

**Consolidated Financial Statements  
for the Third Quarter,  
ended 30 September 2007**

**NFI EMPiK Media & Fashion S.A.  
and its Subsidiaries**

# NFI Empik Media & Fashion S.A.

Abbreviated consolidated financial statements for 9 months ended 30 September 2007

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## Introduction

Narodowy Fundusz Inwestycyjny EMPiK Media & Fashion Spółka Akcyjna (“NFI EMPiK Media & Fashion S.A.” or “the Company”), a company incorporated in Poland with registered offices located at ul. Zurawia 8, 00-503 Warsaw, is the parent of the NFI EMPiK Media & Fashion Group (or “the Group”) which comprises subsidiaries held directly and indirectly by NFI EMPiK Media & Fashion S.A., whose principal activities involve retail and wholesale operations in Poland, as well as the Czech and Slovak Republics. The Group is controlled by EMPiK Centrum Investments S.A. (incorporated in Luxembourg) which owns 63.31% of NFI EMPiK Media & Fashion S.A.’s shares. The ultimate parent which publishes financial statements of the Group is Eastbridge B.V./S.a.r.l. (a company incorporated in the Netherlands with its 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.

NFI EMPiK Media & Fashion Group is organised into the following business segments:

**Fashion & Beauty.** This comprises branded clothing and fashion accessories, perfumes and cosmetics; mainly licensed from the world leading producers.

**Media & Entertainment.** This comprises books & magazines, recorded music, films, early education, arts & crafts and paper products, games and computer software, photography products and equipment and language schools.

**Other.** This comprises the holding companies of NFI EMPiK Media & Fashion S.A.

Additionally, the Group holds shares in the companies owned by NFI EMPiK Media & Fashion S.A., which were not sold before the date of inverse acquisition. The Group’s intention is to sell these shares in the near future.

A significant part of the Group’s annual revenues was generated in the last quarter, that is in the period from October to December. In 2006 the sales for this period in “Fashion & Beauty” and “Media & Entertainment” segments were respectively 37.0% (2005-30.2%) and 37.9% (2005-37.1%) of the annual sales. Due to the high revenues in the last quarter (mainly in December) and higher sales margin in this period, usually with constant operational activity costs, a significant part of the annual core business operational profit is generated in the last quarter of the calendar year.

The consolidated abbreviated financial statements were approved by the Management Board of NFI EMPiK Media & Fashion S.A. on 14 November 2007.

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**Maciej Dyjas**

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**Jacek Bagiński**

## **NFI Empik Media & Fashion S.A.**

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### **Definitions**

In these financial statements the following terms are used:

*NFI EMPiK Media & Fashion Group* – Wholesale and Retail Companies Group extended by NFI EMPiK Media & Fashion S.A. company as a result of an inverse acquisition.

*Group* – NFI EMPiK Media & Fashion Group or Wholesale and Retail Companies Group, as context requires.

*Eastbridge Group* – Eastbridge B.V./S.a.r.l. and its subsidiaries, including the Group. In the text both terms were used - Eastbridge N.V. in a historical context and Eastbridge B.V./S.a.r.l. in reference to the recent events which took place after the name change.

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

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## Consolidated interim income statement for the nine-month period ended 30 September 2007

	Nine months ended 30 September 2007	Three months ended 30 September 2007	Nine months ended 30 September 2006	Three months ended 30 September 2006
	thousand PLN	thousand PLN	thousand PLN	thousand PLN
<b>Continuing operations</b>				
Sales	953 291	332 356	704 148	239 227
Purchase of goods and changes in inventories	(539 637)	(193 482)	(398 867)	(139 200)
Employee compensation and benefit expense	(172 844)	(57 458)	(124 912)	(40 151)
Marketing expenses	(30 959)	(9 855)	(26 536)	(8 716)
Building costs	(102 649)	(36 091)	(77 354)	(27 920)
Other operating costs	(74 919)	(26 402)	(51 584)	(17 641)
Depreciation, amortization and impairment charges	(32 320)	(11 994)	(23 775)	(8 129)
Other gains - net	20 038	7 362	21 130	9 167
<b>Operating profit from continuing operations</b>	<b>20 001</b>	<b>4 436</b>	<b>22 250</b>	<b>6 637</b>
Finance (costs) - net	(4 531)	(2 317)	(4 051)	(722)
Share of profit of associates	3 692	1 625	2 764	738
<b>Profit before income tax</b>	<b>19 162</b>	<b>3 744</b>	<b>20 963</b>	<b>6 653</b>
Income tax	(4 960)	(314)	(2 528)	(372)
<b>Profit from continuing operations</b>	<b>14 202</b>	<b>3 430</b>	<b>18 435</b>	<b>6 281</b>
<b>Discontinued operation</b>				
Loss on discontinued operation	-	-	(7 417)	(3 786)
Loss on disposal of discontinued operation	-	-	-	-
<b>Profit for the year</b>	<b>14 202</b>	<b>3 430</b>	<b>11 018</b>	<b>2 495</b>
<b>Attributable to:</b>				
Equity holders of the Company	16 558	5 437	10 905	3 164
Minority Interest	(2 356)	(2 007)	113	(669)
	<b>14 202</b>	<b>3 430</b>	<b>11 018</b>	<b>2 495</b>
<b>Basic and diluted earnings per share from continuing operations attributable to the equity holders of the Company (not in thousands)</b>	0.16		0.11	

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The notes on pages from 8 to 20 constitute an integral part of these abbreviated consolidated financial statements

# NFI Empik Media & Fashion S.A.

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## Consolidated interim balance sheet as at 30 September 2007

	30 September 2007 thousand PLN	31 December 2006 thousand PLN
<b>ASSETS</b>		
<b>Non current assets</b>		
Current assets	340 651	229 263
Goodwill	86 828	33 006
Other intangible assets	28 151	21 036
Investments in associates	13 236	9 544
Deferred income tax assets	4 655	3 416
Derivative financial instruments	20 280	13 202
Other financial instruments at fair value through profit or loss	-	26 082
Financial assets available for sale	1	1
Other receivables	<u>104 232</u>	<u>96 976</u>
	598 034	432 526
<b>Current assets</b>		
Inventories	300 010	217 801
Trade and other receivables	121 430	130 116
Derivative financial instruments	-	266
Cash and cash equivalents	<u>80 369</u>	<u>125 721</u>
	501 809	473 904
<b>Total assets</b>	<b><u>1 099 843</u></b>	<b><u>906 430</u></b>
<b>EQUITY</b>		
<b>Capital and reserves attributable to the Company's equity holders</b>		
Share capital	286 578	286 578
Other reserves	(13 484)	(15 732)
Retained earnings	<u>71 886</u>	<u>55 028</u>
	344 680	325 874
<b>Minority interest</b>	19 551	11 493
	<u>-</u>	<u>-</u>
<b>Total equity</b>	<b><u>364 231</u></b>	<b><u>337 367</u></b>
<b>LIABILITIES</b>		
<b>Non current liabilities</b>		
Other payables	51 302	17 383
Borrowings	86 281	40 527
Deferred income tax liabilities	<u>20 662</u>	<u>16 359</u>
	158 245	74 269
<b>Current liabilities</b>		
Trade and other payables	416 448	411 845
Current income tax liabilities	307	5 764
Borrowings	158 952	73 563
Derivative financial instruments	<u>1 660</u>	<u>3 622</u>
	<u>577 367</u>	<u>494 794</u>
<b>Total liabilities</b>	<b><u>735 612</u></b>	<b><u>569 063</u></b>
	<u>-</u>	<u>-</u>
<b>Total equity and liabilities</b>	<b><u>1 099 843</u></b>	<b><u>906 430</u></b>

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# NFI Empik Media & Fashion S.A.

Abbreviated consolidated financial statements for 9 months ended 30 September 2007

## Consolidated statement of changes in equity for the third quarter ended 30 September 2007

	Share capital	Other reserves	Retained earnings		
Balance as at 1 January 2007	286 578	(15 732)	55 028	11 493	337 367
Cash flow hedges, net of tax	-	1 344	-	-	1 344
Business combinations	-	-	-	10 414	-
Currency translation differences	-	(3 319)	-	-	(3 319)
Net profit recognised directly in equity	-	(1 975)	-	10 414	8 439
Profit for the year	-	-	16 558	(2 356)	14 202
Total recognised income for the period	-	(1 975)	16 558	8 058	22 642
Share based payment remuneration programme	-	4 180	-	-	4 180
- value of services provided	2 726	(2 726)	-	-	-
- shares exercised	43	-	-	-	43
- shares issued	-	-	-	-	-
	2 769	(521)	16 558	8 058	26 865
Balance as at 30 September 2007	289 347	(16 253)	71 586	19 551	364 232

## Consolidated statement of changes in equity for the third quarter ended 30 September 2006

	Attributable to equity holders of the Company			Minority interest	Total equity
	Share capital	Other reserves	Retained earnings		
	thousand PLN	thousand PLN	thousand PLN	thousand PLN	thousand PLN
Balance as at 1 January 2006	284 910	(4 363)	(25 067)	1 167	256 647
Cash flow hedges, net of tax	-	3 827	-	-	3 827
Currency translation differences	-	499	-	-	499
Net loss recognised directly in equity	-	4 326	-	-	4 326
Profit for the year	-	-	10 905	113	11 018
Total recognised income for 2006	-	4 326	10 905	113	15 344
Share based payment remuneration programme	-	2 555	-	-	2 555
- value of services provided	1 642	(1 642)	-	-	-
- shares exercised	26	-	-	-	26
- shares issued	-	-	-	-	-
	1 668	913	-	-	2 581
Balance as at 30 September 2006	286 578	877	(14 162)	1 280	274 573

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## Consolidated statement of cash flows for the nine-month period ended 30 September 2007

	9 months ended 30 September 2007 thousand PLN	9 months ended 30 September 2006 thousand PLN
<b>Profit from ordinary activities before taxation and minority interest</b>	19 162	20 963
Adjustments for:		
Discontinued operation	-	(7 417)
Amortisation, depreciation and impairment charges	32 320	27 417
Profit on disposal of property, plant and equipment and intangibles	1 634	3 476
Provisions	1 708	(145)
Financial costs - net	4 531	4 800
Gain on valuation of derivative financial instruments	(11 267)	(16 179)
Loss on disposal of investments and operations	6 677	-
Profit/(loss) participation in associates	(3 692)	(2 765)
Share based payments	3 859	2 555
other	-	-
<b>Operational earnings before working capital changes</b>	<b>54 932</b>	<b>32 705</b>
Changes in working capital:		
Inventories	(42 447)	(31 696)
Trade and other receivables	6 358	33 169
Trade and other payables	(36 048)	(78 336)
<b>Cash generated from operations</b>	<b>(17 205)</b>	<b>(44 158)</b>
Interest paid	(6 071)	(6 227)
Taxation paid	(3 435)	(1 582)
<b>Net cash generated from operating activities</b>	<b>(26 711)</b>	<b>(51 967)</b>
Purchase of fixed assets	(122 162)	(53 941)
Purchase of subsidiaries	(61 679)	-
Disposal of subsidiaries	29 406	-
Purchase of investments/ other financial instruments through profit or loss	42 018	-
Interest received	199	717
Interests paid	(323)	-
Proceeds from disposal of fixed assets	-	346
<b>Net cash generated from investing activities</b>	<b>(112 541)</b>	<b>(52 878)</b>
Share redemption	-	26
Proceeds from loans	97 335	9 475
Net related party financing	37	909
Repayment of borrowings	(3 370)	(8 552)
<b>Net cash from financing activities</b>	<b>93 602</b>	<b>1 858</b>
<b>Net increase in cash and cash equivalents</b>	<b>(45 650)</b>	<b>(102 987)</b>
Cash and cash equivalents at the beginning of a period	125 721	129 304
Net decrease in cash and cash equivalents	(45 650)	(102 987)
Effects of exchange rate changes on cash and cash equivalents	(1 601)	(217)
<b>Cash and cash equivalents at the end of a period</b>	<b>78 380</b>	<b>26 100</b>
Current credit included	(1 989)	4 127

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