss on disposal of fixed assets | (19) | - |
| Revaluation of assets | - | - |
| Other non operating costs | (120) | (60) |
| **Total other non operating expenses** | **(139)** | **(60)** |
| **Other non operating expenses** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
| Donations | (46) | (6) |
| Compensation of vehicle damages | (26) | (47) |

| | | |
|---|---|---|
| Court proceedings costs | (42) | (1) |
| Cost of real estates | (2) | (2) |
| Other operating costs | (4) | (4) |
| **Total other non operating expenses** | **(120)** | **(60)** |

### 6.3.17 FINANCIAL INCOME AND EXPENSES

| FINANCIAL INCOME AND EXPENSES | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| Dividends received | 59 314 | 38 748 |
| *- including related entities* | *59 314* | *38 748* |
| Interest | 1 542 | 1 746 |
| *- including related entities* | *1 469* | *1 636* |
| Profit on the disposal of investments | - | - |
| Other | - | - |
| **Total financial income** | **60 856** | **40 494** |
| Interest | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
| Loans granted | 231 | 122 |
| *- including related entities* | *231* | *116* |
| Interest on deposits | 22 | 64 |
| Interest on overdue receivables | 73 | 121 |
| *- including related entities* | *42* | *81* |
| Interest on bonds | 1 195 | 1 439 |
| *- including related entities* | *1 195* | *1 439* |
| Other interest | 21 | - |
| *- including related entities* | - | - |
| **Total interest** | **1 542** | **1 746** |

Presented in the above note, the dividends received proceeds entirely on the Company's bank account in June 2010.

| Financial expenses | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| Interest | (102) | (307) |
| *- including related entities* | *(3)* | *(52)* |
| Loss on the disposal of investments | - | - |
| Other financial expenses | - | - |
| **Total financial expenses** | **(102)** | **(307)** |
| **Interest** | **6 months ended 30 June 2010** | **6 months ended 30 June 2009** |
| Bank loan interest | - | - |
| Leasing interest | (28) | (3) |
| *- including related entities* | - | - |
| Loans interest | - | - |
| *- including related entities* | - | - |
| Interest on overdue payables | (4) | (53) |
| *- including related entities* | *(3)* | *(52)* |

| | | |
|---|---|---|
| Bonds interest | (66) | (248) |
| *- including related entities* | - | - |
| Treasury interests | (4) | (3) |
| Other interest | - | - |
| *- including related entities* | - | - |
| **Total interest** | **(102)** | **(307)** |

### 6.3.18 Corporate Income Tax

| Corporate Income Tax | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 |
|---|---|---|
| **Profit/loss before tax** | **60 396** | **42 885** |
| **Non taxable revenues** | **(59 529)** | **(38 807)** |
| financial incomes | (59 382) | (38 789) |
| non operating incomes | (147) | (18) |
| **Other taxable income** | **490** | **175** |
| **Non taxable costs and losses** | **6 822** | **4 249** |
| operating costs | 6 637 | 4 124 |
| financial expenses | 32 | 104 |
| other non operating expenses | 153 | 21 |
| **Additional taxable costs** | **(8 362)** | **(8 723)** |
| **Taxable revenue** | **(183)** | **(221)** |
| *Other discount form income* | - | - |
| *Settlement of previous year loss* | - | - |
| **Base of tax calculation** | **-** | **-** |
| **Tax amount 19%** | **-** | **-** |
| *Additional* | - | - |
| **Income tax current for the period** | **-** | **-** |

### 6.3.19 Dividends paid

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

### 6.3.20 Segment Reporting

For identifying and measuring results of operating segments which are subject to reporting and disclosure adopted an approach based on perspective of Management Board.
Operating segment is a component of the operator:

- who runs the business associated with obtaining revenue and incurring expenses (including revenues and expenses related to transactions with other segments of the same operator)
- whose results is regularly reviewed by persons responsibility for making operational decisions concerning allocation of resources to segment and assess of results achieved by him,
- about which can be obtained the separate financial information.

A geographical segment is a component of an enterprise that provides products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.
The Company operates exclusively in Poland, the regions of which—given their proximity—demonstrate similar economic conditions and the scope of risks, and thus must be seen as largely uniform.
As regards geographical segments, given the above considerations, the Company does not distinguish any other segments except for the entire Poland.

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

#### a) Appointment of Entity Authorised to Audit 2010 Financial Statements

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

### 6.3.22 The effects of changes in the structure of the Company in the interim period, including a merger of companies, acquisition or disposal of subsidiaries and long-term investments, restructuring and discontinuing operations

No such event occurred in the Company.

### 6.3.23 Changes in off-balance sheet liabilities

The Company's off-balance sheet liabilities comprise security interests pledged by the Company to secure credit facilities and loans contracted by it's subsidiary and financial guarantees.
In addition, the majority of the Company's supplier grants to the Company extended terms of payment (trade credit) which is secured by the Companies by issuing blank bills of exchange.

Changes in off-balance sheet liabilities in first half of 2010

| Changes in off-balance sheet liabilities | Under bank credit facilities | Under bank guarantees | Under financial guarantees |
|---|---|---|---|
| ***Mortgages*** | | | |
| As at the beginning of the period | - | - | - |
| *Increases during the period* | - | - | - |
| *Reductions during the period* | - | - | - |
| **As at the end of the period** | - | - | - |
| ***Transfer of title as security/pledge/assignment of current assets*** | | | |
| As at the beginning of the period | - | - | - |
| *Increases during the period* | - | - | - |
| *Reductions during the period* | - | - | - |
| **As at the end of the period** | - | - | - |

| | | | |
|---|---|---|---|
| ***Transfer of title as security/pledge/assignment of fixed assets*** | | | |
| As at the beginning of the period | - | - | - |
| *Increases during the period* | - | - | - |
| *Reductions during the period* | - | - | - |
| **As at the end of the period** | - | - | - |
| ***Guarantees*** | | | |
| As at the beginning of the period | 135 179 | 5 771 | 2 926 |
| *Increases during the period* | *163 579* | *7 358* | - |
| *Reductions during the period* | *(127 829)* | *(6 114)* | - |
| **As at the end of the period** | **170 929** | **7 015** | **2 926** |

Changes in off-balance sheet liabilities in 2009

| Changes in off-balance sheet liabilities | Under bank credit facilities | Under bank guarantees | Under financial guarantees |
|---|---|---|---|
| ***Mortgages*** | | | |
| As at the beginning of the period | - | - | |
| *Increases during the period* | - | - | |
| *Reductions during the period* | - | - | |
| **As at the end of the period** | - | - | |
| ***Transfer of title as security/pledge/assignment of current assets*** | | | |
| As at the beginning of the period | - | - | - |
| *Increases during the period* | - | - | - |
| *Reductions during the period* | - | - | - |
| **As at the end of the period** | - | - | - |
| ***Transfer of title as security/pledge/assignment of fixed assets*** | | | |
| As at the beginning of the period | - | - | - |
| *Increases during the period* | - | - | - |
| *Reductions during the period* | - | - | - |
| *Increases/reductions during the period resulting from acquisitions* | - | - | - |
| **As at the end of the period** | - | - | - |
| ***Guarantees*** | | | |
| As at the beginning of the period | 68 500 | 8 036 | 314 |
| *Increases during the period* | *154 379* | *8 424* | *2 744* |
| *Reductions during the period* | *(87 700)* | *(10 689)* | *(133)* |
| **As at the end of the period** | **135 179** | **5 771** | **2 925** |

**Guarantees - as at 30 June 2010**

| Guarantees | Grant / Receipt | Type of entity- external / related | Credit amount by agreement | Currency | At 30.06.2010 | The expiration date of agreemen |
|---|---|---|---|---|---|---|
| **Guarantees** | Grant | External | 121 000 000 | PLN | 0 | 2011-03-30 |
| **Guarantees** | Grant | External | 6 000 000 | PLN | 6 000 000 | 2011-03-30 |
| **Guarantees** | Grant | External | 800 000 | PLN | 800 000 | 2011-03-30 |
| **Guarantees** | Grant | External | 20 000 000 | PLN | 20 000 000 | 2011-03-30 |
| **Guarantees** | Grant | External | 10 000 000 | PLN | 10 000 000 | 2011-03-30 |
| **Guarantees** | Grant | External | 5 779 189 | PLN | 5 779 189 | 2011-03-01 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Guarantees** | Grant | External | 423 615 | PLN | 0 | 2011-03-12 |
| **Guarantees** | Grant | External | 45 917 | PLN | 45 917 | 2011-02-19 |
| **Guarantees** | Grant | External | 186 710 | PLN | 186 710 | 2011-04-16 |
| **Guarantees** | Grant | External | 359 457 | PLN | 359 457 | 2012-03-29 |
| **Guarantees** | Grant | External | 225 191 | PLN | 225 191 | 2012-03-29 |
| **Guarantees** | Grant | External | 36 529 | PLN | 36 529 | 2011-04-16 |
| **Guarantees** | Grant | External | 317 742 | PLN | 317 742 | 2011-04-16 |
| **Guarantees** | Grant | External | 1 636 581 | PLN | 1 636 581 | 2010-09-13 |
| **Guarantees** | Grant | External | 1 674 851 | PLN | 1 674 851 | 2010-09-13 |
| **Guarantees** | Grant | External | 49 408 | PLN | 49 408 | 2010-05-27 |
| **Guarantees** | Grant | External | 43 364 | PLN | 43 364 | 2010-08-23 |
| **Guarantees** | Grant | External | 71 556 | PLN | 71 556 | 2010-06-11 |
| **Guarantees** | Grant | External | 1 188 881 | PLN | 1 188 881 | 2010-07-12 |
| **Guarantees** | Grant | External | 105 015 | PLN | 105 015 | 2010-12-13 |
| **Guarantees** | Grant | External | 325 525 | PLN | 325 525 | 2010-09-13 |
| **Guarantees** | Grant | External | 348 475 | PLN | 348 475 | 2011-06-17 |
| **Guarantees** | Grant | External | 172 735 | PLN | 172 735 | 2011-03-21 |
| **Guarantees** | Grant | External | 146 400 | PLN | 146 400 | 2011-05-11 |
| **Guarantees** | Termination | External | 1 636 581 | PLN | - | 2010-09-13 |
| **Guarantees** | Termination | External | 1 674 851 | PLN | - | 2010-09-13 |
| **Guarantees** | Termination | External | 49 408 | PLN | - | 2010-05-27 |
| **Guarantees** | Termination | External | 43 364 | PLN | - | 2010-08-23 |
| **Guarantees** | Termination | External | 71 556 | PLN | - | 2010-06-11 |
| **Guarantees** | Termination | External | 1 188 881 | PLN | - | 2010-07-12 |
| **Guarantees** | Termination | External | 105 015 | PLN | - | 2010-12-13 |
| **Guarantees** | Termination | External | 325 525 | PLN | - | 2010-09-13 |
| **Guarantees** | Termination | External | 180 394 | PLN | - | 2010-04-15 |
| **Guarantees** | Termination | External | 36 529 | PLN | - | 2010-04-15 |
| **Guarantees** | Termination | External | 306 993 | PLN | - | 2010-04-16 |
| **Guarantees** | Termination | External | 6 379 000 | PLN | - | 2010-04-16 |
| **Guarantees** | Termination | External | 423 615 | PLN | - | 2011-03-12 |
| **Guarantees** | Termination | External | 449 654 | PLN | - | 2011-03-01 |
| **Guarantees** | Termination | External | 71 556 | PLN | - | 2010-06-11 |
| **Guarantees** | Termination | External | 121 000 000 | PLN | - | 2010-04-16 |

**Guarantees - as at 30 June 2009**

| Guarantees | Grant / Receipt | Type of entity- external / related | Credit amount by agreement | Currency | At 30-06-2009 | The expiration date of agreemen |
|---|---|---|---|---|---|---|
| **Guarantees** | Grant | External | 100 000 000 | PLN | 100 000 000 | 2011-12-31 |
| **Guarantees** | Grant | External | 27 000 000 | PLN | 27 000 000 | 2010-03-30 |
| **Guarantees** | Grant | External | 6 000 000 | PLN | 6 000 000 | 2010-03-30 |
| **Guarantees** | Termination | External | 5 000 000 | PLN | - | 2010-03-31 |
| **Guarantees** | Termination | External | 10 000 000 | PLN | - | 2010-03-31 |
| **Guarantees** | Termination | External | 10 000 000 | PLN | - | 2010-03-31 |
| **Guarantees** | Termination | External | 10 000 000 | PLN | - | 2010-03-31 |
| **Guarantees** | Termination | External | 4 700 000 | PLN | - | 2018-05-31 |
| **Guarantees** | Termination | External | 7 800 000 | PLN | - | 2009-02-28 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Guarantees** | Termination | External | 90 109 | PLN | - | 2009-02-24 |
| **Guarantees** | Termination | External | 27 000 000 | PLN | - | 2010-03-30 |

### 6.3.24 Write-down of inventories to net value and the reversal of such write-downs

No such event occurred in the Company.

### 6.3.25 Release of provisions against restructuring costs

No such event occurred in the Company.

### 6.3.26 Financial and operating leases.

The Company is not party to operating leases.

Year 2010:

| Liabilities under financial leases | 30 June 2010 | |
|---|---|---|
| | Minimum payments | Current value of minimum payments |
| Up to 1 year | 173 | 115 |
| From 1 to 5 years | 100 | 88 |
| Over 5 years | - | - |
| **Total** | **273** | **203** |

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

| Description of assets | Term of agreement | As at 30.06.2010 | As at 30.06.2011 | from 1 - 5 years | over 5 years |
|---|---|---|---|---|---|
| | | Minimum annual payments | | | |
| Real properties | definite | 1 343 | 1 343 | 3 729 | 2 204 |
| | indefinite | 781 | 781 | 6 422 | 6 242 |
| Machinery and equipment | definite | - | - | - | - |
| | indefinite | 43 | 43 | 340 | 340 |
| Vehicles | definite | - | - | - | - |
| | indefinite | - | - | - | - |
| Other fixed assets | definite | - | - | - | - |
| | indefinite | - | - | - | - |

Year 2009:

| Liabilities under financial leases | 31 December 2009 | |
|---|---|---|
| | Minimum payments | Current value of minimum payments |
| Up to 1 year | 31 | 28 |
| From 1 to 5 years | 22 | 21 |
| Over 5 years | - | - |
| **Total** | **53** | **49** |

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

| Description of assets | Term of agreement | As at 31.12.2009 | As at 31.12.2010 | from 1 - 5 years | over 5 years |
|---|---|---|---|---|---|
| | | Minimum annual payments | | | |
| Real properties | definite | 2 684 | 6 402 | 3 729 | 2 204 |
| | indefinite | 1 560 | 1 560 | 6 422 | 6 242 |
| Machinery and equipment | definite | - | - | - | - |
| | indefinite | 85 | 85 | 340 | 340 |
| Vehicles | definite | - | - | - | - |
| | indefinite | - | - | - | - |
| Other fixed assets | definite | - | - | - | - |
| | indefinite | - | - | - | - |

### 6.3.27 Commitments to purchase tangible fixed assets

No such event occurred in the Company.

### 6.3.28 Settlements of Litigation

During the reporting period the Company was not a party to any proceedings pending before any court or another body relating to liabilities or receivables totalling at least 10 percent of equity.

### 6.3.29 Correction of errors of previous periods.

In first half of 2010 there were no corrections of errors committed in previous periods.

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

No such event occurred in the Company.

### 6.3.31 Transactions with related entities

Transactions between companies within the Group have been concluded under the market conditions.

| Revenues from sales to related entities | | |
|---|---|---|
| products and services | goods and materials | tangible fixed assets and intangible assets |
| 24 656 | 19 | 77 |
| **Purchases from related entities** | | |
| services and materials | goods and materials for resale | tangible fixed assets and intangible assets |
| 3 977 | 134 | 1 637 |

| Financial income from related entities | | |
|---|---|---|
| dividends received | interest on loans | interest on securities |
| 59 314 | 231 | 1 237 |
| **The financial costs incurred to related entities** | | |
| interest on bonds | interest on loans | interest on trade and other |
| - | - | 3 |
| **Receivables from related entities** | | |
| trade debtors | tangible fixed assets and intangible assets sell | loans granted |
| 3 372 | - | - |
| **Liabilities with related entities** | | |
| trade payables | tangible fixed assets and intangible assets purchase | loans received |
| 777 | 95 | - |

As a part of Cash Flow management in Group, there were issues short-term bond, described in detail in note 12 and were granted short-term loans, described in 6.3.8 and were granted short-term loans described in note 6.3.9.
Transactions related with payment of dividends by subsidiaries are in note 6.3.17.
transactions between companies within the Group are described in note 6.2.9.

**6.3.32 List of shareholders holding at least 5 percent of votes at the Ordinary General Meeting of Shareholders of Emperia Holding S.A. at the date of the report.**

| Shareholders | Shares at the date of the report | Percentage of share capital | Change % to 2009 | Shares at 30.06.2010 | Percentage of share capital at 30.06.2010 | Shares at 31.12.2009 | Percentage of share capital at 31.12.2009 |
|---|---|---|---|---|---|---|---|
| AVIVA OFE AVIVA BZ WBK | 1 518 210 | 10,04% | 0,00% | 1 518 210 | 10,04% | 1 517 654 | 10,04% |
| Jarosław Wawerski | 1 090 537 | 7,21% | 0,00% | 1 090 537 | 7,21% | 1 090 537 | 7,21% |
| Artur Emanuel Kawa | 1 000 086 | 6,62% | 0,00% | 1 000 086 | 6,62% | 1 000 086 | 6,62% |
| PZU Asset Management | 757 653 | 5,01% | 0,35% | 757 653 | 5,01% | 755 015 | 4,99% |

**6.3.33 Changes in the holding of shares by members of the Management Board and Supervisory Board.**

| Members of Management Board | Shares at the date of the report | Percentage of share capital | Change % to 2009 | Shares at 30.06.2010 | Percentage of share capital at 30.06.2010 | Shares at 31.12.2009 | Percentage of share capital at 31.12.2009 |
|---|---|---|---|---|---|---|---|
| Jarosław Wawerski | 1 090 537 | 7,21% | 0,00% | 1 090 537 | 7,21% | 1 090 537 | 7,21% |
| Artur Emanuel Kawa | 1 000 086 | 6,62% | 0,00% | 1 000 086 | 6,62% | 1 000 086 | 6,62% |
| Grzegorz Wawerski | 353 738 | 2,34% | 0,00% | 353 738 | 2,34% | 353 738 | 2,34% |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Dariusz Kalinowski | 15 000 | 0,10% | 0,00% | 15 000 | 0,10% | 15 000 | 0,10% |
| Marek Wesołowski | 12 520 | 0,08% | 0,00% | 12 520 | 0,08% | 12 520 | 0,08% |

**6.3.34 Changes in the holding of shares by members of the Supervisory Board members.**

| Members of Supervisory Board | Shares at the date of the report | Percentage of share capital | Change % to 2009 | Shares at 30.06.2010 | Percentage of share capital at 30.06.2010 | Shares at 31.12.2009 | Percentage of share capital at 31.12.2009 |
|---|---|---|---|---|---|---|---|
| Piotr Laskowski | 386 125 | 2,55% | 0,00% | 386 125 | 2,55% | 386 125 | 2,55% |
| Artur Laskowski | 346 330 | 2,29% | 0,00% | 346 330 | 2,29% | 346 330 | 2,29% |

**6.3.35 Other material information**

**a) Changes in the composition of the Supervisory Board of Emperia Holding S.A**

On 4 February 2010 Mr. Piotr Długosz and Mr. Piotr Kawa resigned as a members of the issuer's Supervisory Board with effect as of 14 February 2010.
On 4 March 2010 the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. appointed Mr Piotr Długosz as a Independent Member of the Supervisory Board.

In connection with recent personal changes in Company's Supervisory Board, functions of Members in Board were changed. At its first meeting in its new composition, the Supervisory Board Chairman was emerged in the person of Mr. Peter Laskowski and Vice-Chairman - Mr. Thomas Krysztofiak (independent member).

On 23 June 2010 Ordinary General Meeting of Shareholders of Emperia Holding SA appointed existing Deputy Chairman of Supervisory Board Mr. Tomasz Krysztofiak to the new cadence.

The composition of the Supervisory Board of Emperia Holding SA at date of Report:

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

**b) Changes in Management Board of Emperia Holding S.A.**

On 13 April 2010, the Supervisory Board Emperia Holding SA, through its Resolution No. 12/2010 made the following nominations in Company's Management Board:

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

On 23 June 2010 Supervisory Board of Emperia Holding SA appointed existing Board Members: Mr. Grzegorz Wawerski and Mr. Marek Wesołowski to the new cadence.

The resolution came into force on 24 June 2010, ie from the date of their registration by the District Court XI Commercial Division of the National Court.

**c) Resolution of the Extraordinary Shareholders Meeting of 4 March 2010 on changes in the Management Option Programme.**

The General Meeting of the Company, recognizing the importance of incentive options to acquire shares of the Company by the members of the Management Board and key members of the managerial staff of the Company and its subsidiaries, or affiliated with it, but seeing a significant change in the macroeconomic situation and the related situation in the stocks exchanges, including the Warsaw Stock Exchange Securities, by adopting Resolution No. 2 passed a resolution altering the rules to carry out the Company's Management Option Programme by shortening the program from the three-year period (2008-2010) for two years (2008-2009) by way of an amendment to the resolutions of 26, 27 and 28 of the Ordinary General Meeting Shareholders of the Company dated 26 June 2008.

In connection with the implementation of the Programme capital is conditionally increased by an amount 270 000 PLN through the issuance of not more than 270 000 ordinary bearer shares of series O Company with a nominal value of PLN 1 each. In connection with the implementation of the Program, the Company will issue a 270 000 registered bonds with priority rights to acquire shares of the Company. The program will be divided into two tranches.

Within each tranche will be provided for purchase by a person duly authorized no more than:
- 120 000 bonds, which will be apparent right to subscribe to 120 000 shares in the tranche I,
- 150 000 bonds, which will be apparent right to subscribe to 150 000 shares under the second tranche.

Implementation will be in terms of options:
- For the first tranche of bonds - from 1 April 2012 to 31 March 2016,
- For the second tranche of bonds - from 1 April 2013 to 31 March 2017.

The granting of options to the person entitled under a tranche will be subject to the following conditions:
- Remain by an authorized person in respect of the service for a continuous period since the inclusion of a person on the list of persons entitled to 31 December, depending on the tranche, respectively, in 2008 or 2009,
and / or
- Confirmation by the Board of the person authorized by the individual objectives assigned to it in the safety purpose of the individual, depending on the tranche, respectively, for 2008 or 2009

The value of The Management Option included in the cost of 2009 was 213.7 thousand PLN, and 268.3 thousand PLN in 2008.

**d) II Management Option Programme 2010-2012**

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

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

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

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

The exercise of the options will take place in the following periods:
- for Tranche I bonds: from 1 July 2014 to 30 June 2018;
- for Tranche II bonds: from 1 July 2015 to 30 June 2019;
- for Tranche III bonds: from 1 July 2016 to 30 June 2020.
The nominal value and issue price of one bond is PLN 0.01. The underlying option instrument are shares in a public company listed on the Warsaw Stock Exchange.
The issue price of the shares offered under the Programme is equivalent to the Warsaw Stock Exchange mean closing rate of the company's shares over a period of 90 days prior to the date of adopting Resolution 2, section II on the Management Incentive Programme 2010-2012 less 5%.

The options vested as part of the relevant tranche are divided into two parts:
- Option Financial Component (accounting for up to 75% of the tranche), the vesting of which is conditional upon the attainment of the Company's Financial Objective;
- Option Market Component (accounting for up to 25% of the tranche), the vesting of which is conditional upon the attainment of the Market Objective.

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

Market Objective: total return on Emperia's shares is not less than WIG.

The Option Programme will be covered by a persons designated by the Supervisory Board from among the members of the Management Board and key members of the managerial staff of the Company and its subsidiaries. Persons will be entitled to the Programme in case of remaing in employment agreement with the Company, or subsidiary for a continuous period from the date of inclusion in the list of persons entitled to 31 December 2010, 2011 or 2012, depending on the tranche. Options granted to persons entitled, under that tranche will be divided into two parts (financial and market) and will be subject to fulfillment of certain goals (financial and market) of the Company.

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

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

The fair value of the Programme is amortized over the duration of the program, starting March 26, 2010 to December 31, 2010. In the financial statements, the fair value of the program for the first half of 2010 amounts to 795.6 thousand. PLN and is presented in the income statement as an expense in the managerial option with a corresponding increase in reserve capital.

**e) Resolution of the Extraordinary Shareholders Meeting of 4 March 2010 on amendments to the Articles of Association and Regulations of the Supervisory Board of General Meeting.**

Resolutions No. 2 and 3 of the Extraordinary General Meeting made changes to the Articles of Association.

Key changes include:
- Conditional share capital increase by the amount of PLN 450 000 by issuing 450 000 shares of common bearer shares P series with a nominal value 1 PLN in connection with the planned introduction of the Management Option Programme 2010-2012;
- The principles of representation of the Company - introduced a double representation of the Company.

These changes were registered by the Registration Court in Lublin, Faculty of KRS XI on 24 June 2010.

Other changes in the Statute are organizing and harmonize provisions of the Statute of the Rules of Procedure of the Supervisory Board and amendments to the Rules of Procedure of the General Meeting.

Resolution No 4 of the Extraordinary General Shareholders Meeting approved amendments to the Regulations of the General Meeting. Organizational changes are and adjust the records to the provisions of the Rules of the Commercial Companies Code.

Resolution No. 5 Extraordinary General Meeting approved the Regulations of the Supervisory Board adopted Resolution No. 2 / 2010 dated 21 January 2010.

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

4 March 2010 The Management Board of Emperia Holding S.A. received the notification from Aviva, that as a result of sale of shares in Emperia Holding S.A. ("Company"), cleared on 24 February 2010, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (Aviva OFE) reduced state of ownership of shares, to less than 10% of votes at the General Meeting of Shareholders of the Company. Prior to the above transactions, as at 25 February 2010, Aviva OFE had held 1,517,616 shares in the Company, representing 10,04% of the share capital (number of issued shares) of the Company, carrying 1,517,616 votes at the General Meeting of Shareholders, which accounted for 10,04% of the total number of votes. Upon completion and clearance of the above transactions, as at 1 March 2010, Aviva OFE held 1,477,654 shares in the Company, representing 9,78% of the share capital (number of issued shares) of the Company, carrying 1,477,654 votes at the General Meeting of Shareholders, which accounted for 9,78% of the total number of votes.

**g) Notification of purchase of shares in Emperia Holding S.A. by Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK.**

On 19 April 2010 The Management Board of Emperia Holding S.A. received the notification from Aviva OFE, that as a result of purchase of shares of Emperia Holding S.A. ("Company"), cleared on 12 April 2010, Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK (Aviva OFE) increased state of ownership of shares, to more than 10% of votes at the General Meeting of Shareholders of the Company. Prior to the above transactions, as at 14 April 2010, Aviva OFE had held 1.506.132 shares in the Company, representing 9,96% of the share capital (number of issued shares) of the Company, carrying 1.506.132 votes at the General Meeting of Shareholders, which accounted for 9,96% of the total number of votes. Upon completion and clearance of the above transactions, as at 15 April 2010, Aviva OFE held 1.518.210 shares in the Company, representing 10,04% of the share capital (number of issued shares) of the Company, carrying 1.518.210 votes at the General Meeting of Shareholders, which accounted for 10,04% of the total number of votes.

**h) Notification of purchase of shares in Emperia Holding S.A. by PZU Asset Management SA.**

24 May 2010 The Management Board of Emperia Holding S.A. received the notification from PZUAsset Management with its registered seat in Warsaw, Al. Jana Pawła II 24 that by the conclusion on 18 May 2010, purchase on the regulated market 2.638 shares of the company Emperia Holding SA ("Company") to investment portfolios of our clients share in the total number of votes in the Company exceeded 5%.. Number of shares held before the change of share: 755.015 (Percentage share capital of the Company: 4,995%), Number of votes of shares: 755.015 (Percentage of the total number of votes: 4,995 Number of shares held after the change of share: 757.653 (Percentage share capital of the Company: 5,013%), Number of votes of shares: 757.653 (Percentage of the total number of votes: 5,013%).

**i) Introduction to trading on the Warsaw Stock Exchange of Ł Series Shares of Emperia Holding S.A.**

By Resolution 540/2010 of 8 June 2010 the Management Board of Giełda Papierów Wartosciowych w Warszawie S.A. decided to admit to trading in the main market 140.388 Ł Series Shares of Company on nominal value PLN 1 each, marked PLELDRD00017.

The Management Board of Giełda Papierów Wartosciowych w Warszawie S.A. decided to admit to trading as of 14 June 2010 in the main market under standard procedure above-mentioned shares provided an registration by National Securities Depository S.A. on 14 June 2010 of this shares and marked PLELDRD00017.

On 23 June 2010 Ordinary General Meeting of Shareholders by Resolution No. 20 adapt the wording of Article. 5 3 of the Statute of the Company to the above changes.

**j) Established by Company reserve for purchase of own shares under authorization granting by Ordinary General Meeting of Emperia Holding S.A on 23 June 2010**

By resolution No.21 of 23 June 2010 Ordinary General Meeting of Emperia Holding S.A. grants the Company authority to purchase its own shares The subject of purchase may its own shares in an amount not greater than 20% of the Company's share capital. The authorization of the Company to purchase own shares shall cover the period five years , but not longer than until the exhaustion of funds in a reserve established in their acquisition. The minimum amount payable for the purchased shares must not be lower than their nominal amount and is 1 gold per share). The maximum amount payable for the purchased shares, plus the cost of their purchase does not exceed the amount set up a reserve for its purchase. The amount set up a reserve to finance the acquisition of shares is PLN 40 000 000.

**k) Derivative financial instruments**

The company did not apply hedge accounting during the reporting period. At the end of the reporting period the Company did not have contracts with embedded derivatives, meeting the requirement of separating them from the main contracts.

**Signatures of members of Management Board:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Artur Kawa | Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Jarosław Wawerski | Vice-Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Dariusz Kalinowski | Vice-Chairman of Management Board - Financial Director | .....<br>signature |
| 2010-08-31 | Marek Wesołowski | Vice-Chairman of Management Board – Retail Business Director | .....<br>signature |
| 2010-08-31 | Grzegorz Wawerski | Vice-Chairman of Management Board – Retail Business Development Director | .....<br>signature |

**Person responsible for accountancy:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Elżbieta Świniarska | Economic Director | .....<br>signature |
| 2010-08-31 | Edyta Onufryjuk-Lacek | Chief Accountant | .....<br>signature |

# 7 Management Board Report on the Operations of the Emperia Holding SA for the first half of 2010.

## 7.1 Basic financial data

| Description | As at 30.06 2010 | As at 30.06.2009 | % |
|---|---|---|---|
| Sales revenues | 26 616 | 25 605 | 3,9% |
| EBIDTA | 4 724 | 6 089 | (22,4%) |
| Profit on operations | (358) | 2 698 | (113,3%) |
| Profit before tax | 60 396 | 42 885 | 40,8% |
| Profit for period | 59 974 | 42 046 | 42,6% |
| Total assets | 689 068 | 648 429 | 6,3% |
| Liabilities and provisions against liabilities | 21 117 | 29 481 | (28,4%) |
| Short-term liabilities | 19 243 | 28 429 | (32,3%) |
| Net assets | 667 951 | 618 948 | 7,9% |
| Share capital | 15 115 161 | 15 115 161 | 0,0% |
| Annualised profit per share in the period | 4,10 | 2,91 | 40,7% |

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

| Description | As at 30.06.2010 | As at 30.06.2009 |
|---|---|---|
| Return on invested capital (profit for the period under review/equity at the end of the period) in % | 8,98% | 6,79% |
| Return on assets (profit for the period under review/total assets at the end of the period) in % | 8,70% | 6,48% |
| Return on sales (profit for the period under review/sales revenues in the period) in % | 17,32% | 24,82% |
| Return on EBIDTA in % | 17,75% | 23,78% |
| Return on operations (profit on operations for the period under review/sales revenues in the period) in % | (1,35%) | 10,54% |
| Gross return (profit before tax for the period under review/sales revenues in the period) in % | 226,92% | 167,49% |
| Net return (profit for the period under review/sales revenues in the period) in % | 225,33% | 164,21% |

The Company recorded a significant increase of net profit for first half of 2010. The biggest impact on the profit level have dividends for 2009 from the subsidiaries. Detailed information are in note 6.3.17.
This significant increase of profit has affected on level of profitability ratio.

## 7.2 Range of activities Emperia Holding S.A.

Emperia Holding S.A. provides holding services to members of the Group, including without limitation legal, controlling, accounting, HRM, IT, administrative, cash management, capital investment, computer hardware management, e-mail management, and purchasing policy coordination services. The value of the holding services

provided in first half of 2010 totaled PLN 19 189 000 300 and accounted for 72,6% of the total value of the services. In first half of 2009 holding services represented PLN 19 020 700 represented 75,3%.
The operations of Emperia Holding S.A. span the entire territory of Poland.

## 7.3 Assessment of financial management in first half of 2010 based on liquidity, structure, stock turnover and debt ratios

| **Liquidity ratios** | **As at 30.06.2010** | **As at 30.06.2009** |
|---|---|---|
| Current liquidity ratio (current assets/current liabilities) | 6,00 | 3,13 |
| Quick liquidity ratio (liquid current assets/current liabilities) | 6,00 | 3,12 |
| Immediate ratio (short-term investments/current liabilities) | 5,58 | 1,82 |

The change in liquidity ratios was resulted from liquid assets increase.

| **Turnover of main items of working capital** | **As at 30.06.2010** | **As at 30.06.2009** |
|---|---|---|
| Stock turnover in days (stock/costs of goods and materials sold*365 ) | 59 | 22 |
| Rotation of duties in days (accounts receivable/sales revenues*365 ) | 44 | 43 |
| Payment period in days ([short-term liabilities – short term credit facilities]/ costs of goods and materials sold*365) | 36 | 49 |
| Total assets turnover (sales revenues /total assets) | 0,04 | 0,04 |
| Fixed assets turnover (sales revenues/fixed assets) | 0,05 | 0,05 |

The payment period ratio change is affect by reduce the level of short-term liabilities. Growth rate of stock turnover cycle due to a lower level of the value of sold goods and materials. Other indicators have not changed.

| **Debt ratios** | **As at 30.06.2010** | **As at 30.06.2009** |
|---|---|---|
| Overall debt ratio (liabilities and provisions against liabilities/total assets) | 0,03 | 0,05 |
| Debt to equity ratio (liabilities and provisions against liabilities/equity) | 0,03 | 0,05 |
| Equity to assets ratio (equity/total assets) | 0,97 | 0,95 |
| Long-term debt ratio (long-term liabilities/total assets) | 0,00 | 0,00 |

All the Company's debt ratios have not changed.

## 7.4 Product markets and suppliers

The main customers of the Company are subsidiaries, included in the CG, whose main business is retail and wholesale, and also franchise chain management, property development, software-related services. Emperia Holding SA services within a business holding company for such companies.

## 7.5 Significant agreements for the Company's operations

As regards banking services and bank borrowing, the Company's bankers include PKO BP SA, Banku PEKAO S.A, BRE Banku S.A., Kredyt Banku S.A. Z BRE Bank S.A. With BRE Bank S.A. according with the agreement of 25 October 2005 year, supports bonds issue programme.
As regards assets insurance, the Company concluded insurance agreements with Ergo Hestia S.A. providing cover of fixed and current assets against extraordinary losses, accidents (transport), theft and robbery. The company has also liability insurance. Insurance agreements are concluded for a period of 1 year.

## 7.6 Main events in Emperia Holding SA in first half of 2010.

1. An acquisition of shares in Lewiatan Kujawy Sp. z o.o. in Włocławek.
2. An acquisition of shares in a newly-established company EZON Sp. z o.o. in Lublin.

   Information in Note No. 6.2.9

3. Adopting a resolution on changes in Management Option Programme 2008-2009 and execution Management Option Programme 2010-2012.. Information in Note No. 6.3.35 c) and d)

## 7.7 Unusual events affecting the result of the financial year.

No such event occurred in the Group in first half of 2010.

## 7.8 Investment outlays.

In second half of 2010 the Company plans to actively participate in further acquisitions in the FMCG market.
In second half of 2010 the Company is not planning to increase its environment protection expenditures.
The Company intends to finance the planned development in second half of 2010 from its own resources and external sources of funding.

## 7.9 Company dividend distribution policy.

Accordance with established policy, Management Board plans to devote part of a systematic profits as dividends for shareholders.

On 30 June 2010 the General Meeting of Shareholders adopted the following Resolution 5 of Ordinary General Meeting of Emperia Holding S.A. regarding distribution of profit for 2009. By virtue of the above resolution the part of net profit for the 2009 amounting PLN 13 905 948,12 earmarked for dividend payment, representing PLN 0.92 (point ninety-two zloty) per share. All shareholders holding shares as at 25 August 2010 (record date) are entitled to dividend. The date of dividend payment is set for 9 September 2010.

## 7.10 Description of factors that will effect on performance of Emperia Holding in the next year.

**External:**

1. Financial and economic situation in the FMCG sector, mostly suppliers and customers of the Group for the financing and the ability to regulate trade commitments,
2. Level of market price of goods and services used by the Group,

3. Competitive actions, large supermarket chains and consolidation processes in the Polish retail and distribution market,
4. The country's economic situation and level of wealth of society, shaping the demand for the Group offers products and services,
5. Government policy for the development of the interest rates and taxes,
6. Situation in the labour market – possibility of obtaining creative workers to new projects,
7. Financial and economic situation in the development industry,
8. Increased competition in the market of commercial buildings.

**Internal:**

1. The synergies achieved through the consolidation of the companies takeover,
2. Active participation in the consolidation of the distribution segment,
3. Creating mechanisms for the impact on customers, associated them with supplier,
4. Further investments in fixed assets and software, and timely implementation of budgetary investment,
5. Reduce operational costs by implementing new organizational solutions and IT, and increasing scale of operations,
6. The introduction of the structural and organizational changes designed to create a holding company organization having a large market share,
7. Gaining an attractive location for commercial activity,
8. Extending and complementing the commercial offer,
9. A skilled and experienced managers,
10. Advanced logistics solutions,
11. IT system being an element of competitive advantages,
12. Stable group of suppliers,
13. Large, stable and highly diversified group of customers,
14. A large number of leases signed in the retail trade areas in which the Group will begin start up business.

## 7.11 Development prospects

Emperia Holding SA was converted to a holding company whose main scope is the management of the companies belonging to the Group, implementation of certain central functions for its subsidiaries, such as financial management, IT service, the management of the selected groups of assets, liabilities, etc., and the acquisition of shares in companies engaged in wholesale distribution and sale of articles in the FMCG sector.

Active participation in the consolidation of the wholesale and retail market targeted at:

a) FMCG wholesalers to fill in the gaps in the current geographical coverage of the Group's wholesale business;
b) Businesses witch a strong position in their respective local retail markets operating at least medium-sized outlets;

Continued process of the Group's organic growth by:
a) Rationalisation of the central management functions in the Group;
b) Streamlining the operations, commencement of integration, and further development of the wholesale business;
c) Further development of the retail business (supermarket format);
d) Continued development of the partnership retail chains (self-service format);
e) Continued development of the franchise chains working with the Group.

## 7.12 Material transactions of Emperia Holding with subsidiaries entities

In first half of 2010 all transactions Emperia Holding S.A. with subsidiaries entities were concluded at market conditions. Information on transactions concluded in course of ordinary business activities in note 6.3.31.
As a part of Cash Flow management in Group, there were issues short-term bond, described in detail in note 6.3.8 and were granted short-term loans, described in note 6.3.9.
Transactions related with payment of dividends by subsidiaries are in note 6.3.17.
Capital transactions between companies within the Group are described in note 6.2.9.

## 7.13 Information on pending litigation.

In first half of 2010 the Emperia Holding S.A was not a party to proceedings before courts or other bodies relating to liabilities or receivables of the aggregate value of at least 10% of equity.

## 7.14 Credit facilities, loans and guarantees.

In first quarter of 2010, parent company Emperia Holding SA did not grant new loan guarantees to its subsidiaries exceeding 10% of equity of the Issuer.

## 7.15 Changes in basic principles of management of the Company.

In the first half of 2010 Emperia Holding SA didn't made changes in the basic principles of management of the Company.

## 7.16 Changes in the composition of the Company's Management Board and Supervisory Board.

**Changes in Management Board of Emperia Holding S.A.**

On 13 April 2010, the Supervisory Board Emperia Holding SA, through its Resolution No. 12/2010 made the following nominations in Company's Management Board:

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

The composition of Management Holding SA Emperia at the date of the report:

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

**Changes in the composition of the Supervisory Board of Emperia Holding S.A**

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

On 4 March 2010 the Extraordinary General Meeting of Shareholders of Emperia Holding S.A. appointed Mr Piotr Długosz as a Independent Member of the Supervisory Board.

In connection with recent personal changes in Company's Supervisory Board, functions of Members in Board were changed. At its first meeting in its new composition, the Supervisory Board Chairman was emerged in the person of Mr. Peter Laskowski and Vice-Chairman - Mr. Thomas Krysztofiak (independent member).

On 23 June 2010 Ordinary General Meeting of Shareholders of Emperia Holding SA appointed existing Deputy Chairman of Supervisory Board Mr. Tomasz Krysztofiak to the new cadence

The composition of the Supervisory Board of Emperia Holding SA at date of Report:

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

## 7.17 Other material information

Other material information are described in note 6.3.35

## 7.18 Description of the Capital Group organization

Information in Note No. 6.1

## 7.19 Effects of changes in structure of the Company

In the report period there were no changes in the structure of the Company

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

The publication of forecasts in the Capital Group takes place only at the consolidated level of the entire Group.

## 7.21 Information on shareholders.

Information on shareholders holding at least 5% of the total number of votes at a general meeting are in note 6.3.32.

## 7.22 Statement of holding of shares by managers and supervisors.

Information of holding of shares by managers and supervisors are described in note 6.3.33.

## 7.23 Transactions with related entities.

Information on transactions of Company with related entities are described in note 6.3.31.

**Signatures of members of Management Board:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Artur Kawa | Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Jarosław Wawerski | Vice-Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Dariusz Kalinowski | Vice-Chairman of Management Board - Financial Director | .....<br>signature |
| 2010-08-31 | Marek Wesołowski | Vice-Chairman of Management Board – Retail Business Director | .....<br>signature |
| 2010-08-31 | Grzegorz Wawerski | Vice-Chairman of Management Board – Retail Business Development Director | .....<br>signature |

**Person responsible for accountancy:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Elżbieta Świniarska | Economic Director | .....<br>signature |

# 8 Management Board's Representations

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

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

Semi-annual report of Emperia Holding SA should be read in conjunction with consolidated annual report of Emperia Holding Capital Group.

**Signatures of members of Management Board:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Artur Kawa | Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Jarosław Wawerski | Vice-Chairman of Management Board | .....<br>signature |
| 2010-08-31 | Dariusz Kalinowski | Vice-Chairman of Management Board - Financial Director | .....<br>signature |
| 2010-08-31 | Marek Wesołowski | Vice-Chairman of Management Board – Retail Business Director | .....<br>signature |
| 2010-08-31 | Grzegorz Wawerski | Vice-Chairman of Management Board – Retail Business Development Director | .....<br>signature |

**Person responsible for accountancy:**

| | | | |
|---|---|---|---|
| 2010-08-31 | Elżbieta Świniarska | Economic Director | .....<br>signature |

# 9 Report of the independent auditor's review of the condensed interim consolidated financial statements for the first half of 2010.

Report of the independent auditor's review of the condensed interim consolidated financial statements for the first half of 2010 in the attached file: “Auditor's Report on review of half-year financial statement of Emperia Holding SA”