

**Condensed consolidated financial statements
for the three-month period ended 31 December 2009**

**NFI Empik Media & Fashion S.A.
and its subsidiaries**

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

Introduction

Narodowy Fundusz Inwestycyjny Empik Media & Fashion Spółka Akcyjna (hereinafter “NFI Empik Media & Fashion S.A.”, or the “Company”), a company incorporated under the laws of Poland with registered office located at ul. Marszałkowska 104/122, 00-017 Warsaw, is the parent entity of the NFI Empik Media & Fashion Capital Group (hereinafter the “Group”) which comprises subsidiaries held directly and indirectly by NFI Empik Media & Fashion S.A. Its principal activities involve wholesale and retail operations in Poland, Russia, Ukraine, Kazakhstan, Turkey, the Czech Republic, Slovakia, Germany and Switzerland. The Group is controlled by Empik Centrum Investments S.A. (a company registered in Luxembourg) which owns 60.33% of NFI Empik Media & Fashion S.A.’s shares. The ultimate parent entity publishing the financial statements is Eastbridge S.a.r.l. (a company incorporated under the laws of the Netherlands with the principal place of business in Luxembourg).

NFI Empik Media & Fashion S.A. continues to operate under specific laws governing the activities of National Investment Funds. Shares of NFI Empik Media & Fashion S.A. are listed on the Warsaw Stock Exchange.

The Group’s operations are divided into the following business segments:

Empik Group This segment includes the sale of books and press publications, music, films, educational products, paper and design products, games and computer software, and photography equipment and products.

Smyk Group This segment includes the sale of clothing, accessories, toys, and educational products for children.

Language Schools This segment, like its name, includes language schools.

Franchise Brands Group This segment includes the sale of brand-name clothing, accessories, and add-ons, primarily licensed from the world’s largest producers.

Distribution of Cosmetics and Sporting Goods This segment includes the sale of perfumes and cosmetics as well as athletic gear, primarily licensed from the world’s largest producers.

Other This segment includes the holding company NFI Empik Media & Fashion S.A. as well as its subsidiary EMF Investment Project Sp. z o. o.

During the 12 months ended 31 December 2009, sales were presented in the individual segments as follows: “Empik Group” 38.36%, “Smyk Group” 30.37%, “Language Schools” 4.61%, “Franchise Brands Group” 18.55%, and “Distribution of Cosmetics and Athletic Gear” 8.11%. In the same period in 2008, sales amounted to: “Empik Group” 41.74%, “Smyk Group” 23.19%, “Language Schools” 4.45%, “Franchise Brands Group” 21.73%, and “Distribution of Cosmetics and Athletic Gear” 8.88%. A significant part of the annual revenues of the Group is generated in the last quarter of the year, that is, in the period from October to December. Due to the high amount of sales in the last quarter (primarily in December), and the higher sales margins in this period, with mostly stable operating expenses, a significant part of the annual operating profit from the core operations is generated in the last quarter of the calendar year.

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

These condensed consolidated financial statements were approved by the Management Board of NFI Empik Media & Fashion S.A. on 16 February 2010.

.....
Maciej Dyjas
President of the Management Board

.....
Jacek Bagiński
Member of the Management Board

.....
Ewa Podgórska
Member of the Management Board

.....
Dariusz Stolarczyk
Member of the Management Board

.....
Kjell Berggren
Member of the Management Board

Notes on pages 13 to 50 are an integral part of these condensed consolidated financial statements

NFI Empik Media & Fashion S.A. and its subsidiaries

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for the three-month period ended 31 December 2009

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Definitions

In these financial statements the following terms are used:

NFI Empik Media & Fashion Capital Group (hereinafter the “Group”) - NFI Empik Media & Fashion S.A. (hereinafter “NFI EMF”) and its subsidiaries.

Eastbridge Group – Eastbridge S.a.r.l. and its subsidiaries, including the Group.

Other Eastbridge Companies – Eastbridge S.a.r.l. and its subsidiaries other than the Group.

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Selected financial data concerning operating activities of the NFI Empik Media & Fashion Group for the period of three months ended 31 December 2009:

Reconciliation of selected financial data pertaining to consolidated financial statement for quarter ended:

Table No. 1						
	4Q	4Q	Change	12 months	12 months	Change
000 PLN	2009	2008	%	2009	2008	%
<i>Continuing operations</i>						
Net sales	929 497	853 118	+9.0	2 719 527	2 296 997	+18.4
EBITDA from core operations*	138 761	114 023	+21.7	210 083	207 644	+1.2
<i>% of sales</i>	<i>14.93%</i>	<i>13.37%</i>		<i>7.72%</i>	<i>9.04%</i>	
EBIT from core operations*	113 047	94 410	+19.7	121 660	135 010	-9.9
<i>% of sales</i>	<i>12.16%</i>	<i>11.07%</i>		<i>4.47%</i>	<i>5.88%</i>	
Net profit / (loss) from core operations***	83 422	74 723	+11.6	86 748	95 980	-9.6
<i>% of sales</i>	<i>8.97%</i>	<i>8.76%</i>		<i>3.19%</i>	<i>4.18%</i>	
Number of outlets**				662	642	
Net retail area**				276 988	259 512	
* excluding financial instruments and share-based incentive scheme valuation						
** as at 31 December 2009						
*** excluding financial instruments, goodwill impairment write-offs and share-based incentive scheme valuation						

Table No. 2						
	4Q	4Q	Change	12 months	12 months	Change
000 PLN	2009	2008	%	2009	2008	%
<i>Continuing operations</i>						
EBITDA from core operations*	138 761	114 023	+21.7	210 083	207 644	+1.2
<i>% of sales</i>	<i>14.93%</i>	<i>13.37%</i>		<i>7.72%</i>	<i>9.04%</i>	
Share-based incentive scheme valuation (see note 3 in financial statements)	-1 888	-2 681	+29.6	-11 666	-13 568	+14.0
Revaluation of financial instruments (see note 6 in financial statements)	-182	34 420	-100.5	2 907	49 164	-94.1
<i>Zara + Sephora</i>	-	29 774	-100.0	3 309	43 746	-92.4
<i>Other options</i>	-182	4 646	-103.9	-402	5 418	-107.4
EBITDA	136 691	145 762	-6.2	201 324	243 240	-17.2
<i>% of sales</i>	<i>14.71%</i>	<i>17.09%</i>		<i>7.40%</i>	<i>10.59%</i>	

* excluding financial instruments and share-based incentive scheme valuation

Table No. 3						
	4Q	4Q	Change	12 months	12 months	Change
000 PLN	2009	2008	%	2009	2008	%
<i>Continuing operations</i>						
Net profit / (loss) from core operations*	83 422	74 723	+11.6	86 748	95 980	-9.6
<i>% of sales</i>	<i>8.97%</i>	<i>8.76%</i>		<i>3.19%</i>	<i>4.18%</i>	
Share-based incentive scheme valuation (see note 3 in financial statements)	-1 888	-2 681	+29.6	-11 666	-13 568	+14.0
Revaluation of financial instruments (see notes 6-7 in financial statements)	1 022	115 999	-99.1	38 423	134 340	-71.4
<i>Zara + Sephora**</i>	-	26 079	-100.0	3 102	40 478	-92.3
<i>Maratex</i>	1 061	73 539	-98.6	35 992	76 357	-52.9
<i>Other options</i>	-39	16 381	-100.2	-672	17 505	-103.8
Goodwill impairment write-offs (Maratex and Bukva) (see note 2 in financial statements)	-	-90 644		-26 115	-90 644	
Net profit / (loss)	82 556	97 397	-15.2	87 390	126 108	-30.7
<i>% of sales</i>	<i>8.88%</i>	<i>11.42%</i>		<i>3.21%</i>	<i>5.49%</i>	

* Excluding financial instruments, goodwill impairment write-offs and share-based incentive scheme valuation

** the difference between PLN 43,746,000 recognised in EBITDA and PLN 40,478,000 for the 12 months of 2008 is due to the deferred tax recognised from the valuation of the Sephora instrument as well as currency translation differences and the interest pertaining to the Zara credit.

Notes on pages 13 to 50 are an integral part of these condensed consolidated financial statements

NFI Empik Media & Fashion S.A. and its subsidiaries

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Consolidated income statement

	Note	12 months ended 31 December 2009	3 months ended 31 December 2009	12 months ended 31 December 2008	3 months ended 31 December 2008
		000 PLN	000 PLN	000 PLN	000 PLN
Continuing operations					
Net sales	2.	2 719 527	929 497	2 296 997	853 118
Purchase of products and change in inventories		(1 610 391)	(575 599)	(1 296 046)	(488 291)
Employee compensation and benefit expenses	3.	(349 062)	(65 393)	(335 881)	(98 850)
Marketing expenses		(68 521)	(25 577)	(70 035)	(29 451)
Building expenses	4.	(361 461)	(85 154)	(271 129)	(80 879)
Other operating expenses	5.	(193 680)	(54 453)	(190 732)	(70 143)
Amortisation, depreciation and impairment write-offs		(114 538)	(25 714)	(163 278)	(110 257)
Other income, net	6.	53 490	1 948	106 961	57 153
Profit on disposal of subsidiaries		11 422	11 422	3 105	3 105
Profit from operating activities		86 786	110 977	79 962	35 505
Financial income	7.	41 909	3 349	93 092	85 782
Financial expenses	7.	(45 850)	(10 002)	(40 528)	(15 634)
Profit share in affiliates		411	(126)	14 354	4 685
Profit before income tax		83 256	104 198	146 880	110 338
Income tax		4 134	(21 642)	(20 772)	(12 941)
Net profit from continuing operations		87 390	82 556	126 108	97 397
Discontinued operations					
Profit/(loss) on discontinued operations		(9 473)	(9 473)	(5 273)	(5 273)
Loss on disposal of discontinued operations		(19 752)	(19 752)	-	-
Net profit		58 165	53 331	120 835	92 124

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NFI Empik Media & Fashion S.A. and its subsidiaries

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Consolidated statement of comprehensive income

	Note	12 months ended	3 months ended	12 months ended	3 months ended
		31 December 2009	31 December 2009	31 December 2008	31 December 2008
		000 PLN	000 PLN	000 PLN	000 PLN
Net profit		58 165	53 331	120 835	92 124
Other comprehensive income:					
Currency exchange gains/(losses) on translation of foreign operations	12.	1 805	2 295	(6 389)	(10 631)
Cash flow hedges		(8 030)	1 244	8 943	8 024
Currency exchange gains/(losses) on long-term financing of subsidiaries		(12 211)	789	(27 883)	(27 883)
Income tax on items of other comprehensive income		2 187	(179)	5 297	5 472
Other comprehensive income, net		(16 249)	302	(20 032)	(25 018)
Comprehensive income for the financial year		41 916	53 634	100 803	67 106
Net profit attributable to:					
Equity holders of the Company		53 734	50 521	118 340	89 820
Minority interest		4 431	2 811	2 495	2 304
		58 165	53 332	120 835	92 124
Comprehensive income attributable to:					
Equity holders of the Company		37 485	50 823	95 777	64 703
Minority interest		4 431	2 811	5 026	2 403
		41 916	53 634	100 803	67 106
Basic profit per share attributable to the equity holders of the Company (not in thousands)	9.	0.84		1.22	
Diluted profit per share attributable to the equity holders of the Company (not in thousands)	9.	0.81		1.17	

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NFI Empik Media & Fashion S.A. and its subsidiaries

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Consolidated statement of financial position

		As at	
	Note	31 December 2009	31 December 2008
		000 PLN	000 PLN
ASSETS			
Non-current assets			
Property, plant and equipment		524 272	505 456
Other intangible assets		117 980	95 156
Goodwill		260 261	277 937
Investments in affiliates		3 375	32 654
Financial assets available for sale		526	518
Other long-term receivables		43 293	110 304
Deferred income tax assets		21 049	19 869
Derivative financial instruments	10.	5 016	5 418
		975 772	1 047 312
Current assets			
Inventories		620 733	595 515
Trade and other receivables		270 870	276 766
Derivative financial instruments		-	85 077
Cash and cash equivalents		296 172	226 449
		1 187 775	1 183 807
Total assets		2 163 547	2 231 119
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Share capital	11.,12.	304 341	297 619
Retained earnings		251 650	139 242
Net profit		53 734	118 340
Other reserves		(122 749)	(57 254)
		486 976	497 947
Minority interest		9 710	8 287
Total equity		496 686	506 234
LIABILITIES			
Long-term liabilities			
Borrowings	14.	327 798	317 316
Deferred income tax liabilities		16 743	32 348
Other payables		154 229	155 092
Provisions for liabilities		2 935	31 936
		501 705	536 692
Short-term liabilities			
Trade and other payables		957 276	928 432
Borrowings	14.	173 386	228 504
Current income tax liabilities		7 818	15 365
Provisions for liabilities		22 356	15 566
Derivative financial instruments		4 320	326
		1 165 156	1 188 193
Total liabilities		1 666 861	1 724 885
Total equity and liabilities		2 163 547	2 231 119

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Consolidated statement of changes in equity

	Share capital	Retained earnings	Currency exchange gains/ (losses) on translation of foreign operations	Cash flow hedges	Other reserves	Put options related to purchase transactions	Currency exchange gains/(losses) on long-term financing of subsidiaries	Total	Minority interest	Total equity
As at 1 January 2009	297 619	257 582	(15 951)	3 620	16 736	(40 772)	(20 887)	497 947	8 287	506 234
Net profit for the period	-	53 734	-	-	-	-	-	53 734	4 431	58 165
Other comprehensive income, net	-	-	1 805	(6 504)	-	-	(11 550)	(16 249)	-	(16 249)
Share capital increase	58	-	-	-	-	-	-	58	-	58
Disposal of investments	-	(5 932)	(2 613)	-	84	-	7 536	(925)	925	-
Purchase of investments	-	-	-	-	-	(59 255) *	-	(59 255)	(3 436)	(62 691)
Dilution of minority interests	-	-	-	-	-	-	-	-	(497)	(497)
Share-based incentive scheme	-	-	-	-	-	-	-	-	-	-
- value of services provided	-	-	-	-	11 666	-	-	11 666	-	11 666
- shares exercised	6 664	-	-	-	(6 664)	-	-	-	-	-
As at 31 December 2009	304 341	305 384	(16 759)	(2 884)	21 822	(100 027)	(24 901)	486 976	9 710	496 686

* On 22 July 2009, NFI EMF, Empik Assets Sp. z o.o. and the minority shareholders of Learning Systems Poland Sp. z o.o. concluded an agreement amending the provisions of the investment agreement dated 4 August 2005 regarding the purchase of the shares of LSP Sp. z o.o. In accordance with the concluded agreement, the minority shareholders are entitled to execute their options of selling their shares to NFI EMF. As at the date of the initial recognition the value of this liability was estimated at PLN 51,721,000. In addition, in relation to the acquisition by Learning Systems Poland Sp. z o.o. of 72% of the shares in the share capital of Learning Systems Ukraine, a valuation was performed of the liability from the sale option of 20% of the minority shareholding. As at the initial recognition, the value of this liability was estimated at PLN 7,534,000. As at 31 December 2009, the value of option liabilities toward the minority shareholders of Learning Systems Poland and Learning Systems Ukraine was updated and their values are respectively: liabilities toward the minority shareholders of LSP – PLN 50,531,000 and toward the minority shareholders of LSU - PLN 7,515,000 .

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Consolidated statement of changes in equity (cont.)

	Share capital	Retained earnings	Currency exchange gains/ (losses) on translation of foreign operations	Cash flow hedges	Other reserves	Put options related to purchase transactions	Currency exchange gains/(losses) on long-term financing of subsidiaries	Total	Minority interest	Total equity
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
As at 1 January 2008	289 347	139 242	(7 031)	(3 624)	9 645	(19 483)	-	408 096	7 068	415 164
Net profit for the period	-	118 340	-	-	-	-	-	118 340	2 495	120 835
Other comprehensive income, net	-	-	(8 920)	7 244	-	-	(20 887)	(22 563)	2 531	(20 032)
Share capital increase	1 795	-	-	-	-	-	-	1 795	-	1 795
Purchase of investments	-	-	-	-	-	(21 289)	-	(21 289)	-	(21 289)
Dilution of minority interests	-	-	-	-	-	-	-	-	(3 807)	(3 807)
Share-based incentive scheme										
- value of services provided	-	-	-	-	13 568	-	-	13 568	-	13 568
- shares exercised	6 477	-	-	-	(6 477)	-	-	-	-	-
As at 31 December 2008	297 619	257 582	(15 951)	3 620	16 736	(40 772)	(20 887)	497 947	8 287	506 234

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Consolidated cash flow statement

	Note	12 months ended	
		31 December 2009	31 December 2008
		000 PLN	000 PLN
Profit before income tax		51 767	140 022
Adjustments for:			
Amortisation, depreciation and impairment write-offs		116 726	164 671
Loss on disposal of property, plant and equipment and intangible assets		5 050	5 503
Gain on valuation of derivative financial instruments		(8 925)	(55 853)
Gain on disposal of investments and part of business activities		(12 756)	(3 100)
Financial expenses, net	7.	5 474	(51 258)
Share-based incentive scheme		11 666	13 568
Discontinued operations		18 193	-
Dividends		-	(9 339)
Profit share in affiliates		(411)	(14 354)
Sales network reorganisation expenses		4 040	-
Operating profit before working capital changes		190 824	189 860
Changes in working capital:			
Inventories		(41 475)	(176 948)
Trade and other receivables		(10 704)	(63 792)
Trade and other payables		(5 142)	129 692
Cash flows from operating activities		133 503	78 812
Interest paid		(41 377)	(28 550)
Tax paid		(16 306)	(19 622)
Net cash flows from operating activities		75 820	30 640
Purchase of property, plant and equipment and intangible assets		(150 546)	(217 609)
Acquisition of subsidiaries	17.	(21 502)	(102 077)
Acquisition of affiliates		(494)	-
Interest received		2 016	4 487
Dividend received		-	9 339
Inflows from disposal of property, plant and equipment and intangible assets		16 146	3 706
Inflows from disposal of investments		294	376
Disposal of subsidiaries		209 730	-
Repayment of loans granted		5 058	4 124
Loans granted to third party		(8 724)	(2 000)
Loans granted to affiliates		-	(2 031)
Net cash flows from investing activities		51 978	(301 685)

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Consolidated cash flow statement (cont.)

	Note	12 months ended	
		31 December 2009	31 December 2008
		000 PLN	000 PLN
Inflows from share issues	12.	58	1 795
Inflows from bond (notes) issues		-	202 100
Repayment of bonds (notes)		(16 554)	(56 900)
Received borrowings		86 903	107 588
Repayment of borrowings and leases		(137 116)	(22 653)
Net cash flows from financing activities		(66 709)	231 930
Net increase in cash and cash equivalents		61 089	(39 115)
Cash and cash equivalents at the beginning of the period		167 559	201 621
Cash at the beginning of the period		226 449	201 621
Current account overdraft at the beginning of the period		(58 890)	-
Currency translation gains/(losses) on valuation of cash and cash equivalents		(4 878)	5 053
Cash and cash equivalents at the end of the period		223 770	167 559
Cash at the end of the period		296 172	226 449
Current account overdraft at the end of the period		(72 402)	(58 890)

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Notes to the consolidated financial statements (cont.)

1. Accounting policies

A description of the more important accounting policies constituting the basis for the preparation of these condensed consolidated financial statements has been presented below. These policies have been consistently applied to all the presented periods, unless stated otherwise.

1.1. Accounting books and financial reporting

The Group maintains accounting books and prepares financial statements in accordance with local accounting and tax rules. These condensed consolidated financial statements were prepared based on the accounting books maintained for the purposes of the Group financial reporting, in order to present the consolidated assets, financial results and cash flows of the Group in line with the International Financial Reporting Standards (IFRS).

These condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim financial reporting”. The accounting rules applied during the preparation of the condensed consolidated financial statements comply with accounting policies applied during the preparation of the consolidated financial statements for the financial year ended 31 December 2008. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the capital group for the year ended 31 December 2008 and notes to the statements.

Costs incurred irregularly during the financial year are calculated or settled in time in the financial statements only when their calculation or settlement in time would be justified as at the end of the financial year.

Income tax costs are presented based on the best estimates of the average weighted annual income tax rate expected for a full financial year. For the period of three months ended 31 December 2009, the income tax rate was 19%.

All amounts are presented in thousands of PLN, unless indicated otherwise.

The preparation of financial statements requires certain estimates and assumptions made by the Management Board that have an impact on the presented values of assets and liabilities, as well as disclosure of contingent assets and liabilities as at the financial statements’ date and the amounts of revenues and expenses recognised throughout the financial year. The actual results may differ from the estimates. The estimates are mainly applied when recognising impairment of assets, amortisation, depreciation and tax charges. Fair value of financial instruments that are not traded on active markets (for example Sephora and the EPCD, LSP and LSU put option) are assessed with the use of valuation techniques. The Group uses a degree of subjective judgment to select methods and make assumptions, mainly based on market conditions as at the balance-sheet date. The Group applied discounted cash flows analysis for certain monetary assets available for sale that are not traded in active markets.

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Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

Comparable data

a) *Presentation of provisions for liabilities in the consolidated financial statements for the year ended 31 December 2008 and in the condensed consolidated financial statements for the period of three months ended 31 December 2009.*

The Group has changed the applied accounting policies with regard to presentation of provisions for liabilities in its balance-sheet. During the reporting period ended 31 December 2008, all provisions were recognised in short-term liabilities. During the present reporting period, these provisions are presented divided into short- and long-term provisions.

The changes to presentation of the abovementioned provisions had the following impact on the balance-sheet comparable data for the period ended 31 December 2009:

Description of a change

	<i>presentation in balance-sheet as at 31 December 2008 in condensed financial statements for the period of three months ended 31 December 2009</i>	<i>presentation in balance-sheet as at 31 December 2008 in financial statements for the year ended 31 December 2008</i>
change in the presentation of provisions for liabilities	provisions for short-term liabilities in the amount of PLN 15,566,000	provisions for short-term liabilities in the amount of PLN 47,502,000
	provisions for long-term liabilities in the amount of PLN 31,936,000	

The abovementioned change had no effect on the comparable data presented in the income statement and in the cash flow statement.

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Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

c) *Presentation of teachers' remuneration costs in the condensed consolidated financial statements for the period of three months ended 31 December 2008 and in the consolidated financial statements for the year ended 31 December 2008 and condensed consolidated financial statements for the period of three months ended 31 December 2009.*

The Group changed the presentation of teachers' remuneration costs in the income statement. During the reporting period ended 31 December 2008, the teachers' remuneration costs were presented in employee compensation and benefit expenses. During the present reporting period, these costs were presented in the item purchase of products and change in inventories.

The changes to presentation of the above mentioned valuation had the following impact on the income statement comparable data for the period of three months ended 31 December 2009:

Description of a change

	<i>presentation in the income statement for the period of twelve months ended 31 December 2008 in the condensed financial statements for the period of three months ended 31 December 2009</i>	<i>presentation in the income statement for the period of twelve months ended 31 December 2008 in the consolidated financial statements for the year ended 31 December 2008</i>
change in the presentation of teachers' remuneration costs	purchase of products and change in inventories in the amount of PLN 33,643,000	employee compensation and benefit expenses in the amount of PLN 33,643,000

Description of a change

	<i>presentation in the income statement for the period of three months ended 31 December 2008 in the condensed financial statements for the period of three months ended 31 December 2009</i>	<i>presentation in the income statement for the period of three months ended 31 December 2008 in the condensed financial statements for the period of three months ended 31 December 2008</i>
change in the presentation of teachers' remuneration costs	purchase of products and change in inventories in the amount of PLN 10,244,000	employee compensation and benefit expenses in the amount of PLN 10,244,000

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

c) *The presentation of currency translation differences in the condensed consolidated financial statements for the period of three months ended 31 December 2008, in the consolidated financial statements for the year ended 31 December 2008, and in the condensed consolidated financial statements for the period of three months ended 31 December 2009.*

The Group changed the presentation of currency translation differences in the income statement. In the reporting period ended 31 December 2008, part of the currency translation differences pertaining to the operating activity was presented in the financing activity. In the present reporting period, the appropriate amount of the currency translation differences was presented at the item 'Other operating expenses'.

The changes to the presentation of the abovementioned valuation had the following impact on the income statement comparable data for the period of three months ended 31 December 2009:

Description of a change

	<i>presentation in the income statement for the period of twelve months ended 31 December 2008 in the condensed financial statements for the period of three months ended 31 December 2009</i>	<i>presentation in the income statement for the period of twelve months ended 31 December 2008 in the consolidated financial statements for the year ended 31 December 2008</i>
change in the presentation of teachers' remuneration costs	other operating expenses in the amount of PLN 5,485,000	financial expenses in the amount of PLN 5,485,000

Description of a change

	<i>presentation in the income statement for the period of three months ended 31 December 2008 in the condensed financial statements for the period of three months ended 31 December 2009</i>	<i>presentation in the income statement for the period of three months ended 31 December 2008 in the condensed financial statements for the period of three months ended 31 December 2008</i>
change in the presentation of teachers' remuneration costs	other operating expenses in the amount of PLN 7,010,000	financial expenses in the amount of PLN 7,010,000

d) *The transformation of information presented for discontinued operations presented in the condensed consolidated financial statements for the period of three months ended 31 December 2008, in the consolidated financial statements for the year ended 31 December 2008, and in the condensed consolidated financial statements for the period of three months ended 31 December 2009.*

During the fourth quarter of 2009, EMF Group lost its control over Smyk GmbH, TOO BTI Systems M (a Maratex group company), and TOO BTI Systems (a Maratex group company). The results generated in 2009 by these entities were presented in the condensed consolidated statement of comprehensive income at the item Profit/(Loss) on discontinued operations. To ensure the comparability of data, data in the consolidated statement of comprehensive income for the previous period were adjusted by the results of Smyk GmbH, TOO BTI Systems M, and TOO BTI Systems for 2008.

NFI Empik Media & Fashion S.A. and its subsidiaries

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for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

The abovementioned transformation had the following effect on the income statement comparable data for the period of 12 months ended 31 December 2008:

Income statement	after change	approved	Change
	31 December 2008	31 December 2008	
	000 PLN	000 PLN	000 PLN
Continuing operations			
Net sales	2 296 997	2 317 300	(20 303)
Purchase of products and change in inventories	(1 296 046) *	(1 273 206)	(22 840)
Employee compensation and benefit expenses	(335 881) *	(374 182)	38 301
Marketing expenses	(70 035)	(70 307)	272
Building expenses	(271 129)	(277 376)	6 247
Other operating expenses	(190 732)	(187 817)	(2 915)
Amortisation, depreciation and impairment write-offs	(163 278)	(164 671)	1 393
Other operating income, net	106 961	107 049	(88)
Profit on disposal of subsidiaries	3 105	3 105	-
Profit from operating activities	79 962	79 895	67
Financial income	93 092	93 119	(27)
Financial expenses	(40 528)	(47 346)	6 818
Profit share in affiliates	14 354	14 354	-
Profit before income tax	146 880	140 022	6 858
Income tax	(20 772)	(19 187)	(1 585)
Net profit from continuing operations	126 108	120 835	5 273
Net profit	126 108	120 835	5 273
Discontinued operations			
Profit/(loss) on discontinued operations	(5 273)	-	(5 273)
Loss on disposal of discontinued operations	-	-	-
Net profit	120 835	120 835	-
Attributable to:			
Equity holders of the Company	118 340	118 340	-
Minority interest	2 495	2 495	-
	120 835	120 835	-
Basic profit per share attributable to the equity holders of the Company (not in thousands)	1.22	1.15	0.07
Diluted profit per share attributable to the equity holders of the Company (not in thousands)	1.17	1.10	0.07

* Employee compensation and benefit expenses and the Purchase of products and change in inventories were additionally modified by the presentation of teachers' remuneration costs, described in Additional information item 1.1 b).

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

The abovementioned transformation had the following effect on the income statement comparable data for the period of three months ended 31 December 2008:

Income statement	after change	approved	Change
	Three months ended	Three months ended	
	31 December 2008	31 December 2008	
	000 PLN	000 PLN	000 PLN
Continuing operations			
Net sales	853 118	873 421	(20 303)
Purchase of products and change in inventories	(488 291) *	(465 451)	(22 840)
Employee compensation and benefit expenses	(98 850) *	(137 151)	38 301
Marketing expenses	(29 451)	(29 723)	272
Building expenses	(80 879)	(87 126)	6 247
Other operating expenses	(70 143)	(65 703)	(4 440)
Amortisation, depreciation and impairment write-offs	(110 257)	(111 650)	1 393
Other operating income, net	57 153	57 241	(88)
Profit on disposal of subsidiaries	3 105	3 105	-
Profit from operating activities	35 505	36 963	(1 458)
Financial income	85 782	84 284	1 498
Financial expenses	(15 634)	(22 452)	6 818
Profit share in affiliates	4 685	4 685	-
Profit before income tax	110 338	103 480	6 858
Income tax	(12 941)	(11 356)	(1 585)
Net profit from continuing operations	97 397	92 124	5 273
Net profit	97 397	92 124	5 273
Discontinued operations			
Profit/(loss) on discontinued operations	(5 273)	-	(5 273)
Loss on disposal of discontinued operations	-	-	-
Net profit	92 124	92 124	-
Attributable to:			
Equity holders of the Company	89 820	89 820	-
Minority interest	2 304	2 304	-
	92 124	92 124	-

* Employee compensation and benefit expenses and the Purchase of products and change in inventories were additionally modified by the presentation of teachers' remuneration costs, described in Additional information item 1.1 b).

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Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

Standards, amendments and interpretations effective in 2009

IFRS 2 (Amendment) “Share-based Payments”

On 17 January 2008, the International Accounting Standards Board issued an amendment to IFRS 2 that is effective for annual periods beginning on or after 1 January 2009. The amendment to the Standard deals with two matters: first, it clarifies that vesting conditions are service conditions and second, operational performance conditions of the entity only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

The NFI EMF Group applied the amended version of IFRS 2 as of 1 January 2009.

IFRS 8 “Operating Segments”

On 30 November 2006, the International Accounting Standards Board issued IFRS 8 that is effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 “Segment Reporting”. This standard specifies new requirements for disclosures about operating segments as well as for disclosures about products and services, geographical areas in which the operations are carried out, or about major customers. IFRS 8 requires an entity to adopt the “management approach” to reporting on the financial performance of its operating segments.

The Group applied IFRS 8 as of 1 January 2009. The abovementioned changes were included in the financial statements of NFI EMF Group.

IAS 1 (Amendment) “Presentation of Financial Statements”

On 6 September 2007, the International Accounting Standards Board issued an amended IAS 1 that is effective for annual periods beginning on or after 1 January 2009. The introduced amendments mainly pertain to the presentation of changes in equity and their purpose is to improve the ability of the users of financial statements to analyse and compare the information presented in financial statements.

The Group applied the amended version of IAS 1 as of 1 January 2009. The abovementioned changes were included in the financial statements of NFI EMF Group.

IAS 23 (Amendment) “Borrowing Costs”

On 29 March 2007, the International Accounting Standards Board issued an amendment to IAS 23 that is effective for annual periods beginning on or after 1 January 2009. This amendment pertains to the accounting approach to borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale. As part of this amendment, the possibility of immediate recognition of such costs in the income statement for the period in which they were incurred has been dismissed. To fulfill the new requirement of the Standard, these costs should be capitalised.

In accordance with the Management Board’s decision, the IAS 23 amendment has been introduced to NFI Empik Media & Fashion Group’s accounting policies as of 1 January 2008.

Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements”

On 14 February 2008, the International Accounting Standards Board issued amendments to IAS 32 and IAS 1 that are effective for annual periods beginning on or after 1 January 2009. The amendments apply to the accounting approach to some financial instruments similar to equity instruments but classified as financial liabilities. Pursuant to the new requirements set forth in the Standard, financial instruments such as puttable instruments and instruments with obligations for a pro rata share of the net assets of the entity on its liquidation are presented as equity upon meeting specific conditions.

The Group implemented the above amendments to the standard from its effective date, i.e. as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

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Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

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

On 23 May 2008, the International Accounting Standards Board issued amendments to IFRS 1 and IAS 27 that are effective for annual periods beginning on or after 1 January 2009. The amendments will permit an entity to use either fair value or carrying amount determined on the basis of previous accounting standards for subsidiaries, associates and jointly controlled entities in stand-alone financial statements as “alleged cost”. In addition, the cost method definition has been abolished and replaced by the principle of recognising revenue in relation to received dividend in stand-alone financial statements.

The Group implemented the amendments to IFRS 1 and IAS 27 as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

IFRIC 13 “Customer Loyalty Programmes”

On 27 June 2007, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 13 that is effective for annual periods beginning on or after 1 July 2008. This interpretation provides guidance to the accounting approach on how to recognise in the books transactions resulting from customer loyalty programmes, such as loyalty cards or loyalty points programmes implemented by an entity. IFRIC 13 addresses, in particular, how companies should account for their obligation to provide free or discounted goods or services if and when the customers redeem their “points”.

IFRIC 13 is in effect as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

IFRIC 15 “Agreements for the Construction of Real Estate”

On 3 July 2008, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 15 that is effective for annual periods beginning on or after 1 January 2009. The interpretation provides general guidance on how to determine whether an agreement for the construction of property shall be presented in the financial statements within the scope of IAS 11 Construction Contracts or IAS 18 Revenue. Furthermore, IFRIC 15 presents accordingly when revenue from construction should be recognised.

IFRIC 15 is in effect as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”

On 3 July 2008, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 16 that is effective for annual periods beginning on or after 1 October 2008. The interpretation provides guidance on whether risk arises from foreign currency exposure to the functional currency of a foreign operation and the presentation currency of the parent entity's consolidated financial statements. Furthermore, IFRIC 16 clarifies which entity within a capital group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 further clarifies how an entity should determine the amounts to be reclassified from equity to income statement for both the hedging instrument and the hedged item when the entity disposes of the investment.

IFRIC 16 is in effect as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

IFRS 7 (Amendment) “Financial Instruments: Disclosures”

On 5 March 2009, the International Accounting Standards Board issued an amendment to IFRS 7 “Financial Instruments: Disclosures” that is effective as of 1 January 2009. The amendments establish a three-level hierarchy for making fair-value measurements and require enhanced disclosures about the relative reliability of fair-value measurements. The amendments also clarify and enhance the existing requirements for disclosures about liquidity risk.

The NFI EMF Group implemented the amended IFRS 7 as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

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Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” – “Eligible Hedged Items”

On 31 July 2008, the International Accounting Standards Board issued an amendment to IAS 39 - “Eligible Hedged Items” that is effective for annual periods beginning on or after 1 July 2009. The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. An entity may not designate an inflation component of issued or acquired fixed-rate debt in a fair-value hedge. An entity also may not include time value in a one-sided risk in a hedged item if options are designated as a hedging instrument.

The NFI EMF Group implemented the amendments to IAS 39 as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

Amendments to IFRIC 9 and IAS 39 “Embedded derivatives”.

On 12 March 2009, the International Accounting Standards Board issued amendments to IFRIC 9 and IAS 39 “Embedded derivatives” that are effective for annual periods ended on or after 30 June 2009. The amendments clarify the accounting treatment of embedded derivatives set forth in the amendment to IFRS 7 and IAS 39 issued in October 2008. These amendments clarify that on reclassification of a financial asset out of the “fair value through profit or loss” category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

The NFI EMF Group implemented the above amendment from its effective date, i.e. as of 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

IFRIC 12 “Service Concession Arrangements”

On 30 November 2006, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 12 that is effective for annual periods beginning on or after 29 March 2008. This interpretation provides guidance on how to apply the existing standards by entities that are parties to service concession arrangements made between the public and the private sector. IFRIC 12 refers to the arrangements, under which the ordering party controls what services are provided by the operator using the infrastructure, to whom and at what price.

The NFI EMF Group implemented IFRIC 12 from its effective date, i.e. as of 1 January 2008; however, it currently does not affect the financial statements of NFI EMF Group.

IFRIC 14 “The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”

On 5 July 2007, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 14 that is effective for annual periods beginning on or after 1 January 2008. This interpretation provides general guidance on how to assess the limit, in line with IAS 19, of the surplus of the fair value of a defined benefit asset above the current value of a defined benefit liability, which can be recognised as an asset. IFRIC 14 also explains how a defined benefit asset or liability may be affected when there is a statutory or contractual minimum funding requirement.

The NFI EMF Group implemented IFRIC 14 from its effective date, i.e. as of 1 January 2008; however, it currently does not affect the financial statements of NFI EMF Group.

NFI Empik Media & Fashion S.A. and its subsidiaries

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for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

Standards, amendments and interpretations that are not yet effective and were not adopted by the Company

IFRS 3 (Amendment) “Business Combinations”

On 10 January 2008, the International Accounting Standards Board issued an amendment to IFRS 3 that is prospectively effective for business combinations with an acquisition date in the financial year beginning on or after 1 July 2009. The introduced changes include the possibility to recognise minority interest either at fair value or at their share in fair value of identifiable net assets, revaluation of shares previously held in an acquired entity to fair value, with the difference to be recognised in an income statement, and additional guidelines for the use of the acquisition method, which includes treating the transaction costs as cost for the period in which they were incurred.

The Group will apply the amended standard as described as soon as it becomes effective, i.e. as of 1 January 2010, as the Group’s financial year is a calendar year. The Management Board is currently assessing the impact of the aforesaid amendment on accounting of the Group.

Improvements to IFRS 2009

On 16 April 2009, the International Accounting Standards Board issued “Improvements to IFRS 2009”, a collection of amendments to 12 standards. The improvements include changes to presentation, recognition and valuation as well as terminological and editing changes. The effective date for the majority of amendments is for annual periods beginning on or after 1 January 2010.

The NFI EMF Group will implement the improvements to IFRS in accordance with the interim provisions. The Management Board is currently assessing the impact of the aforesaid amendment on accounting of the Group.

IAS 27 (Amendment) “Consolidated and Separate Financial Statements”

On 10 January 2008, the International Accounting Standards Board issued an amendment to IAS 27 that is effective for annual periods beginning on or after 1 July 2009. The standard requires that the consequences of transactions with minority shareholders be directly recognised in equity, provided that the parent entity retains control over its subsidiary. The standard further specifies the manner of recognition if the entity loses control over its subsidiary, i.e. it requires that any investment retained in that subsidiary be measured at its fair value and the difference be recognised in the income statement.

The Group will apply the amended standard as described as soon as it becomes effective, i.e. as of 1 January 2010, as the Group’s financial year is a calendar year. The Management Board is currently assessing the impact of the aforesaid amendment on accounting of the NFI EMF Group.

Amendments to IFRS 2 “Share-based Payments”

On 18 June 2009, the International Accounting Standards Board issued amendments to IFRS 2 “Share-based Payments” that are effective for annual periods beginning on or after 1 January 2010. The amendments clarify the accounting for group cash-settled share-based payment transactions. The amendments clarify the scope of IFRS 2 and provide the guidance on joint application of IFRS 2 and other standards. The amendments also incorporate guidance previously included in IFRIC 8 and IFRIC 11.

The Group will implement the amendments to IFRS 2 as of 1 January 2010. The Management Board is currently assessing the impact of the amendment on the financial statements of the Group.

Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”.

On 23 July 2009, the International Accounting Standards Board issued an amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” that is effective for annual periods beginning on or after 1 January 2010. The amendments introduce further exemptions from valuation of assets as at the first-time adoption of IFRS for oil and gas companies.

The Group will implement the amendments to IFRS 1 as of 1 January 2010. The Management Board is currently assessing the impact of the amendment on the financial statements of the Group.

NFI Empik Media & Fashion S.A. and its subsidiaries

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Notes to the consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

IFRIC 17 “Distributions of Non-cash Assets to Owners”

On 27 November 2008, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 17 that is effective for annual periods beginning on or after 1 July 2009. This interpretation provides guidance on the moment of recognition of dividend, its valuation and on when an entity should recognise the difference between the value of dividend and the carrying amount of the assets distributed.

The Company will implement IFRIC 17 as of 1 January 2010; however, it currently does not affect the financial statements of the Company.

IFRIC 18 “Transfers of Assets from Customers”

On 29 January 2009, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 18 that is effective for annual periods beginning on or after 1 July 2009. This interpretation provides guidance on the recognition of a transfer of assets from customers; namely, the interpretation clarifies the circumstances in which the definition of an asset is met, the identification of the separately identifiable services (services in exchange for the transferred asset), the recognition of revenue and the accounting for transfers of cash from customers.

The Company will implement IFRIC 18 as of 1 January 2010; however, it currently does not affect the financial statements of the Company.

1.2. Basis for preparation

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets available for sale, and financial assets and liabilities (including derivative financial instruments) at fair value through profit or loss. These financial statements were prepared based on the best knowledge of the Management Board that the Group will continue its operations for at least next 12 months as of the date of these financial statements.

The amounts presented in these financial statements are in thousands of PLN.

NFI Empik Media & Fashion S.A. and its subsidiaries

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for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

1.3. Group Reporting

(1) The Group

The following are direct and indirect subsidiaries and affiliates of NFI Empik Media & Fashion S.A (the number of shares is equal to the number of votes, unless stated otherwise):

Name	Location	Activity	31 December 2009	31 December 2008
			% share	% share
Subsidiaries				
EMPiK Sp. z o.o.	Poland	Books, newspapers and multimedia retail network; photography sales points and language schools	100.00	100.00
EMPiK Technologies Sp. z o.o. ⁽¹⁾	Poland	Retail trading in IT products	100.00	100.00
EMPiK Comfort Media Sp. z o.o. ⁽¹⁾	Poland	Publisher of "EMPiK News" magazine	82.00	82.00
Empik Assets Sp. z o.o. ⁽¹⁾	Poland	Management of assets and trade marks	100.00	-
Cenzora Enterprises Ltd	Cyprus	Special purpose vehicle holding 100% of shares in Esprentino Trading Limited and 86% of shares in Magalla Holdings Limited	100.00	-
Esprentino Trading Limited ⁽¹⁴⁾	Cyprus	Non-operating company	100.00	100.00
Magalla Holdings Limited ^{(14), (15)}	Cyprus	Investment vehicle holding 100% of shares in Buk Investment LLC and 1 share in Bukva Closed Joint Stock Company	14.00	100.00
Buk Investment LLC ⁽¹⁵⁾	Ukraine	Investment vehicle holding shares of Bukva Closed Joint Stock Company	14.00	100.00
Bukva Closed Joint Stock Company ⁽¹⁵⁾	Ukraine	Operator of bookstores network	14.00	100.00
Polperfect Sp. z o.o. ⁽¹⁾	Poland	Distributor of Polish and international newspapers and magazines	94.00	94.00
EMPiK Beauty Sp. z o.o.-Empik Internet ⁽¹⁾	Poland	Management of Empik.com	100.00	-
Fashion Look Sp. z o.o. ⁽¹⁴⁾	Poland	Trading in wear and other franchised products	100.00	-
Learning Systems Poland Sp. z o.o. ⁽¹⁾	Poland	Operator of language schools	75.65	73.39
LSP Master Sp. z o.o. ⁽²⁾	Poland	The owner of a license for the integrated language school management system and language teaching	75.65	73.39
Learning Systems Ukraine ⁽²⁾	Ukraine	Operator of language schools	60.52	-
Smyk Sp. z o.o.	Poland	Children's mega-stores network	100.00	100.00
Smyk GmbH ^{(3), (16)}	Germany	Operator of children's mega-stores network	-	100.00
Kids International Sp. z o.o. ⁽³⁾	Poland	Operator of children's stores network	100.00	100.00
Prolex Services Limited ⁽³⁾	Cyprus	Investment vehicle holding 100% of shares in Smyk-Rus Limited	100.00	100.00
Smyk-Rus Limited ^{(3), (7)}	Russia	Operator of children's mega-stores network	100.00	100.00
Madras Enterprises Limited ⁽³⁾	Cyprus	Investment vehicle holding 100% of shares in Paritet – Smyk LLC	80.00	80.00
Paritet – Smyk LLC ⁽⁴⁾	Ukraine	Operator of children's mega-stores network	80.00	80.00

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Notes to the consolidated financial statements (cont.)

1.3. Group Reporting (cont.)

Name	Location	Activity	31 December 2009	31 December 2008
			% share	% share
Smyk Ukraine LLC ⁽³⁾	Ukraine	Logistics and other support services for Paritet – Smyk LLC	100.00	100.00
Smyk Çocuk Giyim Oyuncak ve Aksesuarları ⁽³⁾	Turkey	Operator of children's mega-stores network	100.00	100.00
Spiele Max AG ⁽³⁾	Germany	Operator of children's mega-stores network	100.00	100.00
Smyk All for Kids SRL ⁽³⁾	Romania	Operator of children's mega-stores network	100.00	-
Optimum Distribution Sp. z o.o.	Poland	Wholesale trading of selected cosmetics, optical products and sportswear in Poland	100.00	100.00
Optimum Distribution CZ&SK s.r.o.	Czech Republic	Wholesale trading of selected cosmetics, optical products and sportswear in the Czech Republic and Slovakia	100.00	100.00
LuxPol Invest S.a.r.l.	Luxembourg	Investment vehicle holding 80% of shares in EPCD Sp. z o.o.	75.00	75.00
EPCD Sp. z o.o. ⁽⁸⁾	Poland	Distributor of selected cosmetics in Poland	60.00	60.00
EPCD Cz&SK s.r.o. ⁽¹²⁾	Czech Republic	Distributor of selected cosmetics in the Czech Republic and Slovakia	60.00	60.00
Amersport Sp. z o.o. ⁽⁹⁾	Poland	Trading in sportswear and athletic gear	100.00	100.00
Poland 1 Development Sp. z o.o. ⁽⁹⁾	Poland	Trading in sportswear and athletic gear	100.00	100.00
Soul Sp. z o.o. ⁽¹⁰⁾	Poland	Trading in sportswear and athletic gear	100.00	100.00
Soul Shop s.r.o. ⁽¹⁰⁾	Czech Republic	Trading in sportswear and athletic gear	100.00	100.00
Amersport Ukraine ⁽¹¹⁾	Ukraine	Trading in sportswear and athletic gear	95.00	95.00
Amersport Rosja ⁽¹¹⁾	Russia	Trading in sportswear and athletic gear	100.00	-
Ultimate Fashion Sp. z o.o.	Poland	Franchise operations of Wallis, Esprit, River Island etc.	100.00	100.00
Ultimate Fashion International Sp. z o.o.	Poland	Wholesale trading of clothes, footwear and other selected products	100.00	100.00
Licomp EMPiK Multimedia Sp. z o.o.	Poland	Distributor of interactive entertainment software	100.00	100.00
EMF Investment Project Sp. z o.o.	Poland	Investment vehicle holding 48.33% of shares in HDS WP Sp. z o.o.	100.00	100.00
East Services S.A.	Switzerland	Wholesale trading of selected cosmetics and sportswear	100.00	100.00
HDS WP Sp. z o.o.	Poland	Non-operating company	48.33	48.33
Maratex Limited ⁽⁵⁾	Cyprus	Investment vehicle holding shares of B4 SA, ZAO Maratex, ZAO BTI Systems and Baza Limited	100.00	100.00
B4 SA ^{(6), (5)}	Switzerland	Franchise operations of Peacock, Esprit etc.	100.00	100.00
Daughter Enterprise Maratex ^{(6), (5)}	Ukraine	Franchise operations of Peacock, Esprit etc.	100.00	100.00
ZAO Maratex (previously ZAO BTI Systems M) ^{(6), (5)}	Russia	Franchise operations of Esprit, Peacocks etc.	100.00	100.00

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

1.3. Group Reporting (cont.)

Name	Location	Activity	31 December 2009	31 December 2008
			% share	% share
TOO BTI Systems M ^{(6), (5), (17)}	Kazakhstan	Franchise operations of Peacock, Esprit etc.	-	100.00
TOO BTI Systems ^{(6), (5), (17)}	Kazakhstan	Franchise operations of Peacock, Esprit etc.	-	100.00
OOO Maratex ^{(6), (5)}	Kaliningrad	Franchise operations of Esprit, Peacocks etc.	100.00	100.00
Affiliates				
Zara Polska Sp. z o.o.	Poland	Franchise operations of Zara	-	20.00
Empik Cafe Sp. z o.o. ⁽¹³⁾	Poland	Development of coffee bars	49.00	49.00

(1) Subsidiaries of EMPiK Sp. z o.o.

(2) Subsidiaries of Learning Systems Poland Sp. z o.o.

(3) Subsidiaries of Smyk Sp. z o.o.

(4) Subsidiary of Madras Enterprises Limited

(5) The Group holds 43.3% of shares, however due to the put option held, it consolidates 100%

(6) Subsidiaries of Maratex Limited

(7) Subsidiary of Prolex Service Limited. The Group holds 75% of shares, however due to the put option held, it consolidates 100%

(8) Subsidiary of LuxPol Invest S.a.r.l.

(9) Subsidiaries of Optimum Distribution Sp. z o.o.

(10) Subsidiaries of Poland 1 Development Sp. z o.o.

(11) Subsidiary of Amersport Sp. z o.o.

(12) Subsidiary of EPCD Sp. z o.o.

(13) Affiliate of Empik Sp. z o.o.

(14) Companies, in which Cenzora Enterprises Ltd. was a shareholder

(15) On 30 September 2009, an increase of share capital took place in Magalla Holdings Limited with its registered office in Cyprus, in control of Bukva Closed Joint Stock Company and Buk Investment LLC, controlled previously by NFI EMF. The share capital of Magalla was increased through the issue of 15,012 new shares, all of which were assigned to entities from outside the NFI EMF capital group (including the management staff of Bookva, whose shares belong entirely to Magalla). As a result of this transaction the shareholding of NFI Group in the share capital of Magalla Holdings Limited decreased from 100% to 14%.

(16) On 23 December 2009, Smyk GmbH (which operates two stores in Berlin) filed for bankruptcy in the Charlottenburg Registry Court in Berlin, Amtsgerichtsplatz 1. As a result of the start of bankruptcy proceedings, EMF Group lost its control over the business of the company.

(17) In December of 2009, EMF Group lost its control over the companies.

(2) Subsidiaries

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of a majority of the total voting rights in governing bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Found controls another entity.

(3) Affiliates

Affiliates are all entities over which the Fund has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the total voting rights in governing bodies. Investments in affiliates are recognised at cost (purchase price) net of impairment write-offs.

NFI Empik Media & Fashion S.A. and its subsidiaries

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Notes to the consolidated financial statements (cont.)

1.4. Translation of foreign currency items

As stated in the audited consolidated financial statements for the year ended 31 December 2008, the Group is exposed to risks resulting from changes in foreign exchange rates. Changes in the most important exchange rates relevant to the Group's financial situation in the reporting periods are as follows:

Currency	12 months ended 31 December 2009		12 months ended 31 December 2008	
	Closing rate	Average rate	Closing rate	Average rate
EUR	4.11	4.33	4.17	3.52
USD	2.85	3.12	2.96	2.41
CZK	0.16	0.16	0.16	0.14
UAH	0.36	0.39	0.37	0.46
RUB	0.10	0.10	0.10	0.10
TRY	1.91	2.00	1.94	1.85

NFI Empik Media & Fashion S.A. and its subsidiaries

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Notes to the consolidated interim financial statements (cont.)

2. Segment reporting

The Management Board of NFI EMF Group regularly reviews current management reports with regard to operating results as well as the validity of allocating capital expenditures. The Management Board of NFI EMF Group reviews the operating results and the allocation of capital expenditures from two points of view: by geographic segment and by operating segment. The following operating segments have been identified: “Empik Group”, “Smyk Group”, “Language Schools”, “Franchise Brands Group”, “Distribution of Cosmetics and Sports Gear” and “Other Segments”, with the last segment reflecting the results of NFI Empik Media & Fashion S.A. and consolidation adjustments. All segments are further reviewed from the geographical point of view and divided into domestic and foreign sales.

12 months ended 31 December 2009	<u>Empik Group</u> 000 PLN	<u>Smyk Group</u> 000 PLN	<u>Language Schools</u> 000 PLN	<u>Franchise Brands Group</u> 000 PLN	<u>Distribution of Cosmetics and Sports Gear</u> 000 PLN	<u>Other segments</u> 000 PLN	<u>TOTAL</u> 000 PLN
Sales	1 043 125	826 007	125 439	504 439	220 517	-	2 719 527
- domestic	1 028 661	352 500	125 439	196 294	159 628	-	1 862 522
- abroad	14 464	473 507	-	308 145	60 889	-	857 005
EBITDA	109 844	75 609	16 052	5 616	7 545	(13 342)	201 324
Profit from operating activities	73 395	62 781	10 711	(50 604)	4 798	(14 295)	86 786
Financial expenses, net	(7 085)	(4 408)	406	26 596	(3 533)	(15 917)	(3 941)
Share of profit / (loss) in affiliates	(736)	-	-	-	-	1 147	411
Profit before income tax	65 574	58 373	11 117	(24 008)	1 265	(29 065)	83 256
Income tax	14 442	(13 766)	(2 275)	6 661	(928)	-	4 134
Net profit	80 016	44 607	8 842	(17 347)	337	(29 065)	87 390
Total assets	805 834	447 873	112 405	471 559	198 494	106 333	2 142 498
Total liabilities	(579 212)	(278 369)	(119 655)	(247 155)	(104 967)	(320 760)	(1 650 118)
Other segment information							
Impairment write-offs				(26 115) *			(26 115)
Capital expenditures	(56 487)	(37 396)	(7 634)	(35 608)	(3 136)	(10 285)	(150 546)
- domestic	(55 779)	(25 049)	(7 634)	(15 228)	(2 019)	(10 285)	(115 994)
- abroad	(708)	(12 347)	-	(20 380)	(1 117)	-	(34 552)
Investments in affiliates	3 375	-	-	-	-	-	3 375

* In 2009, as a result of the updates to the parameters accounted for in the financial projections discount, reflecting the current macroeconomic situation in Russia and Ukraine, the EMF Group recognised a goodwill impairment loss of PLN 26.1 million. The impairment write-off pertained in its entirety to the goodwill of Maratex Ltd (the “Franchise Brands Group” segment). The Maratex goodwill impairment write-off should be analysed in conjunction with the change (decrease) of the EMF Group’s liabilities towards Maratex’s minority shareholders, which are based on the same future financial results of the company that formed the basis for the verification of the company’s goodwill.

NFI Empik Media & Fashion S.A. and its subsidiaries

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for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

2. Segment reporting (cont.)

12 months ended 31 December 2008	Empik Group	Smyk Group	Language Schools	Franchise Brands Group	Distribution of Cosmetics and Sports Gear	Other segments	TOTAL
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
Sales	958 746	532 653	102 239	499 213	204 146	-	2 296 997
- domestic	933 220	343 792	102 239	230 497	140 670	-	1 750 418
- abroad	25 526	188 861	-	268 716	63 476	-	546 579
EBITDA	89 385	57 727	11 942	22 429	27 250	34 507	243 240
Profit from operating activities	37 665	43 934	8 071	(67 802)	24 156	33 938	79 962
Financial expenses, net	(9 903)	9 245	802	69 569	(1 795)	(15 354)	52 564
Share of profit in affiliates	1 618	-	-	-	-	12 736	14 354
Profit before income tax	29 380	53 179	8 873	1 767	22 361	31 320	146 880
Income tax	(9 897)	(5 862)	(1 689)	107	(3 431)	-	(20 772)
Net profit	19 483	47 317	7 184	1 874	18 930	31 320	126 108
Total assets	790 687	422 959	105 502	555 202	219 286	117 614	2 211 250
Total liabilities	(579 305)	(274 280)	(73 657)	(319 809)	(115 933)	(329 553)	(1 692 537)
Other segment information							
Impairment write-offs	(20 783)	-	-	(71 112)	-	-	(91 895)
Capital expenditures	(65 520)	(55 647)	(10 278)	(71 556)	(4 357)	(10 251)	(217 609)
- domestic	(61 541)	(27 769)	(10 278)	(31 043)	(2 837)	(10 251)	(143 719)
- abroad	(3 979)	(27 878)	-	(40 513)	(1 520)	-	(73 890)
Investments in affiliates	3 538	-	-	29 116	-	-	32 654

Reconciliation of segment reporting with balance sheet:

	31 December 2009	31 December 2008
Total assets in segment reporting	2 142 498	2 211 250
Deferred income tax assets	21 049	19 869
Total assets in balance sheet	2 163 547	2 231 119
Total liabilities in segment reporting	(1 650 118)	(1 692 537)
Deferred income tax liabilities	(16 743)	(32 348)
Total liabilities in balance sheet	(1 666 861)	(1 724 885)

NFI Empik Media & Fashion S.A. and its subsidiaries

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Notes to the consolidated financial statements (cont.)

3. Employee compensation and benefit expenses

12 months ended 31 December	2009	2008
	000 PLN	000 PLN
Wages and salaries	276 496	266 277
Share options granted	11 666	13 568
Social insurance charges	54 208	49 024
Termination benefits (severance payments)	92	148
Other benefits	6 600	6 864
Total employee compensation and benefit expenses	349 062	335 881

Other benefits represent food, medical care, uniforms and employee insurance.

Employee share-option incentive scheme

Employee compensation expenses include compensation under the employee share-based incentive scheme amounting to PLN 11,666,000 (PLN 13,568,000 in 2008). The following members of senior management of the NFI EMF Group are entitled to participate in the incentive scheme:

- Mr Maciej Dyjas (President of the Management Board)
- Mr Jacek Bagiński (Member of the Management Board)
- Mrs Ewa Podgórska (Member of the Management Board)
- Mr Dariusz Stolarczyk (Member of the Management Board)
- Mr Kjell Berggren (Member of the Management Board)
- Mr Eyal Lahav (President of the Management Board of EMPiK Sp. z o.o.)
- Mr Tomasz Paszkowski (Member of the Management Board of Ultimate Fashion Sp. z o.o.)

The President of the Management Board has the right to subscribe for Series F, G, H and E1 registered subscription warrants. Series F, G, H warrants entitle their holder to subscribe for 275,000 Series C ordinary shares for the issue price of PLN 0.10 each. Series E1 warrants entitle their holder to subscribe for one Series C ordinary share at a nominal price of PLN 0.10 each. The warrants were issued and allocated free of charge. Exercising of each warrant is conditional upon the holder of the option still rendering his/her services for the benefit of the Company as at the date of warrant execution.

On 20 January 2009, Jonquille Investments Limited, with its registered office in Cyprus, a company wholly owned by Mr Maciej Dyjas, the President of the Management Board of NFI EMF, acquired 150,000 Series B bearer ordinary shares of NFI EMF and 125,000 Series C bearer shares of NFI EMF at a nominal price of PLN 0.10 per share. The shares were acquired as a result of exercising rights resulting from Series D and Series D1 subscription warrants issued by NFI EMF on the basis of the Resolution No. 6 of the General Shareholders Meeting of 8 December 2005 and on the basis of the Resolution No. 14 of the General Shareholders Meeting of 13 July 2007.

On 25 May 2009, Jonquille Investments Limited, with its registered office in Cyprus, acquired 68,837 Series B bearer ordinary shares of NFI EMF and 200,924 Series C bearer ordinary shares of NFI EMF at a nominal price of PLN 0.10 per share. The shares were acquired as a result of exercising rights resulting from Series E subscription warrants issued by NFI EMF on the basis of Resolution No. 6 of the General Shareholders Meeting of 8 December 2005 and Series E1 subscription warrants issued by NFI EMF on the basis of Resolution No. 14 of the General Shareholders Meeting of 13 July 2007.

On 25 June 2009 Jonquille Investments Limited sold 200,000 of the NFI EMF shares.

Mr Jacek Bagiński is entitled to subscribe for Series I, J and K registered subscription warrants. Each warrant entitles its holder to subscribe for 300,000 Series D ordinary shares. In 2Q 2009, Mr Bagiński's warrants were modified. As a result of the modification the issue price has been changed and presently amounts to PLN 8 per share and the subscription warrants' exercise period has been extended until 31 December 2013. Exercising of

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Condensed consolidated financial statements

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Notes to the consolidated financial statements (cont.)

3. Employee compensation and benefit expenses

each warrant is conditional upon the holder of the option still rendering his/her services for the benefit of the Company as at the date of warrant execution.

In addition, Mr Bagiński was granted rights to new warrants up to a maximum number of 600,000, which entitle him to subscribe for Series G shares. One warrant shall entitle its holder to acquire one Series G share. The issue price of the Series G shares will be PLN 5. The rights under the warrants may be exercised until the end of 2013.

On 15 January 2008, Mrs Ewa Podgórska was granted options to acquire shares issued by the Company by way of acquisition of subscription warrants. The option holder is entitled to subscribe for Series N registered subscription warrants. The warrant entitles to subscribe for 30,000 Series E ordinary shares at a nominal price of PLN 0.10 per share. The warrant may be exercised by 31 December 2011.

Exercising of each warrant is conditional upon the holder of the option still rendering his/her services for the benefit of the Company as at the date of warrant execution.

On 20 January 2009, Mrs Ewa Podgórska acquired 30,000 Series E bearer ordinary shares of NFI EMF at a nominal price of PLN 0.10 per share. Total price of the transaction amounted to PLN 3,000. The shares were acquired as a result of exercising rights under the Series M subscription warrants issued by NFI EMF on the basis of Resolution No. 16 of the General Shareholders Meeting of NFI EMF of 13 July 2007.

Mr Dariusz Stolarczyk is entitled to subscribe for 17,765 Series L registered subscription warrants for the average market price of shares of NFI EMF as quoted on the Warsaw Stock Exchange during the period of three months ended 31 December 2007. Each warrant entitles its holder to subscribe for Series E ordinary shares. The rights under the warrants may be exercised at any time, but no later than by 31 December 2011. Exercising of each warrant is conditional upon the holder of the option still rendering his/her services for the benefit of the Company as at the date of warrant execution.

In addition, on 24 April 2008 Mr Eyal Lahav (President of the Management Board of Empik Sp. z o.o., a subsidiary of NFI EMF) was granted subscription warrants for Series E shares of NFI EMF. Exercising of each warrant is conditional upon the holder of the option still rendering his/her services for the benefit of the Company as at the date of warrant execution.

Mr Kjell Berggren has been granted 160,000 Series L and M subscription warrants giving the right to subscribe for the same number of shares of NFI EMF for the average market price of shares of NFI EMF as quoted on the Warsaw Stock Exchange, in the following periods:

Series L	three months ended 31 December 2007
Series M	three months ended 31 December 2008

Series L warrants may be exercised at any time prior to 31 December 2011. Series M warrants may be exercised from 1 January 2010 until 31 December 2012. Exercising of each warrant is conditional upon the holder of the option still rendering his/her services for the benefit of the Company as at the date of warrant execution.

On 27 October 2008 an incentive scheme was launched concerning the acquisition of Series F ordinary shares by Mr Tomasz Paszkowski, Member of the Management Board of Ultimate Fashion Sp. z o.o., based on Series L subscription warrants. Mr Tomasz Paszkowski is entitled to acquire Series F ordinary shares of NFI EMF at the market price as quoted on the Warsaw Stock Exchange during the period of three months ended 31 December 2008. Rights under the warrants may be exercised at any time until 31 December 2011.

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Notes to the consolidated financial statements (cont.)

4. Building expenses

12 months ended 31 December	<u>2009</u>	<u>2008</u>
	<u>000 PLN</u>	<u>000 PLN</u>
Rental expenses	279 890	204 163
Services	78 158	60 330
Repairs	6 918	4 830
Insurance	1 309	440
Hedging transactions result	(4 814)	1 366
Total building expenses	<u>361 461</u>	<u>271 129</u>

Operating lease expenses

Lease expenses in building expenses and other operating expenses amount to:

12 months ended 31 December	<u>2009</u>	<u>2008</u>
	<u>000 PLN</u>	<u>000 PLN</u>
Operating lease expenses payable to third party - plant and equipment	4 882	4 012
Operating lease expenses payable to third party – buildings expenses	254 463	192 831
Operating lease expenses payable to related parties – building expenses	25 426	11 332

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Notes to the consolidated financial statements (cont.)

5. Other operating expenses

12 months ended 31 December	2009	2008
	000 PLN	000 PLN
IT and telecommunication infrastructure	24 852	31 923
Transportation expenses	33 448	25 640
Parking expenses	6 400	6 388
Security	9 702	12 831
Bank fees	22 575	16 678
Legal and consulting expenses	26 601	17 601
Travel and representation	13 900	13 701
Taxes and fees	7 060	4 394
Receivables revaluation write-offs	3 827	15 861
Currency translation differences	7 195	4 822
Management fees	409	395
Other	37 711	40 498
Total other operating expenses	193 680	190 732

6. Other operating income, net

12 months ended 31 December	2009	2008
	000 PLN	000 PLN
Gains/(losses) from valuation of financial instrument and long-term receivables - Sephora*	10 474	(4 736)
(Losses)/gains from valuation of derivative financial instruments to fair value - Zara	(1 147)	55 201
Expenses related to disposal of shares in Zara Sp. z o.o.	-	(113)
Gains/(losses) from valuation of derivative financial instruments - EPCD	(402)	5 418
Dividend received	-	9 339
Dissolved agreement compensation	-	6 327
Dissolution of provisions established in previous periods	38 996	17 352
Received damages and compensations	3 936	1 431
Other	1 633	16 742
Total other income, net	53 490	106 961

The profit from the Sephora financial instrument recorded as at 31 December 2009 includes a profit of PLN 6,257,000 (as at 31 December 2008 in the amount of PLN -11,452,000) from the valuation of the financial instrument, as well as the costs of advisory services related to the sale of Sephora shares in the amount of PLN 1,800,000. In addition, in the item profit/(loss) from the valuation of the Sephora instrument, gains from the valuation of long-term receivables were presented, which in 2009 amounted to PLN 6,016,000 (as at 31 December 2008 in the amount of PLN 6,716,000).

The Zara Polska Sp. z o.o. put option reflected the fair value attributable to the put option under an agreement between NFI Empik Media & Fashion S.A. and Inditex S.A. on the sale of Zara Polska Sp. z o.o. (Young Fashion Sp. z o.o.). On 22 January 2009, NFI EMF sold its shares in Zara Polska Sp. z o.o. to Industria de Diseño Textil SA ("INDITEX SA").

The put option pertaining to EPCD, which was acquired in 2008, reflects the fair value attributable to the put option of EPCD under an agreement between LuxPol Invest S.a.r.l. and Iparkos B.V. The fair value of this instrument is determined by the discounting of the value of future cash flows for LuxPol Invest S.a.r.l., EPCD Sp. z o.o., and EPCD CZ&SK s.r.o. In the current period, the loss from the valuation of this option to fair value was PLN 402,000 and was presented in "Other operating income, net".

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Notes to the consolidated financial statements (cont.)

7. Financial expenses, net

12 months ended 31 December	2009	2008
	000 PLN	000 PLN
Financial income		
Interest income	4 825	4 637
Financial income from affiliates	-	11
Gains from valuation of Paritet put option	-	1 810
Gains from valuation of Bukva put option	-	166
Gains from valuation of Smyk Rosja put option	677	10 111
Gains from valuation of Learning Systems Poland put option	396	-
Gains from valuation of Learning Systems Ukraine put option	19	-
Gains from valuation of Maratex put option	35 992	76 357
Total financial income	41 909	93 092
Financial expenses		
Interest expenses:	(38 053)	(32 526)
- borrowings	(14 483)	(16 569)
- financial lease	(3 704)	(2 295)
- bonds (notes)	(15 009)	(13 662)
- other financial liabilities	(4 857)	-
Loss from valuation of Paritet option	(1 362)	-
Currency translation differences	(6 435)	(8 002)
Total financial expenses	(45 850)	(40 528)
Financial expenses, net	(3 941)	52 564

Foreign currency exchange differences arise on EUR and USD denominated financial leases, loans from related parties and bank borrowings.

The option valuation gains included in the financial income primarily encompass the change in the value of Maratex minority share options (PLN 35,992,000). This item should be read together with the impairment write-off for the goodwill of Maratex in the amount of PLN 26,115,000, which was recognised in the income statement in the category "Amortisation, depreciation and impairment write-offs". The goodwill impairment write-off as well as the decrease in financial liabilities reflect the financial projection parameters pertaining to the calculation of discount rates, taking into account the current macroeconomic situation in Russia and Ukraine.

On 22 July 2009, an agreement was concluded between NFI EMF, Empik Assets Sp. z o.o., and the minority shareholders of Learning Systems Poland Sp. z o.o., which amended the provisions of the investment agreement dated 4 August 2005 concerning the acquisition of Learning Systems Poland Sp. z o.o. shares. In accordance with the concluded agreement, minority shareholders are entitled to exercise the option of selling their shares to NFI EMF. As at its initial recognition, the value of this liability was estimated at PLN 51,721,000. In addition, in relation to the acquisition of 72% of the shares in the share capital of Learning Systems Ukraine, a valuation of the liability from the sale option of 20% of the minority shares was performed. As at its initial recognition, the value of this liability was estimated at PLN 7,534,000. As at 31 December 2009, the value of option liabilities toward the minority shareholders of Learning Systems Poland and Learning Systems Ukraine was updated and their values are respectively:

a) liabilities toward the minority shareholders of LSP – PLN 50,531,000

b) liabilities toward the minority shareholders of LSU - PLN 7,515,000.

The difference in the valuation between the balance-sheet date and the initial recognition of the option was recognised in the gains from the valuation of the LSP and LSU options.

The other gains from the valuation of the options indicated in the financial income include the change in the value of the options from the minority shares of Smyk Rosja (PLN 677,000). The losses from the valuation of the options indicated in the financial expenses include the change in the value of the options from the minority shares of Paritet (PLN 1,362,000).

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Notes to the consolidated financial statements (cont.)

8. Discontinued operations

On 23 December 2009, Smyk GmbH (which operates two stores in Berlin) filed for bankruptcy in the Charlottenburg Registry Court in Berlin, Amtsgerichtsplatz 1. As a result of the start of bankruptcy proceedings, control over the business of the company was taken over by the bankruptcy trustee. As a result, the data of Smyk GmbH was deconsolidated from the consolidated financial statements of EM&F.

In December 2009, EM&F Group lost its control over TOO BTI Systems M and TOO BTI Systems as a result of their sale.

The financial data of Smyk GmbH, TOO BTI Systems M, and TOO BTI Systems in these consolidated financial statements were presented as the result on discontinued operations.

In the income statement as well as the cash flow statement, the following items were presented as the result on discontinued operations:

12 months ended 31 December	2009 000 PLN	2008 000 PLN
Net sales	15 479	20 303
Purchase of products and change in inventories	(8 980)	(10 803)
Employee compensation and benefit expenses	(3 786)	(4 658)
Marketing expenses	(88)	(272)
Building expenses	(6 291)	(6 247)
Other operating expenses	(3 799)	(2 570)
Amortisation, depreciation and impairment write-offs	(2 189)	(1 393)
Other income, net	(550)	88
Loss from operating activities	(10 204)	(5 552)
Financial income	89	27
Financial expenses	(1 622)	(1 333)
Profit before income tax	(11 737)	(6 858)
Corporate income tax	2 264	1 585
Net loss from continuing operations for the period	(9 473)	(5 273)
Net cash flows from operating activities	(1 974)	(240)
Net cash flows from investing activities	430	(682)
Net cash flows from financing activities	(685)	1 819
Total change in cash	(2 229)	897

The transactions were indicated in the consolidated financial statements in the following manner:

The value of sold/liquidated assets, net	17 772
Transaction costs	(37 857)
Sale price	333
Loss on sale	(19 752)
Purchase consideration settled in cash	-
Cash of the sold/liquidated subsidiary	(1 553)
Net cash inflows from sale/liquidation	(1 553)

NFI Empik Media & Fashion S.A. and its subsidiaries

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Notes to the consolidated financial statements (cont.)

9. Earnings per share

Basic earnings (profit) per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in the year, excluding ordinary shares purchased by the Group and held as treasury shares.

12 months ended 31 December	2009	2008
	000 PLN	000 PLN
Net profit from continuing operations attributable to shareholders of the Company (PLN thousands)	87 390	126 108
Weighted average number of shares – basic	103 606 930	103 018 151
Weighted average number of shares – diluted	108 343 085	107 595 952
Basic profit/(loss) per share attributable to shareholders of the Company	0.84	1.22
Diluted profit/(loss) per share	0.81	1.17

Diluted profit per share is calculated by adjusting the weighted average number of issued ordinary shares, assuming conversion of all potential dilutive ordinary shares. Dilutive ordinary shares are share options granted to the NFI EMF Group's management.

10. Derivative financial instruments

As at	31 December 2009		31 December 2008	
	Assets	Liabilities	Assets	Liabilities
	000 PLN	000 PLN	000 PLN	000 PLN
Long-term derivative financial instruments				
EPCD put option	5 016	-	5 418	-
	<u>5 016</u>	<u>-</u>	<u>5 418</u>	<u>-</u>
Short-term derivative financial instruments				
Forward derivative financial instruments	-	4 320	4 929	326
Zara put option	-	-	80 148	-
	<u>-</u>	<u>4 320</u>	<u>85 077</u>	<u>326</u>
Total derivative financial instruments	<u>5 016</u>	<u>4 320</u>	<u>90 495</u>	<u>326</u>

The Zara Polska Sp. z o.o. put option reflected the fair value attributable to the put option under the agreement between NFI Empik Media & Fashion S.A. and Inditex S.A. on the sale of Zara Polska Sp. z o.o. (Young Fashion Sp. z o.o.). On 22 January 2009, NFI EMF sold its shares in Zara Polska Sp. z o.o. to Industria de Diseño Textil SA ("INDITEX SA").

The put option pertaining to EPCD, which was acquired in 2008, reflects the fair value attributable to the put option of EPCD, under of the agreement between LuxPol Invest S.a.r.l. and Iparkos B.V. The fair value of this instrument is determined by the discounting of the value of future cash flows for LuxPol Invest S.a.r.l., EPCD Sp. z o.o., and EPCD CZ&SK s.r.o. In the current period, the loss from the valuation of this option to fair value was PLN 402,000 and was presented in "Other operating income, net". (See Note 6)

NFI Empik Media & Fashion S.A. and its subsidiaries

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Notes to the consolidated financial statements (cont.)

11. Shareholders

As at 31 December 2009 the key shareholders of NFI Empik Media & Fashion S.A. were:

	<u>Number of shares (votes)</u>	<u>Direct shareholding</u>
As at 31 December 2009		
Empik Centrum Investments S.A.	62 578 383	60.33%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	10 400 000	10.03%

The Company is controlled by Empik Centrum Investments S.A. (with its registered office in Luxembourg), which holds 60.33% of shares in NFI Empik Media & Fashion S.A. The ultimate parent entity publishing financial statements is Eastbridge S.a.r.l. (a company with its registered office in the Netherlands and the principal place of business in Luxembourg). The ultimate controlling party of Eastbridge S.a.r.l. is Mr Yaron Bruckner.

As at 31 December 2009, the total number of shares of the Fund amounted to 103,729,569.

12. Share capital

	<u>Number of shares (not in thousands)</u>	<u>Ordinary shares</u>	<u>Surplus on the sale of shares above the nominal value (share premium)</u>	<u>Total</u>
		<u>000 PLN</u>	<u>000 PLN</u>	<u>000 PLN</u>
As at 1 January 2008	102 586 645	10 258	279 089	289 347
Issue of shares – share-based incentive scheme	568 163	57	1 738	1 795
Employee shares taken up	-	-	6 477	6 477
As at 1 January 2009	103 154 808	10 315	287 304	297 619
Issue of shares – share-based incentive scheme	574 761	58		58
Employee shares taken up	-	-	6 664	6 664
As at 31 December 2009	103 729 569	10 373	293 968	304 341

The nominal value of one share is PLN 0.10 (not in thousands). The share capital of NFI EMF is 10,372,956.90 (not in thousands) and is divided into 101,893,645 Series A ordinary shares, 1,200,000 Series B ordinary shares, 450,924 Series C ordinary shares and 185,000 Series E ordinary shares.

During the nine months ended 31 December 2009, the nominal share capital was increased by PLN 58,000 by means of the issue of 574,761 shares of PLN 0.10 each (not in thousands) in the following transactions:

- A Cyprus-based company wholly owned by Mr Maciej Dyjas, President of the Management Board of NFI Empik Media & Fashion S.A., exercised its rights under subscription warrants, subscribing for 544,761 ordinary shares with a nominal value of PLN 54,476.10 (not in thousands);
- Mrs Ewa Podgórska, Member of the Management Board of NFI EMF, exercised her rights under subscription warrants, subscribing for 30,000 ordinary shares with a nominal value of PLN 3,000.00 (not in thousands);

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

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Notes to the consolidated financial statements (cont.)

12. Share capital (cont.)

Shares held by the Management Board

As at 31 December 2009, Mr Maciej Dyjas, President of the Management Board, held through his subsidiary Jonquille Investments Limited 1,200,924 shares, i.e. 1.16% of share capital of NFI Empik Media & Fashion S.A. In addition, Mrs Ewa Podgórska, Member of the Management Board, took up 30,000 shares of NFI Empik Media & Fashion S.A. in the reporting period, which together with the previously acquired 30,000 shares, constitute an equivalent of 0.06% of the share capital.

13. Other comprehensive income

	12 months ended 31 December 2009			12 months ended 31 December 2008		
	Gross value	Tax	Net value	Gross value	Tax	Net value
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
Currency exchange gains/(losses) on translation of foreign operations	1 805	-	1 805	(6 389)	-	(6 389)
Cash flow hedges	(8 030)	1 526	(6 504)	8 943	(1 699)	7 244
Currency exchange gains/(losses) on long-term financing of subsidiaries	(12 211)	661	(11 550)	(27 883)	6 996	(20 887)
Total other comprehensive income	(18 436)	2 187	(16 249)	(25 329)	5 297	(20 032)

As of 1 October 2008, the Group has been recognising some intragroup loans as net investments in subsidiaries. Therefore, currency translation losses accumulated during 2009 in the amount of PLN 11,550,000 (net of deferred tax in the amount of PLN 661,000) resulting from these loans were recognised in the consolidated capital of the Group under "Currency exchange gains/(losses) on long-term financing of subsidiaries."

14. Borrowings

As at	31 December 2009	31 December 2008
	000 PLN	000 PLN
Long-term borrowings		
Financial lease liabilities	21 697	22 267
Mid-Term Notes	193 612	193 817
Bank borrowings	112 489	101 232
Total long-term borrowings	327 798	317 316
Short-term borrowings		
Financial lease liabilities	5 491	5 515
Bonds (notes)	28 587	45 075
Bank borrowings	66 928	118 652
Current account overdraft	72 402	58 890
Other	(22)	372
Total short-term borrowings	173 386	228 504
Total borrowings	501 184	545 820

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

14. Borrowings (cont.)

Bank borrowings

Bank borrowings include:

	Effective tax rate	Repayable	31 December 2009	31 December 2008
			000 PLN	000 PLN
Bank credit facility of EUR 10 million	EURIBOR 1M + bank margin	30 July 2009	-	41 837
Bank credit facility of EUR 7 million	EURIBOR + bank margin	22 January 2009	-	29 207
Bank credit facility of PLN 25 million	WIBOR 1M + bank margin	9 July 2009	-	25 000
Bank credit facility of PLN 40 million	WIBOR 3M + bank margin	30 June 2014	36 733	-
Bank credit facility of PLN 25 million	WIBOR 3M + bank margin	31 December 2011	19 579	24 995
Bank credit facility of PLN 21 million	WIBOR 3M + bank margin	30 June 2014	19 709	20 909
Bank credit facility of PLN 100 million	WIBOR 3M + bank margin	30 June 2015	62 649	9 687
Bank credit facility of RUB 180 million	MIBOR + bank margin	28 July 2010	16 539	18 413
Bank credit facility of RUB 93 million	MIBOR + bank margin	20 May 2010	5 029	9 363
Bank credit facility of UAH 5.8 million	19%	March 2010	690	2 921
Bank credit facility of EUR 4 million	EURIBOR + bank margin	undetermined	8 216	10 431
Bank credit facility of EUR 5.5 million	EURIBOR + bank margin	undetermined	-	16 690
Bank credit facility of EUR 2.5 million	EURIBOR + bank margin	15 August 2010	10 273	10 431
			179 417	219 884

Bank credit facility of EUR 10 million

The credit facility was secured by the receivables under the put option for 24% of shares in Sephora Polska Sp. z o.o. Due to the shares having been sold in July 2009, the credit facility was repaid in full on 30 July 2009.

Bank credit facility of EUR 7 million

In January 2006, NFI EMF obtained a EUR 7 million investment credit with the repayment date falling on 15 April 2008. Pursuant to the annex signed on 10 April 2008, the repayment date was extended to 3 January 2011. The credit facility was repaid on 22 January 2009 with the funds received for the sale of shares held in Zara Polska Sp. z o.o.

Bank credit facility of PLN 25 million

In September 2007, NFI EMF signed a credit facility agreement for a revolving credit facility of PLN 65 million. As at 30 September 2008, NFI has repaid a part of the credit facility in the amount of PLN 40 million. The outstanding balance of the credit facility in the amount of PLN 25 million was repaid by the Group on 9 July 2009.

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

14. Borrowings (cont.)

Bank credit facility of PLN 40 million

On 7 July 2009, an agreement was concluded between NFI EMF and its subsidiaries Empik Sp. z o.o., Smyk Sp. z o.o., Ultimate Fashion Sp. z o.o. and BRE Bank SA. Pursuant to this agreement, BRE Bank SA granted to the Borrowers a credit facility amounting to PLN 40 million for the financing of the sales network. Repayment of the credit facility will take place in quarterly instalments until the end of June 2014.

Bank credit facility of PLN 25 million

As at 31 December 2009, Smyk Sp. z o.o. had a credit balance amounting to PLN 20 million. Credit interest equals WIBOR 3M increased by a bank margin. Credit shall be repaid in instalments until December 2011. Credit is secured with inventory of Smyk Sp. z o.o.

Bank credit facility of PLN 21 million

On 12 June 2008, Amersport Sp. z o.o., Soul Sp. z o.o. and Poland 1 Development Sp. z o.o. signed an investment credit agreement with PEKAO S.A. for PLN 20.5 million and a current account overdraft agreement of PLN 12 million. Investment credit shall be repaid in instalments until 30 June 2014 and current account overdraft – one off repayment on 30 June 2010.

Bank credit facility of PLN 100 million

On 14 August 2008, NFI EM&F and its subsidiaries: Empik Sp. z o.o., Smyk Sp. z o.o., Ultimate Fashion Sp. z o.o., Optimum Distribution Sp. z o.o. and Learning Systems Poland Sp. z o.o. signed a credit facility agreement with PEKAO S.A. amounting to PLN 150 million. The credit facility is composed of a PLN 100 million investment credit facility with a fixed repayment date, to be repaid in 20 equal instalments over the period from 30 September 2010 to 30 June 2015 and of a PLN 50 million overdraft facility, to be repaid by the end of June 2010. The major part of the credit will be used to finance the development of the Group distribution network as well as logistical and IT infrastructure. As at 31 December 2009, the Group used PLN 62.5 million of available funds to finance its capital expenditures and PLN 25.7 million of financing from the current bank account.

Other credit facilities

Other credit facilities in the amount of PLN 40.7 million have been incurred by Maratex Group and Spiele Max AG. The repayment dates for such credit facilities do not exceed 12 months from the balance-sheet date, and in the case of two credit facilities incurred by Spiele Max AG, the repayment date has not been specified. The repayment security for the liabilities is the inventory of Maratex Limited Group and Spiele Max AG.

Current account overdrafts

Current account overdrafts include:

	Effective interest rate	31 December 2009	31 December 2008
		000 PLN	000 PLN
Bank loan of PLN 50 million in Pekao S.A.	WIBOR 1M + bank margin	25 660	22 000
Bank loan of EUR 10 million in ABN Amro Bank (Polska) S.A.	LIBOR 1M + bank margin	39 226	21 868
Bank loan of PLN 12 million in Pekao S.A.	WIBOR 3M + bank margin	2 164	7 046
Bank loan of PLN 11 million in ABN AMRO Bank (Polska) S.A.	WIBOR T/N + margin	5 352	7 387
Bank loan of EUR 745,000 in Postbank	EURIBOR 1M + bank margin	-	589
		72 402	58 890

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

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Notes to the consolidated financial statements (cont.)

14. Borrowings (cont.)

Bonds and Mid-Term Notes

Bonds and Mid-Term Notes include:

	<u>Effective tax rate</u>	<u>Repayable</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
			<u>000 PLN</u>	<u>000 PLN</u>
Mid-Term Notes	WIBOR 6M + margin	2012	193 612	193 817
Bonds	WIBOR + margin	2010	28 587	45 075
			<u>222 199</u>	<u>238 892</u>

Mid-Term Notes and bonds

As at 31 December 2009, the Group's liabilities under issued bonds are as follows:

- 1) Interest-free discount bonds with a total nominal value of PLN 25 million. The level of the bond discount was set as WIBOR + margin. Rolled bonds with maturity of 2 months. The next maturity date is 22 February 2010.
- 2) Coupon bonds with a total nominal value of PLN 151.5 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 20 March 2012. Interest shall be paid every 6 months.
- 3) Coupon bonds with a total nominal value of PLN 7.8 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 11 July 2012. Interest shall be paid every 6 months.
- 4) Coupon bonds with a total nominal value of PLN 20 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 24 August 2012. Interest shall be paid every 6 months.
- 5) Coupon bonds with a total nominal value of PLN 15 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 29 September 2012. Interest shall be paid every 6 months.

None of the issued bonds is secured.

NFI Empik Media & Fashion S.A. and its subsidiaries

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for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

15. Contingent liabilities and guarantees

1. As provided by general provisions of law, the tax authorities may, at any time, inspect the books and records of the taxpayer within five years subsequent to the reported tax year, and, if any inaccuracies are found, may impose additional tax assessments and penalties. NFI Empik Media & Fashion S.A.'s Management Board is not aware of any circumstances which may give rise to a potential material liability in this respect.
2. The NFI Empik Media & Fashion Group also has contingent liabilities in respect of bank and other guarantees issued upon the request of the Group's subsidiaries by NFI Empik Media & Fashion S.A. to guarantee rents and trade liabilities of subsidiaries and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.
3. In order to protect Inditex and Zara Polska Sp. z o.o. (previously Young Fashion Sp. z o.o.) from any contingent liabilities arising from events that took place prior to the sale of 51% of shares in Zara Polska to Inditex S.A., i.e. when Zara Polska Sp. z o.o. was under the management and control of NFI Empik Media & Fashion S.A., ABN Amro Bank (Polska) S.A. issued, at the request of NFI Empik Media & Fashion S.A., a bank guarantee up to EUR 500,000 for the benefit of Zara Polska Sp. z o.o. Total responsibility of the Group resulting from the sale agreement of shares in Zara Polska Sp. z o.o. is limited to EUR 20 million. The bank guarantee expires in 2010. It is not anticipated that any material liabilities will arise from the contingent liabilities.
4. As part of the agreement concluded with Sephora S.A., EMPiK Sp. z o.o. obligated itself to indemnify Sephora S.A. in case of any tax consequences arising out of a transaction or in case any of the accepted retail store lease agreements are dissolved prematurely solely through the fault of EMPiK Sp. z o.o. or DTC Real Estate S.A., its subsidiary. Sephora S.A. can demand indemnification from Empik Centrum Investments S.A., a shareholder of the Company, up to a maximum amount of EUR 4.5 million should EMPiK Sp. z o.o. not be able to cover the abovementioned indemnification. No significant liabilities are expected to arise from this provision.
5. As at 31 December 2009, liabilities from guarantees which the Fund granted for the liabilities of subsidiaries, mainly toward suppliers and lessors, amounted to: PLN 152,496,000 (EUR 37,120,000), PLN 761,000 (USD 267,000), and PLN 42,692,000.
6. As at 31 December 2009, liabilities from guaranties which the Fund and its subsidiaries granted to suppliers and lessors amounted to: PLN 83,313,000.

NFI Empik Media & Fashion S.A. and its subsidiaries

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for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

16. Related party transactions

Empik Centrum Investments S.A. and its subsidiaries, Eastbridge S.a.r.l. and its subsidiaries as well as companies controlled by members of the management staff are considered related parties for the purpose of the consolidated financial information.

Eastbridge S.a.r.l. together with its subsidiaries, Empik Centrum Investments S.A. (registered in Luxembourg) hold 60.33% of NFI Empik Media & Fashion S.A.'s shares.

The following transactions were concluded with affiliates:

Purchase of services	2009	2008
	000 PLN	000 PLN
Operating lease expenses payable to other Eastbridge Group companies	565	770
Expenses related to the acquisition of property, plant and equipment from entities under control of the ultimate parent entity	1 039	-
Expenses related to the purchase of services from entities controlled by members of senior management	2 702	-
Management fee payable to Eastbridge B.V./S.a.r.l.	516	428
	4 822	1 198

Remuneration of senior management	2009	2008
	000 PLN	000 PLN
Employee salaries and other short-term benefits	4 011	5 408
Employee share-based incentive scheme compensation	10 568	12 917
	14 579	18 325

The balances as at the balance-sheet date were as follows:

	31 December 2009	31 December 2008
	000 PLN	000 PLN
Receivables from related parties		
- ultimate parent entity	316	316
	316	316

Liabilities from related parties		
- ultimate parent entity	164	101
- entities under control of ultimate parent company	5	-
	169	101

	2009	2008
	000 PLN	000 PLN
Loans extended to affiliates		
As at 1 January		
Loans extended during the year	2 031	2 000
Interest accrued	500	0
As at 31 December	115	31
	2 646	2 031

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Notes to the consolidated financial statements (cont.)

17. Business combinations

Acquisition of shares in Spiele Max AG

In June 2008, a subsidiary of EM&F Group, Smyk Sp. z o.o. concluded a purchase agreement of Spiele Max AG Group, operating a network of 45 specialist shops for children in Germany. This transaction was finalised on 2 September 2008. As a result the Group acquired 1,000,000 shares amounting to EUR 3,831,459, entitling the Group to 100% of shares in share capital and the right to 100% of total votes. The preliminary purchase price amounted to EUR 13,379,700 and included EUR 2,500,000 as a conditional payment to be finally settled following the end of 2008, being the basis for the calculation of the conditional payment. Following the 2008 closing, it turned out that the conditions to effect a conditional payment were not fulfilled and the final acquisition price amounted to EUR 11,089,700. Furthermore, NFI EMF also incurred direct merger costs in the amount of PLN 8,165,000.

As at 31 December 2008, the fair value of net acquired assets was provisionally determined in accordance with IFRS 3 par. 62.

As at 31 March 2009, final settlement of the acquisition of Spiele Max AG took place. Information pertaining to the net acquired assets and company goodwill is presented below:

	<u>000 PLN</u>	<u>000 EUR</u>
Consideration paid		
- cash payment	33 372	
- costs directly related to the acquisition	8 165	
- settlement of consideration paid – payable in 2010	<u>863</u>	
Total consideration paid	<u>42 400</u>	
Fair value of acquired net assets (100%)	<u>16 876</u>	
Company goodwill	<u>25 524</u>	<u>7 460</u>

The above goodwill results from the significant position of Spiele Max on the German market, its access to suppliers and development potential which may not be separately recognised as an asset item.

The assets and liabilities identified in relation with the acquisition are presented below (PLN thousand):

	<u>Fair value</u>
	<u>000 PLN</u>
Cash and cash equivalents	5 928
Property, plant and equipment	6 732
Intangible assets	29 095
Inventories	52 372
Receivables and other assets	8 651
Borrowings	(43 037)
Liabilities	<u>(42 865)</u>
Total net assets	<u>16 876</u>
Net assets acquired	<u>16 876</u>

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

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Notes to the consolidated financial statements (cont.)

17. Business combinations (cont.)

As a result of the acquisition of Spiele Max AG Group and the conversion of its books and accounts to the IFRS format, the assets of EM&F Group (intangible assets) increased by PLN 28,520,000 (EUR 8,500,000), constituting the fair value of Spiele Max trademark, which, as it was generated internally prior to the acquisition date, did not fulfill the criteria for its recognition as an asset.

The fair value of the acquired net liabilities equals their carrying amount.

	<u>000 PLN</u>
Purchase consideration settled in cash	(33 372)
Cash and cash equivalents less current account overdraft in acquired subsidiary	<u>2 042</u>
Cash outflow on acquisition	<u>(31 330)</u>

The final settlement of the acquisition of Spiele Max AG Group calculated as at 31 March 2009 did not affect the condensed consolidated financial statements of NFI EMF Group.

Acquisition of shares in Learning System Poland Sp. z o.o.

On 20 April 2009, Empik Sp. z o.o. - Oddział Zarządzanie Aktywami acquired 2.26% of shares in the share capital of Learning System Poland Sp. z o.o., for a purchase price of PLN 4,870,000. As a result of the transaction, the NFI EMF Group's shareholding in the share capital of the company increased to 75.65%.

As a result of the transaction, the following goodwill arose:

	<u>000 PLN</u>
Consideration paid	
- cash payment	<u>4 870</u>
Total consideration paid	<u>4 870</u>
Fair value of net assets acquired (2.26%)	<u>497</u>
Goodwill	<u>4 373</u>

The above transaction does not affect the consolidated income statement of the Group.

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements

for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

17. Business combinations (cont.)

Establishment of Empik Assets Sp. z o.o.

On 1 June 2009, the Meeting of Shareholders of Empik Assets Sp. z o.o. (a company wholly owned by Empik Sp. z o.o.) resolved to increase the share capital of Empik Assets Sp. z o.o. by issuing 1,536,647 new shares with a value of PLN 500 (not in thousands) each.

In consideration for the acquisition of the newly issued shares, under the agreement on a contribution-in-kind, Empik Sp. z o.o. transferred to Empik Assets Sp. z o.o. an organised part of its enterprise in the form of a branch, namely Empik Spółka z ograniczoną odpowiedzialnością – Oddział Zarządzania Aktywami w Warszawie, which includes shares held by Empik Sp. z o.o. in other companies, rights under some agreements signed by Empik Sp. z o.o., rights to trademarks, industrial designs and Internet domains. The book value of the transferred assets in the books and records of Empik Sp. z o.o. was PLN 124,648,111.93 as at 31 May 2009. The assets contributed to cover the acquired shares had been used in investment activities and other operating activities of Empik Sp. z o.o. and they are generally planned to continue to be used in their previous capacity for the long-term purposes of Empik Sp. z o.o. Group.

The transferred assets included shares in the following companies:

- Empik Internet Sp. z o.o. - 100% of share capital with a total nominal value of PLN 50,000;
- Empik Comfort Media Sp. z o.o. - 100% of share capital with a total nominal value of PLN 50,000;
- Empik Technologies Sp. z o.o. - 100% of share capital with a total nominal value of PLN 4,000;
- Pol Perfect Sp. z o.o. - 94% of share capital with a total nominal value of PLN 1,254,900;
- Learning Systems Poland Sp. z o.o. – 65.98% of share capital with a total nominal value of PLN 613,000;
- Empik Cafe Sp. z o.o. – 49% of share capital with a total nominal value of PLN 1,455,500;
- Sephora Polska Sp. z o.o. – 24% of share capital with a total nominal value of PLN 19,035,000;
- Optyk Express Sp. z o.o. – 99% of share capital with a total nominal value of PLN 4,000.

On 13 July 2009, NFI Empik Media & Fashion S.A. received a decision of the District Court for the Capital City of Warsaw, Twelfth Commercial Division of the National Court Register, issued on 30 June 2009, concerning the registration of the share capital increase of Empik Assets Sp. z o.o.

In relation to the above transaction, on 20 April 2009, the NFI EMF Group obtained a binding tax interpretation which resulted in the recognition in the current reporting period of tax savings of PLN 16.8 million. In addition, the NFI EMF Group expects further material tax benefits in subsequent financial years. As neither the amount of the tax benefit nor the period of its contingent performance can be currently reliably ascertained, the Group chose not to recognise a deferred tax asset pertaining to that contingent benefit.

Agreement on the sale of 24% of shares in Sephora

On 7 July 2009, Empik Assets Sp. z o.o., a subsidiary of NFI Empik Media & Fashion S.A., and Sephora S.A. signed an agreement on the final sale price for shares in Sephora Polska Sp. z o.o., which was set at PLN 99,500,000.

As a result of Empik Assets Sp. z o.o. having accepted on 3 July 2009 the share purchase offer made in 2003 by Sephora S.A., an agreement was signed on the sale of shares in Sephora Polska Sp. z o.o., pursuant to which Empik Assets Sp. z o.o. sold to Sephora S.A. 24% of the share capital of Sephora Polska Sp. z o.o. Pursuant to the agreement signed in 2003, Sephora S.A. was under an obligation to pay a sum of no less than EUR 11,170,815 for the shares in Sephora Polska Sp. z o.o. as a part of the purchase price. The total purchase price for the shares was agreed by the parties under the abovementioned agreement to be PLN 99,500,000. This amount was paid to Empik Assets Sp. z o.o. on 10 July 2009.

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

17. Business combinations (cont.)

Acquisition of control over shares in Maratex

On 7 August 2009, NFI EMF and Mint Capital II LP agreed on the price for an option to sell the shares held by Mint Capital in Maratex Ltd to NFI EMF; NFI EMF made a partial payment of EUR 3,880,000 toward the price. In addition, EMF was granted a right to use all shares held by Mint Capital II LP in Martex Ltd. The outstanding portion of the price shall be payable by 31 December 2010.

Acquisition of shares in Learning Systems Ukraine

On 3 September 2009 Learning Systems Poland Sp. z o.o. purchased 72% of the shares in the share capital of Learning Systems Ukraine for the amount of PLN 14,000. As a result of this transaction, the share of NFI EMF Group in the share capital of Learning Sysytems Ukraine increased from 6% to 60.52%.

As a result of this transaction, the following goodwill was created:

	<u>000 PLN</u>	<u>000 UAH</u>
Consideration paid		
- cash payment	14	
Total consideration paid	<u>14</u>	
Fair value of acquired net liabilities (60.52%)	<u>(5 268)</u>	
Goodwill	<u>5 282</u>	<u>16 731</u>

As at 3 September 2009, the fair value of net liabilities acquired was determined provisionally in accordance with IFRS 3 par. 62. As at the date of the preparation of these financial statements, work related to the conversion of the accounting books of Learning Systems Ukraine into IFRS has not yet been completed.

The assets and liabilities identified in relation to the purchase have been presented below (in PLN thousands):

	<u>Fair value</u>
	<u>000 PLN</u>
Cash and cash equivalents	576
Property, plant and equipment	2 944
Intangible assets	-
Inventories	184
Receivables and other assets	508
Liabilities	<u>(12 916)</u>
Total net liabilities	<u>(8 704)</u>
Minority interest (39.48%)	<u>(3 436)</u>
Acquired net liabilities	<u>(5 268)</u>

The fair value of acquired net liabilities is equal to their carrying amount.

	<u>000 PLN</u>
Purchase consideration settled in cash	(14)
Cash and cash equivalents in acquired subsidiary	<u>576</u>
Cash outflow on acquisition	<u>562</u>

NFI Empik Media & Fashion S.A. and its subsidiaries

Condensed consolidated financial statements for the three-month period ended 31 December 2009

Notes to the consolidated financial statements (cont.)

17. Business combinations (cont.)

During the period from 3 September to 31 December 2009, the revenues taken into account in the results of the Group generated by the purchased Learning Systems Ukraine amounted to PLN 5,104,000 with a net profit of PLN 1,853,000. These values were calculated applying the accounting policies adopted by the Group.

If the acquisition took place on 1 January 2009 the Group, including Learning Systems Ukraine, would recognise consolidated revenue in the amount of PLN 2,723,290,000 and consolidated net profit of PLN 54,997,000 for the period of 12 months ended 31 December 2009.

Change in the share capital of the subsidiary Magalla Holdings Limited with its registered office in Cyprus

On 30 September 2009, the share capital was increased in Magalla Holdings Limited with its registered office in Cyprus, the controlling company of Bukva Closed Joint Stock Company and Buk Investment LLC, previously controlled by NFI EMF. The share capital of Magalla was increased by an issuance of 15,012 new shares (EUR 1.71 each, issue price is equal to nominal value), which were all assigned to entities from outside of the NFI EMF capital group.

As a result of the abovementioned increase of the share capital of Magalla, the share of NFI EMF in this company fell to 14%.

As at 30 September 2009, Magalla Group was deconsolidated. Information regarding the sold net assets has been presented below:

	<u>Fair value</u> <u>000 PLN</u>
Cash and cash equivalents	1 117
Investments	13 709
Property, plant and equipment	4 425
Inventories	7 952
Receivables and other assets	1 818
Liabilities	<u>(29 275)</u>
Total net liabilities	<u>(254)</u>
	 <u>000 PLN</u>
Subsidiary share capital increase charges	-
Cash and cash equivalents in disposed subsidiary	<u>(1 117)</u>
Outflow of cash related to deconsolidation	(1 117)

18. Events after the balance-sheet date

On 12 January 2010, Jonquille Investments Limited with its registered office in Cyprus, in which Mr. Maciej Dyjas, President of the Management Board of NFI EMF, holds 100% of the share capital, acquired 275,000 Series C ordinary bearer shares of NFI EMF, for the nominal price of PLN 0.10 per share. The total value of the transaction was PLN 27,500.

On 18 January 2010, Ms. Ewa Podgórska acquired 30,000 Series E ordinary bearer shares of NFI EMF, for the nominal price of PLN 0.10 per share. The total value of the transaction was PLN 3,000. The shares were acquired as a result of the exercise of series N subscription warrant rights

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Additional information

Information required for the Warsaw Stock Exchange reporting is shown below.

All amounts are given in PLN thousand, unless stated otherwise.

Selected financial data

SELECTED FINANCIAL DATA	000 PLN		000 EUR	
	12 months ended 31 December 2009	12 months ended 31 December 2008	12 months ended 31 December 2009	12 months ended 31 December 2008
I. Net sales	2 719 527	2 296 997	628 066	653 984
II. Gain/(loss) from continuing operations	86 786	79 962	20 043	22 766
III. Gain/(loss) before income tax	83 256	146 880	19 228	41 819
IV. Gain/(loss), net	58 165	126 108	13 433	35 905
V. Net cash flows from operating activities	75 820	30 640	17 510	8 724
VI. Net cash flows from investing activities	51 978	(301 685)	12 004	(85 894)
VII. Net cash flows from financing activities	(66 709)	231 930	(15 406)	66 033
VIII. Total net cash flows	61 089	(39 115)	14 108	(11 137)
IX. Total assets	2 163 547	2 231 119	526 641	534 733
X. Liabilities and provisions for liabilities	1 666 861	1 724 885	405 740	413 404
XI. Long-term liabilities	501 705	536 692	122 123	128 629
XII. Short-term liabilities	1 165 156	1 188 193	283 617	284 774
XIII. Equity	496 686	506 234	120 901	121 329
XIV. Share capital	304 341	297 619	74 081	71 330
XV. Number of shares	103 729 569	103 154 808	103 729 569	103 154 808
XVI. Gain/(loss) per share (in PLN/EUR)	0.56	1.22	0.13	0.35
XVII. Diluted gain/(loss) per share (in PLN/EUR)				
XVIII. Book value per share (in PLN/EUR)	4.79	4.91	1.17	1.18
XIX. Diluted book value per share (in PLN/EUR)				
XX. Declared or paid dividend per share (in PLN/EUR)				