MANAGEMENT BOARD FINANCIAL ANALYSIS FOR 4Q 2009 AND FOR THE YEAR 2009

Table No. 1

000 PLN	4Q 2009	4Q 2008	Change %	12 months 2009	12 months 2008	Change %
Continuing operations						
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**
% of sales	*14.93%*	*13.37%*		*7.72%*	*9.04%*	
EBIT from core operations*	**113 047**	**94 410**	**+19.7**	**121 660**	**135 010**	**-9.9**
% of sales	*12.16%*	*11.07%*		*4.47%*	*5.88%*	
Net profit / (loss) from core operations***	**83 422**	**74 723**	**+11.6**	**86 748**	**95 980**	**-9.6**
% of sales	*8.97%*	*8.76%*		*3.19%*	*4.18%*	
Number of outlets**				662	642	
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

000 PLN	4Q 2009	4Q 2008	Change %	12 months 2009	12 months 2008	Change %
Continuing operations						
EBITDA from core operations*	**138 761**	**114 023**	**+21.7**	**210 083**	**207 644**	**+1.2**
% of sales	*14.93%*	*13.37%*		*7.72%*	*9.04%*	
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	**-182**	**34 420**	**-100.5**	**2 907**	**49 164**	**-94.1**
financial statements)	-	29 774	-100.0	3 309	43 746	-92.4
Zara + Sephora	-182	4 646	-103.9	-402	5 418	-107.4
Other options						
EBITDA	**136 691**	**145 762**	**-6.2**	**201 324**	**243 240**	**-17.2**
% of sales	*14.71%*	*17.09%*		*7.40%*	*10.59%*	

** excluding financial instruments and share-based incentive scheme valuation*

Table No. 3

000 PLN	4Q 2009	4Q 2008	Change %	12 months 2009	12 months 2008	Change %
Continuing operations						
Net profit / (loss) from core operations*	**83 422**	**74 723**	**+11.6**	**86 748**	**95 980**	**-9.6**
% of sales	*8.97%*	*8.76%*		*3.19%*	*4.18%*	
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**
*Zara + Sephora***	-	26 079	-100.0	3 103	40 478	-92.3
Maratex	1 061	73 539	-98.6	35 992	76 357	-52.9
Other options	-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**
% of sales	*8.88%*	*11.42%*		*3.21%*	*5.49%*	

** Excluding financial instruments, goodwill impairment write-offs and share-based incentive scheme valuation*
***the difference between the valuation of the Zara and Sephora instruments at the EBITDA level and the net profit 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 credit interest, the security for which were the shares of Zara.*

Change of comparable data for 2008

The comparable data for 2008 presented in this report differs from the data from the consolidated financial statements for 2008 because of the transfer of data pertaining to Smyk GmbH and Maratex Kazakhstan to discontinued operations (see item pertaining to the sales network). In data concerning the entire year, the revenues, EBITDA, EBIT, and net profit were adjusted by, respectively, PLN -20.3 million, PLN 4.2 million, PLN 5.6 million, and PLN 5.3 million, while the data for the 4Q 2008 -- revenues, EBITDA, EBIT, and net profit -- were adjusted by, respectively, PLN -20.3 million, PLN 4.2 million, PLN 5.6 million, and PLN 5.3 million. In addition, the EBITDA from core operations for the 12 months of 2008 and for the 4Q 2008 was decreased by, respectively, PLN 5.5 million and PLN 7.0 million as a result of the change in the presentation of currency translation differences pertaining to the operating activity. This change did not affect the net result.
The additional change regarding the EBITDA for 2008 pertains to the manner of calculating the EBITDA, where in the current report EBITDA for 2008 was adjusted by the profit on the sale of subsidiaries in the amount of PLN 3.1 million.

SALES NETWORK

			Quarterly changes						Annual changes					
	30 September 2009		Openings in 4Q 2009		Closings in 4Q 2009		31 December 2008		Openings in 2009		Closings in 2009		31 December 2009	
Subsidiaries per country	Number of outlets	Retail area	Number of outlets	Retail area	Number of outlets	Retail area	Number of outlets	Retail area	Number of outlets	Retail area	Number of outlets	Retail area	Number of outlets	Retail area
Poland														
Empik *	140	70 911	6	4 319	1	225	131	66 126	18	11 497	4	1 949	145	75 005
Empik Cafe	54	4 558	4	286	1	48	51	4 067	10	1 007	4	266	57	4 796
Empik Foto	12				2		13				3		10	
Learning Systems Poland	77						74		3				77	
Smyk ***	54	44 312	5	3 652			53	42 264	6	4 850			59	47 964
Franchised / licensed brands**	128	26 890	3	1 070	6	1 305	128	26 092	9	2 521	12	1 958	125	26 655
Total	**465**	**146 671**	**18**	**9 327**	**10**	**1 578**	**450**	**138 549**	**46**	**19 876**	**23**	**4 173**	**473**	**154 420**
Ukraine														
Empik ***	21	5 004	1	436			23	5 687	1	436	2	414	22	5 004
Learning Systems Ukraine	5						5						5	
Smyk	7	5 548					7	5 548					7	5 548
Franchised / licensed brands	21	5 558	3	1 012			23	5 959	3	1 012	2	401	24	6 570
Total	**54**	**16 110**	**4**	**1 448**			**58**	**17 194**	**4**	**1 448**	**4**	**815**	**58**	**17 122**
Russia														
Learning Systems Russia	3		1				2		2				4	
Smyk	4	2 623	0				3	2 013	1	488			4	2 623
Franchised / licensed brands	68	29 272	8	2 918	2	892	82	31 603	17	6 911	25	7 216	74	31 298
Total	**75**	**31 895**	**9**	**2 918**	**2**	**892**	**87**	**33 616**	**20**	**7 399**	**25**	**7 216**	**82**	**33 921**
Germany														
Spiele Max	45	68 814	1	800			45	69 073	1	800			46	69 614
Total	**45**	**68 814**	**1**	**800**			**45**	**69 073**	**1**	**800**			**46**	**69 614**
Turkey														
Smyk	1	988					1	988					1	988
Total	**1**	**988**					**1**	**988**					**1**	**988**
Romania														
Smyk			1	831					1	831			1	831
Total			**1**	**831**					**1**	**831**			**1**	**831**
Czech Republic														
Franchised / licensed brands	1	97					1	92					1	92
Total	**1**	**97**					**1**	**92**					**1**	**92**
TOTAL	**641**	**264 575**	**33**	**15 324**	**12**	**2 470**	**642**	**259 512**	**72**	**30 354**	**52**	**12 204**	**662**	**276 988**
discontinued operations														
Maratex Kazakhstan	2	778					4	1 179			2	401	2	778
Smyk Gmbh	2	1 778					3	2 624			1	836	2	1 788
Total discontinued operations	**4**	**2 566**					**7**	**3 803**			**3**	**1 237**	**4**	**2 566**
TOTAL	**645**	**267 141**	**33**	**15 324**	**12**	**2 470**	**649**	**263 315**	**72**	**30 354**	**55**	**13 441**	**666**	**279 554**

4Q AND YEAR 2009

Empik Media & Fashion Group (the "Group") is continuing its expansion in Poland and abroad by implementing investments in shopping centres located in the largest cities.

In the 4Q of 2009, the retail and service network of the Group expanded by 33 new outlets, with a total net retail area of 15,324 m^2. Most of the new outlets were opened in Poland (Empik and Smyk as well as New Look and Peacocks stores which debuted on the Polish market) and in Russia (mainly, the very popular Peacocks stores). Practically all openings in the East took place in the two largest cities, Moscow and Kiev.

In the 4Q 2009, the process of closing and restructuring stores which negatively affect the results of the Group continued, especially in the fashion section. From 30 September until 31 December 2009, another 12 stores were closed.

Throughout 2009, the sales network of the Group increased by 72 outlets with a total net retail area of 30,354 m². As part of the process of restructuring and closing unprofitable stores, between January and December 2009, the Group closed a total of 52 outlets, of which 23 were in Poland and 29 were abroad (primarily in Russia and Ukraine). The process of closing stores does not signify an end to the expansion or the withdrawal of the Group from the Eastern market, but rather only a concentration on the development of the most profitable brands. This process should positively affect the results of the Group in the coming years, first thanks to the absence of the negative effect of closed, unprofitable stores, and second thanks to the positive results generated by the new stores opened from the 4Q 2008 until the end of 2009. As at 31 December 2009, the Group managed a network of 662 outlets with a total retail area of 276,988 m².

On 23 December 2009 NFI Empik Media & Fashion ("EMF") announced that it was taking steps to end the operation of Smyk GmbH, which represented the Smyk brand in Germany; however, this does not signify the withdrawal of Smyk Sp. z o. o. from the German market. On the contrary, in 2008 Smyk Sp. z o.o. acquired 100% of the shares of the well recognised children's goods stores network - Spiele Max, which has been present on the German market for 25 years. Thanks to this acquisition, Smyk Group became one of the leaders of its sector in the region. During the last several months, Smyk Sp. z o.o. implemented its concept in Spiele Max stores (for example by introducing its own brands such as Smiki – educational toys and stuffed toys which support the emotional development of children – and Cool Club – an exclusive brand of children's shoes and clothing, created by the Smyk design team and available only in the network of Smyk Group stores). For operational reasons, the Group intended to end the operation of Smyk GmbH by the end of 2009. However, negotiations for its liquidation with the owners of shopping centres dragged on and reaching a compromise by this date became impossible, so the Group decided to file for bankruptcy for this company.

In the 4Q 2009, the sale of shares in Maratex Kazakhstan took place as well. The sale of shares in the company means the end of the Group's operations on this market and is related to the execution of the Group's strategy, which depends on the concentration of its operations in CIS states, particularly main cities such as Moscow, St. Petersburg, and Kiev.

In relation to the abovementioned events pertaining to Smyk GmbH and Maratex Kazakhstan, in the financial statements for the 4Q and all of 2009, the Group presented the results of both of these operations as discontinued operations. To ensure the comparability of financial data, the appropriate adjustments were also made to the comparable data for 2008.

PLANS FOR THE YEAR 2010

2010 – planned openings; Subsidiaries per country	Number of outlets
Poland	
Empik	20
Empik Cafe	14
Learning Systems Poland	6
Smyk	3
Franchised / licensed brands**	14
Total	**57**
Ukraine	
Learning Systems Ukraine	5
Total	**5**
Russia	
Learning Systems Russia	5
Smyk	6
Franchised / licensed brands	8
Total	**19**
Germany	
Spiele Max	2
Total	**2**
Turkey	
Smyk	2
Total	**2**
Total:	**85**

In 2010, the Group intends to develop through expansion in Poland and abroad. Throughout the year, the opening of 85 new outlets is planned, of which 57 will be in Poland and 19 in Russia. If both external and internal factors will be favourable, the Group does not exclude expanding its plans by a dozen or more additional outlets.

In 2010, the Group intends to consistently implement its development strategy in Poland and abroad, primarily in Russia. In Ukraine, which according to forecasts will experience negative or flat GDP growth in 2010, EMF intends to improve the functioning of the existing network of stores and to strengthen organisational structures. The Group does not, however, exclude the future intensification of expansion activities in Ukraine, taking into account the potential of a market of approximately 50 million clients and the still poorly developed commercial real estate market. On the other hand, according to experts, Russia has a much more promising outlook, and has the deepest phase of the recession behind it (GDP in 2009 -7.9%). The 2010 forecasts for Russia are very favourable and predict GDP growth of 3.1%. According to experts, Russia is expected to bounce back twice as strong as other European countries which were affected by the economic crisis. In 2009, during the strongest economic slowdown, the companies of the Group that operate in Russia and Ukraine (Maratex, Smyk, Language Schools) posted positive results, primarily in the fourth quarter. Therefore, if the macroeconomic forecasts for Russia turn out to be correct, EMF will be one of the beneficiaries of the revival on the Russian market. In addition, the Group used the economic crisis to restructure its store portfolio and to obtain attractive locations for favourable prices. Currently, both in Russia and in Ukraine, EMF selectively chooses locations (only the largest cities), and in the fashion division is concentrating on the development of mid-priced mainstream brands, which are the most profitable and attractive to clients – that is, Peacocks, River Island, and Aldo.

Agreements have already been reached upon locations and implementation conditions for the majority of new projects that are to be executed in 2010. In Poland, these will primarily be the openings of Empik partner outlets in smaller cities, language schools, and additional mainstream clothing brand stores, specifically New Look, Peacocks, and River Island. In Russia, openings are planned of additional Smyk stores, language schools, River Island and Peacocks stores.

New Look, Peacocks, River Island, and Aldo are so-called mainstream (mid-priced) brands, which are popular both in times of economic crisis and prosperity. The abovementioned brands are representatives of so-called fast fashion, which is fashion that follows the newest trends. Especially now, during the economic crisis, mid-priced mainstream brands become increasingly more attractive to clients.

Concentrating on mainstream brands is one of the activities of the Group intended to match the retail offer to the changing economic circumstances and to strengthen the position of the Group in the coming years. As at 31 December 2009, of 74 Maratex stores in Russia, 32 are Peacocks stores, and of 24 Maratex stores in Ukraine, 10 are Peacocks stores, and 7 are Aldo. In Poland, of 112 Ultimate Fashion stores, 18 are Aldo, 4 are River Island, 1 is Peacocks, and 2 are New Look. Stores from the last two brands in Poland are pilot stores, which were very well received by clients. In the coming years, the opening of 4-5 of both New Look and Peacocks stores is planned in Poland.

BRAND PORTFOLIO

In the 4Q 2009, one of the more important events for the development of the Group's portfolio was the introduction to the Polish market of two new mid-priced mainstream British brands: New Look and Peacocks. As a result of the cooperation of Ultimate Fashion with these brands, the first stores were opened in November and December of 2009: Peacocks in Focus Park in Bydgoszcz and New Look in the Renoma Shopping Centre in Wrocław. On 12 February 2010 the first New Look store in Warsaw was opened in the Złote Tarasy Shopping Centre. Additional openings are planned.

Both brands were received very well by Polish consumers and it can be concluded that given such a short operating time compared to other stores with a similar retail area, sales results are satisfactory. However, a proper and reliable evaluation will take place only after the 1Q 2010.

The average receipt value in the New Look Store in Wrocław and the Peacocks in Bydgoszcz is, respectively, PLN 62 and PLN 37. Sales per square metre are about PLN 460 (New Look) and PLN 780 (Peacocks). For comparison, the average receipt value in Esprit stores in Poland is PLN 118.

Peacocks is a leading UK retail chain which offers fashionable clothes at average prices. Peacocks stores offer a wide range of products to diversified target groups and are generally considered one of the better combinations of pricing, quality and style. Currently, in the portfolio of the Group, the Peacocks brand operates successfully on the Russian (32 stores) and Ukrainian (10 stores) markets. In Russia, the revenues of the Peacocks brand constitute over 40% of the total revenues of Maratex, and in Ukraine, over 50%. The results of Peacocks during the 4Q 2009 had a significant effect on the positive results generated by Maratex at the revenues, EBITDA, and net profit levels. According to the sales results provided by the British company Peacocks for the eight-week period ended 2 January 2010, sales of the chain in comparable stores increased by 13%. The British company providing the sales results announced at the same time that it plans to open 40 stores in 2010-2011. Currently, it operates nearly 550 stores in Great Britain, and approximately 90 abroad.

New Look is a UK clothing store chain operating in England, France, Belgium and Russia. Like Peacocks, it offers a wide range of products at average prices to diversified target groups. According to the results provided by the British company New Look for the 14-week period ended 2 January 2010, sales of the chain increased by 14.4%; LTL stores recorded growth of 5.9%. During this period, New Look also noted growth in online sales of 3.4%. The number of users reached up to 1.5 million per week. A total of 1,012 stores operate under the New Look logo, of which nearly half operate in Great Britain. Aside from Poland, new markets for expansion of the chain include the Netherlands, Egypt, and Singapore.

OPERATING RESULTS OF THE GROUP IN THE 4Q 2009 AND IN 2009

Since the publication of the results for the 3Q 2009, the Group has extended the disclosure of its financial data to include additional classification by operating segments. We would like to draw attention to the fact that the data previously presented in the Media & Entertainment segment is currently divided into Empik Group, Smyk Group and Language Schools. The Fashion & Beauty segment is presented as before and continues to include data for franchised brands and wholesale distribution of cosmetics and sports products.

SALES REVENUES

Net sales of LTL by segments

Sales in LTL group of outlets and language schools	Change % 4Q 2009 vs. 4Q 2008	Change % 3Q 2009 vs. 3Q 2008
EMPIK (group of companies)	1%	-7%
SMYK (group of companies)	-4%	-9%
LANGUAGE SCHOOLS	0%	24%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	-12%	-17%
TOTAL	**-3%**	**-9%**
SPIELE MAX* (EUR)	7%	2%

** 3Q data is presented pro-forma.*

Sales in LTL group of outlets and language schools	Change % 2Q 2009 vs. 2Q 2008	Change % 1Q 2009 vs. 1Q 2008
EMPIK	3%	0%
SMYK (group of companies)	2%	-3%
LANGUAGE SCHOOLS	14%	17%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	-5%	-8%
TOTAL	**1%**	**-1%**
SPIELE MAX* (EUR)	14%	-4%

** 1Q and 2Q data is presented pro-forma*

4Q 2009

During the 4Q 2009, the total net sales in a comparable group of stores (excluding Spiele Max) decreased by 3% compared with the previous year, but the noted decrease is significantly lower compared with the 3Q (-9% yoy). Positive growth was noted during this quarter by Empik (1%) as well as Spiele Max (7% in Euros). Language Schools recorded flat growth in sales yoy, which is caused by the fact that during the 4Q 2009, a new school year (2009/2010) was started which was weaker in terms of new registrations from the previous school year (2008/2009).

Sales in LTL group in Smyk Group	Change % 4Q 2009 vs. 4Q 2008
SMYK Poland (PLN)	-6%
SMYK Ukraine (UAH)	18%
SMYK Russia (RUB)	73%
SMYK Turkey (TRY)	51%
Spielemax (EUR)*	7%

The negative growth of LTL in Smyk Group is the result of the unfavourable result of Smyk Poland (-6%) which was mainly due to a 14% decrease of the number of transactions in comparable stores compared with the same period in the previous year, and a drop of 12% in traffic in LTL group stores. yoy, Smyk Russia and Smyk Ukraine noted positive growth in the LTL group. Very good results were also recorded by Spiele Max, primarily due to the addition of Cool Club apparel to the retail offer and the exceptionally successful holiday campaign (5 catalogues).

Sales in LTL group in Fashion & Beauty Segment	Change % 4Q 2009 vs. 4Q 2008
ULTIMATE FASHION (PLN)	-10%
MARATEX RUSSIA (RUB)	-4%
MARATEX UKRAINE (UAH)	2%

The Fashion & Beauty segment recorded a 12% decrease (-17% in the 3Q), but it had a decidedly lesser effect on total LTL revenues, because the share of *fashion* in the sales structure during the fourth quarter is significantly lower than, for example, that of Empik and Smyk. The decrease of LTL revenues in the Fashion & Beauty segment resulted from, among others, the termination by Ultimate Fashion of cooperation with the Jennyfer brand, as well as the Mexx brand collection which was more poorly received by clients. The positive

LTL growth of Maratex in Ukraine was mainly due to the good results of the mid-priced mainstream brands Peacocks and Aldo, which were better than the results of more expensive brands such as Esprit.

The negative growth in the segment is also the result of the unfavourable results of the Optimum Distribution group, which was mainly the result of: decreased sales of cosmetics (the result of the economic slowdown and the decrease in retail sales which accompanied it; retail networks and perfume stores decrease their inventories and order significantly fewer goods), the cessation of the distribution of Shiseido brand products, which was in the group's portfolio in the 4Q 2008, and the lower sales of optical products, which was due to the loss of the exclusive distribution rights for Bausch & Lomb products.

Year 2009

Sales in LTL group of outlets and language schools	**Change %** **12 months 2009 vs. 12 months 2008**
EMPIK (group of companies)	-1%
SMYK (group of companies)	-3%
LANGUAGE SCHOOLS	12%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	-11%
TOTAL	**-3%**
SPIELE MAX* (EUR)	5%

** 12 months data is presented pro-forma*

In the 12-month period ended 31 December 2009, the total net sales in LTL group (with the exception of Spiele Max) decreased by 3% compared with the analogous period of the previous year. The negative growth of LTL throughout 2009 is in large part the result of the weak third quarter, which ended with a 9% decrease. The positive results of the other quarters failed to compensate for the decrease in the third quarter. In 2009, the best results of the entire Group were noted by language schools (increase of 12%yoy).

Empik Group experienced a slight decrease (-1%), which was mainly caused by lower sales in mega stores, large stores, and stores on the main streets of Warsaw.

The negative growth of Smyk Group is primarily the result of a decrease in LTL revenues in Smyk Poland. During the same period, Smyk in Russia and in Ukraine posted growth of LTL revenues (data in currency) by 72% and 23% respectively, though it should be remembered that the growth in Smyk Ukraine also includes the significant effect of inflation. The Fashion & Beauty segment noted an 11% decrease, which in large part was the result of the worse results of the third quarter. In Ultimate Fashion, the effects of one-off external factors were felt, such as disturbed seasonality (clearance sales started earlier and lasted longer than usual) and the exceptionally warm September, which significantly decreased demand for products from the autumn and winter collection. In Ukraine, Maratex recorded an increase in LTL sales of 8%, mainly thanks to the positive effect of the mid-priced mainstream brands Peacocks and Aldo.

Total net sales by segments

4Q 2009

000 PLN		4Q 2009	4Q 2008	2009 vs. 2008 %
Net sales		**929 497**	**853 118**	***+9.0%***
	Empik Group	387 535	351 573	*+10.2%*
	Smyk Group	299 283	256 758	*+16.6%*
	Language Schools	39 747	31 532	*+26.1%*
	Fashion & Beauty	202 932	213 255	*-4.8%*

During the 4Q 2009, total net sales increased by 9.0% compared with the same period of the previous year. The positive growth of total sales, with the simultaneous decrease in LTL group revenues, is in large part the result of the annualisation of the sales of stores opened in 2008 as well as new stores opened in 2009.

The sales results of the Language Schools, Smyk Group, and Empik Group had the greatest effect on the positive growth of the Group's revenues.

During the fourth quarter, practically all Smyk Group companies noted positive sales growth; however, it is especially worth noting the good results of Spiele Max and Group companies operating on the Eastern markets, especially in Russia. The triple-digit revenue growth of Smyk Russia is primarily the result of higher margins on products imported from Poland, a higher quality and wider range collection, supplementing products imported from Poland with products from local suppliers (obtaining additional discounts), and the intensification of marketing activities. Good results were also recorded by Spiele Max, primarily thanks to the concept change which depends on expanding the offer with high-margin and higher-turnover clothing (until now, only toys and a wide range of accessories were available in the Spiele Max offer).

The increase in the revenues of the Language Schools group by 26.1% is in part the result of the consolidation of LSU (since September 2009) as well as the unseasonability of the business (sales of books and licenses) during the previous year similar one-off transactions took place in a different period.

In Empik Poland, the increase in revenues was mainly caused by an increase in the number of stores (18 openings in 2009) as well as an increase in online sales.

The Fashion & Beauty segment noted a 4.8% decrease in revenues primarily as a result of the unfavourable results of the Optimum Distribution group and the negative effect of currency translation differences – sales expressed in PLN (weakening of the Ukrainian Hryvnia, a trend begun in December 2008).

The worse results of Optimum Group were caused by: changes in the brand portfolio (in the fourth quarter, absence of the Shiseido brand; total negative effect is approximately PLN 3 million), loss of the exclusive distribution rights for Bausch & Lomb brand products as well as the lower sales of cosmetics as a result of the worsening economic situation (perfume stores and stores fearing backlogs of unsold products order less than before the economic crisis).

In the fashion division alone, both Maratex (data in currency) and Ultimate Fashion noted positive sales growth. In large part, this was due to the contribution of new stores opened during the 4Q 2008 and in all of 2009 as well as a change in the sales structure, by increasing the number of stores of more profitable brands with higher inventory turnovers (Peacocks, Aldo) while simultaneously decreasing the number of stores of less-profitable brands with lower inventory turnovers (Hugo Boss, Palmers). Good sales results were also noted by stores from mid-priced mainstream brands – Peacocks, River Island, and Aldo – which showed a significant increase in the interest of clients in less-expensive brands. In Ukraine, sales from Peacocks constitute over 50% of the total sales of Maratex on this market, in Russia this share amounts to over 40%.

Year 2009

000 PLN		12 month 2009	12 months 2008	2009 vs. 2008 %
Net sales		**2 719 527**	**2 296 997**	***+18.4%***
	Empik Group	1 043 125	958 746	*+8.8%*
	Smyk Group	826 007	532 653	*+55.1%*
	Language Schools	125 439	102 239	*+22.7%*
	Fashion & Beauty	724 956	703 359	*+3.1%*

In all of 2009, the net sales of the Group increased by 18.4% compared with 2008. All of the Group's segments noted positive growth, but the results of Smyk Group (55.1%) and the Language Schools (22.7%) had the greatest effect on the growth that was obtained. The increase in revenues is mainly caused by the contribution of new stores which were opened in the 4Q of 2008 and in all of 2009.

In Smyk Group, the positive growth is first and foremost the result of the consolidation of Spiele Max (consolidated since September 2008) and the excellent results of Smyk in the East, mainly in Russia.

The positive growth of the Language Schools (22.7%) indicates that despite the economic crisis, people spend when their education is concerned.

The 8.8% growth in Empik is mainly the result of increasing the number of stores (18 openings in 2009) and the increase in online sales (Empik.com).

The Fashion & Beauty segment also noted positive growth (3.1%). As with Empik, this is first and foremost the effect of the contribution of new stores which were opened in 2009 (28 new stores) as well as a change in the structure of the brand portfolio: increasing the number of stores of more profitable brands (Peacocks, River Island, Aldo), while simultaneously backing out of less-profitable brands (Hugo Boss, Palmers). The increase in the revenues of the Fashion & Beauty segment is currently lower than in the other segments, primarily due to the weaker results of the Optimum Distribution group (see also the previous item regarding the 4Q 2009).

Gross margin

4Q 2009

000 PLN	4Q 2009	4Q 2008	2009 vs. 2008 %	4Q 2009 Margin %	4Q 2008 Margin %	Change
Gross margin	**353 898**	**364 827**	**-3.0%**	**38.1%**	**42.8%**	**-4.7**

Adjusted gross margin *	***374 128***	***364 827***	***+2.5%***	***40.3%***	***42.8%***	***-2.5***
Empik Group	110 545	128 340	-13.9%	28.5%	36.5%	-8.0
*Empik Group – adjusted margin **	*130 775*	*128 340*	*+1.9%*	*33.7%*	*36.5%*	*-2.8*
Smyk Group	120 462	112 649	+6.9%	40.3%	43.9%	-3.6
Language Schools	26 228	17 285	+51.7%	66.0%	54.8%	11.2
Fashion & Beauty	96 663	106 553	-9.3%	47.6%	50.0%	-2.3

** data for 2009 were adjusted by PLN 15.5 million of logistics costs pertaining to the maintaining of a central warehouse recognised in gross margin, compensated by lower employee compensation and benefit expenses recognised in operating expenses, as well as the difference of the value of bonuses from suppliers in the amount of PLN 4.7 million (due to the changes in the structure and the number of purchases made, this bonus was lower in 2009 compared with 2008).*

In the 4Q 2009, compared with the same period of the previous year, the gross margin value of the entire Group decreased by 3.0%. However, the adjusted gross margin increased by 2.5% yoy. In terms of value, the best growth was reached by the language schools (51.7%).

In terms of percentage, the Group noted a decrease in the margin of 4.7 percentage points. The adjusted gross margin decreased by 2.5 percentage points. With the exception of language schools (11.2 percentage point growth yoy), in all segments the gross percentage margin calculated in reference to sales, decreased compared with the 4Q 2008.

Smyk Group noted a decrease in the gross margin in terms of percentage, mainly due to the lower margins in Smyk Poland (weaker PLN compared with the 4Q 2008). In the Eastern divisions of Smyk Group - Smyk Ukraine and Smyk Russia – an increase was recorded in the margin in yoy terms. In Smyk Russia, the margin increased yoy by approximately 2.7 percentage points (in currency), primarily as a result of higher margins on products purchased by Smyk Poland on behalf of the Russian company, additional discounts from local suppliers, and the expansion of the offer of accessories, which have a higher margin than clothing and toys although their share in sales is relatively small. In Smyk Ukraine, the higher margins are mainly the result of inflation; the increase of the sales prices is greater than the increase of the purchase costs.

The gross margin of Empik Group decreased yoy by 13.9%, which is caused by the fact that in the 4Q 2009 the company incurred additional logistical costs in the amount of PLN 15.5 million which were included in the gross margin. On the other hand, due to the opening of the central warehouse, logistical costs dropped, including remuneration costs, which are indicated in operating costs. In addition, due to the structure and number of purchases which were made, a larger margin (“back margin”) was recorded in the 2008 results compared with 2009. The gross margin adjusted by the abovementioned logistical costs and the difference on the back margin increased yoy in terms of value by 1.9%, and in terms of percentage, it decreased by 2.8 percentage points.

The decrease of the percentage margin in the Fashion & Beauty segment (-2.3 percentage points) was due to several factors. In fashion brands, the decrease in margins was the result of starting clearance sales earlier than usual. In Ultimate Fashion, the lower margins are first and foremost the result of additional promotion activities in Esprit brand chains aimed at decreasing inventories. As this brand constitutes approximately 26% of the total sales of Ultimate Fashion, changes taking place in it affect the total level of the margin of the company. In Maratex in Russia, the percentage margin yoy was also positive, as a result of the increase of the share of the Peacocks (over 40%) and River Island (over 10%) brands in the structure of the total sales of the company. Maratex in Ukraine noted positive margin growth in terms of percentage, mainly thanks to a change in the structure of the brand portfolio (increasing the number of stores of more profitable brands) as well as the effect of inflation. The result of the Optimum Distribution group negatively affected the margin level of the entire segment (due to, among others, negative effect of currency translation differences).

Year 2009

000 PLN	12 months 2009	12 months 2008	2009 vs. 2008 %	12 months 2009 Margin %	12 months 2008 Margin %	Change
Gross margin	**1 109 136**	**1 000 951**	**+10.8%**	***40.8%***	***43.6%***	***-2.8***
Adjusted gross margin*	***1 129 366***	***1 000 951***	***+12.8%***	***41.5%***	***43.6%***	***-2.0***
Empik Group	340 352	342 919	-0.7%	32.6%	35.8%	-3.1
*Empik Group – adjusted margin**	*360 582*	*342 919*	*+5.2%*	*34.6%*	*35.8%*	*-1.2*
Smyk Group	350 074	246 653	+41.9%	42.4%	46.3%	-3.9
Language Schools	80 304	62 584	+28.3%	64.0%	61.2%	2.8
Fashion & Beauty	338 406	348 795	-3.0%	46.7%	49.6%	-2.9

** data for 2009 were adjusted by PLN 15.5 million of logistics costs pertaining to the maintaining of a central warehouse recognised in gross margin, compensated by lower employee compensation and benefit expenses recognised in operating expenses, as well as the difference of the value of bonuses from suppliers in the amount of PLN 4.7 million (due to the changes in the structure and the number of purchases made, this bonus was lower in 2009 compared with 2008).*

In all of 2009, the margin of the Group increased in value by 10.8%. The adjusted gross margin increased by 12.8%. The greatest component of this increase is Smyk Group (41.9%) as well as the Language Schools (28.3%).

In percentage terms, the gross margin of the entire Group decreased by 2.8 percentage points. The adjusted gross percentage margin decreased by 2.0 percentage points. The positive growth at the level of the percentage margin was recorded by language schools (2.8 percentage points). The remaining segments in yoy terms were negative.

The gross margin of Empik Group decreased yoy by 0.7% which was caused by the fact that in 2009 the company incurred additional logistical costs in the amount of PLN 15.5 million, which were included in the gross margin. On the other hand, due to the opening of the central warehouse, remuneration costs decreased which are recognised in a similar amount in operating expenses. In addition, due to the structure and amount of purchases that were made, a larger margin was recorded in the 2008 results compared with 2009. Adjusted by the abovementioned logistical costs and back margins, the gross margin increased yoy in terms of value by 5.2%, and in terms of percentage decreased by 1.2 percentage points.

The decrease of the percentage margin in all of Smyk Group is primarily the result of the consolidation of Spiele Max due to the characteristics of its concept. Spiele Max chain stores are *supermarket*-type stores: large retail areas with a wide selection of lower-priced products, but also lower leasing costs in terms of m² as well as fewer personnel compared with Smyk stores (*premium*-type stores*)*. Spiele Max has recorded a very positive growth of revenues and due to its characteristics also has lower costs than Smyk. This is the reason for the noticeable differences in margins, as well as smaller differences at the EBITDA level. In Ukraine, the increase of the margin is caused primarily by the effect of inflation.

The decrease of the margin in percentage terms was noted in the Fashion & Beauty segment as well. In the fashion part of the segment, the main reason for the decrease was the effect of more comprehensive and longer clearance sales as well as the costs of additional promotional activities. These promotions took place during the third quarter and enabled the clearance sale of products under the conditions of increased competition (the negative effect of warm weather, which decreased demand for products from the autumn and winter collection). In Maratex in Ukraine, lower margins are mainly the result of the company adjusting to demand during the economic slowdown. In addition, due to the closing of the last Hugo Boss and Palmers stores, their goods were sold with a negative margin.

The decrease of the margin in the entire segment was also the result of the activities of the Optimum Distribution group (currency translation losses increased product sales costs).

EBITDA

4Q 2009

000 PLN	4Q 2009	4Q 2008	2009 vs. 2008 %	4Q 2009 EBITDA Margin %	4Q 2008 EBITDA Margin %	Change
EBITDA from core operations	**138 761**	**114 023**	***+21.7%***	***14.9%***	***13.4%***	***1.6***
Empik Group	65 073	69 683	*-6.6%*	*16.8%*	*19.8%*	*-3.0*
Smyk Group	55 884	44 042	*+26.9%*	*18.7%*	*17.2%*	*1.5*
Language Schools	8 008	5 858	*+36.7%*	*20.1%*	*18.6%*	*1.6*
Fashion & Beauty	19 483	9 627	*+102.4%*	*9.6%*	*4.5%*	*5.1*
Other	-9 687	-15 187	*+36.2%*			

In the 4Q 2009, the EBITDA from the core operations at the Group level increased by 21.7% compared with the analogous period of the previous year. The double-digit increase of the EBITDA of the Group with a 9.0% increase in revenues is primarily the result of:

- the annualisation of sales and the EBITDA of stores opened in 2008 as well as new openings which took place during all of 2009;
- the lack of the effect of negative EBITDA of stores operating in 2008 and closed before the end of the 3Q 2009 (mainly in the fashion division);
- the lack of the negative effect of currency translation differences caused by the sudden devaluation of the PLN in the 4Q 2008
- cost savings in Maratex
- the consolidation of LSU (language schools in Ukraine).

All segments with the exception of Empik noted positive EBITDA yoy growth.

In Empik, the decrease of 6.6% is first and foremost the result of the decrease of the gross margin (explanation above at the item regarding gross margins) which was not fully compensated by the decreases of operating expenses in the quarterly period.

The Language Schools attained EBITDA growth of 36.7%, which is mainly the result of higher sales and margins.

In Smyk Group, the EBITDA increased by 26.7% compared with the same period of the previous year, mainly due to the positive results of Smyk Group companies operating in Russia and Ukraine. In Russia, the main force behind the growth was the positive growth and the higher margin – both in terms of value and percentage – which is the result of the effect of newly opened stores. Similarly, higher revenues and margins as well as cost savings (lease costs, personnel, and other operating costs) were noted in Ukraine. In the case of Ukraine, the significant effect of inflation should also be considered.

The Fashion & Beauty segment noted positive EBITDA growth of 102.4%. The increase was mainly due to the good results of fashion companies operating in the East (Maratex). The positive growth in Maratex is the result of: the contribution of new stores opened at the end of 2008 and throughout 2009, higher margins compared with the analogous period of the previous year, and an increase in cost effectiveness. Ultimate Fashion noted a decrease of the EBITDA mainly as a result of lower revenues and gross margin. The EBITDA of Optimum Distribution group was also lower compared with the fourth quarter of the previous year. The reduction of operating costs by approximately 10% (remuneration and marketing expenses) did not compensate for the decrease of net sales.

The EBITDA in the "Other" segment, which mainly includes the business activity of the holding, increased by 36.7% due to the practical absence during the 4Q 2009 of currency translation losses and higher other operating revenues noted at the level of the holding. The operating expenses of the holding remained at a similar level during both periods.

Year 2009

000 PLN	12 months 2009	12 months 2008	*2009 vs. 2008* %	12 months 2009 EBITDA Margin %	12 months 2008 EBITDA Margin %	Change
EBITDA from core operations	**210 083**	**207 644**	***+1.2%***	***7.7%***	***9.0%***	***-1.3***
Empik Group	113 007	105 111	*+7.5%*	*10.8%*	*11.0%*	*-0.1*
Smyk Group	80 625	58 717	*+37.3%*	*9.8%*	*11.0%*	*-1.3*
Language Schools	16 052	11 942	*+34.4%*	*12.8%*	*11.7%*	*1.1*
Fashion & Beauty	31 265	47 933	*-34.8%*	*4.3%*	*6.8%*	*-2.5*
Other	-30 866	-16 059	*-92.2%*			

In all of 2009, the EBITDA from the core operations of the Group increased by 1.2% compared with 2008.

The increase of 37.3% in Smyk Group is mainly the result of the year-long consolidation of the results of Spiele Max (in 2008 the results of Spiele Max were consolidated for four months) and the contribution of divisions operating in the East. Higher revenues and margins in yearly terms coupled with cost savings (lease costs, personnel, and other operating expenses) resulted in an increase of the EBITDA in Smyk divisions operating in the East.

The Language Schools attained positive EBITDA growth of 34.4%. The increase was caused by higher sales and margins as well as cost savings.

Empik Group noted EBITDA growth of 7.5%, which was the result of cost savings (mainly employment costs and lease costs).

The EBITDA in the Fashion & Beauty segment decreased by 34.8% compared with the previous year. This was mainly due to the results of the exceptionally weak third quarter for the fashion part of the segment, which were caused by the negative effect of one-off external factors such as disturbed seasonality (clearance sales began earlier and lasted longer than usual) and the exceptionally warm September, which significantly decreased the demand for products from the autumn and winter collection. In addition, the EBITDA of this segment was burdened by the costs of restructuring and closing stores. The effect of the negative EBITDA attained by unprofitable stores before their closing is included. In addition, the results of the company were burdened by promotional costs related to the clearance sale of products under the conditions of increased competition (significant price reductions on the entire market). In addition, in Russia in the period from August to September, a partial closure of customs borders took place, which caused three-week delays in product deliveries. In the cosmetics part of the segment (Optimum Distribution group), annual growth at the EBITDA level was negative mainly because of lower sales (sales networks / perfume stores decrease their inventories and order fewer products) and the weakening of the PLN against the EUR which negatively affected the gross margin.

The EBITDA in the "Other" segment decreased by 92.2% compared with the previous year and included, aside from the holding's operating expenses (primarily remuneration and general management costs), the allocation of costs between the holding and the operating companies.

Net profit

4Q 2009

000 PLN		4Q 2009	4Q 2008	2009 vs. 2008 %
Net profit / (loss) from core operations		**83 422**	**74 723**	***+11.6%***
	Empik Group	47 692	45 071	*+5.8%*
	Smyk Group	39 887	33 372	*+19.5%*
	Language Schools	5 269	4 186	*+25.9%*
	Fashion & Beauty	6 032	1 607	*+275.3%*
	Other	-15 458	-9 513	*-62.5%*

In the 4Q 2009, the Group noted a net profit from the core operations in the amount of PLN 83.4 million (an increase of 11.6%).

Empik Group, with a 6.6% decrease of the EBITDA, recorded a 5.8% increase in net profit, which is primarily the result of tax optimisations.

The Language Schools noted a 25.9% increase in net profit compared with the analogous period of the previous year, which is the result of increased sales, margins, and cost savings.

The net profit of Smyk Group increased yoy by 19.5%, because of, among others, the positive effect of Spiele Max as well as the Smyk divisions in the East (Smyk Russia and Ukraine). The main force behind the growth in Russia and Ukraine was higher sales and gross margin levels as well as cost savings. In Smyk Poland, net profit decreased yoy, mainly due to declining sales in LTL stores during the period before the holidays compared with 2008 (the number of transactions in LTL stores compared with the 4Q 2008 decreased by approximately 14% and the traffic in stores decreased by 11%).

The Fashion & Beauty segment noted an increase in net profit of 275.3%. Positive growth at the net profit level was attained by Maratex in Russia and Ukraine. In the case of Russia, the increase is caused by the higher level of revenues and higher margins, and also by cost savings. With regard to Maratex in Ukraine, the increase in net profit is primarily the result of higher revenues and margins. In the analysis of the

Ukrainian company, the effect of inflation should also be taken into account. Ultimate Fashion noted a decrease in net profit, mainly as a result of decreased revenues and gross margins as well as the fact that Ultimate Fashion, like Maratex, in accordance with the policies of EMF Group, finances its development (new openings) to a larger degree with borrowings obtained from the holding company (NFI EMF SA) compared with capital. A decrease in net profit was also noted by Optimum Distribution group, mainly as a result of lower revenues and a lower gross margin level.

The net profit in the "Other" segment, mainly including the holding's business, decreased by 62.5% due to revenue noted in the 4Q 2008 from the share in the profits of Zara and differences in financial costs noted at the level of the holding (primarily the loss noted in the 4Q 2009 from the revaluation of the loans granted to Group companies by EMF).

Year 2009

000 PLN		12 months 2009	12 months 2008	*2009 vs. 2008 %*
Net profit / (loss) from core operations		**86 748**	**95 980**	***-9.6%***
	Empik Group	83 179	53 491	*+55.5%*
	Smyk Group	50 308	36 220	*+38.9%*
	Language Schools	8 427	7 184	*+17.3%*
	Fashion & Beauty	-21 783	12 885	*-269.1%*
	Other	-33 383	-13 800	*-141.9%*

In all of 2009, the net profit from the core operations of the Group decreased by 9.6% compared with 2008. All segments of the Group with the exception of the Fashion & Beauty segment noted positive growth at the net profit level. The largest increase was noted by Empik Group (55.5%), primarily due to the effect of tax optimisations.

The net profit of Smyk Group increased yoy by 38.9%, mainly because of the effect of the consolidation of Spiele Max as well as the positive results of Smyk Russia and Ukraine.

The Language Schools noted a 17.3% increase in net profit, which is the result of increased sales, gross margin levels, and cost savings.

In all of 2009, the net profit of the Fashion & Beauty segment decreased yoy by 269.1%. This is mainly due to the results of the exceptionally weak third quarter for the fashion part of the segment, which were caused by the negative effect of one-off external factors such as disturbed seasonality (clearance sales began earlier and lasted longer than usual) and the exceptionally warm September, which significantly decreased the demand for products from the autumn and winter collection. In addition, the net profit of this segment was burdened by the costs of restructuring and closing stores. The effect of the negative contribution from unprofitable stores before their closing should also be taken into account. In addition, the results of the company were burdened by promotional costs related to the clearance sale of products under the conditions of increased competition (significant price reductions on the entire market). In the cosmetics part of the segment (Optimum Distribution group) the net profit decreased mainly because of lower sales (sales networks and perfume stores decrease their inventories and order fewer products) and the weakening of the PLN against the EUR which negatively affected the gross margin.

The net profit in the "Other" segment, which primarily includes the business of the holding, decreased by 141.9% due to the lower revenues, amounting to more than PLN 11.5 million, from the share in the profits of Zara noted in 2009 compared with 2008 as well as higher financial costs recorded at the holding level.

Capital Expenditures

000 PLN						
		4Q 2009			4Q 2008	
Capital Expenditures	**Total**	New Outlets	Maintenance, rearrangement, modernisation and IT/Log projects	**Total**	New Outlets	Maintenance, rearrangement, modernisation and IT/Log projects
EMPIK GROUP	**9 538**	5 004	4 534	**12 966**	12 093	873
SMYK GROUP	**9 844**	7 995	1 849	**16 304**	12 081	4 223
LANGUAGE SCHOOLS GROUP	**2 002**	266	1 736	**3 143**	194	2 949
FASHION & BEAUTY	**10 111**	8 957	1 154	**14 565**	8 872	5 693
Total	**31 495**	**22 222**	**9 273**	**46 978**	**33 240**	**13 738**
Centralised EM&F project	**3 685**	-	3 685	**4 279**	-	4 279
Total	**35 180**	**22 222**	**12 958**	**51 257**	**33 240**	**18 017**

000 PLN						
		12 months 2009			12 months 2008	
Capital Expenditures	**Total**	New Outlets	Maintenance, rearrangement, modernisation and IT/Log projects	**Total**	New Outlets	Maintenance, rearrangement, modernisation and IT/Log projects
EMPIK GROUP	**56 486**	30 207	26 279	**65 520**	38 221	27 299
SMYK GROUP	**37 396**	20 921	16 475	**55 647**	40 350	15 297
LANGUAGE SCHOOLS GROUP	**7 634**	266	7 368	**10 278**	1 279	8 999
FASHION & BEAUTY	**38 744**	33 181	5 564	**75 923**	64 833	11 090
Total	**140 261**	**84 575**	**55 686**	**207 368**	**144 683**	**62 685**
Centralised EM&F project	**10 285**	-	10 285	**10 241**	-	10 241
Total	**150 546**	**84 575**	**65 971**	**217 609**	**144 683**	**72 926**

In 4Q 2009, total capital expenditures amounted to PLN 35.2 million, which means a decrease by PLN 16.1 million compared with the similar period of 2008. Expenditures on new outlets decreased by PLN 11 million. Both the total capital expenditures and the expenditures on new outlets decreased in all of the Group's segments.

The decrease in expenditures on the retail network development resulted largely from the activities of EMF Group aimed at decreasing debt in 2009 and from the macroeconomic situation and related decrease in the number of newly opened shopping malls. In addition, the Group has optimised its investment process, which involved decreasing its speed and engaging only in selective investments in the largest shopping malls.

The total capital expenditures of the Group in 2009 amounted to PLN 150.5 million (a decrease of PLN 67.1 million). Expenditures for retail network development amounted to PLN 84.6 million, while in the same period of 2008 they were PLN 144.7 million.

Other capital expenditures in 2009 amounted to PLN 66.0 million and were due mainly to store maintenance and rearrangement as well as modernisation of the existing retail sales network, the development of the online sales segment (Empik.com), continued implementation of state-of-the-art IT systems at the Group companies, and investments in purchases of IT equipment.

IT and logistics operations in 2009

The EMF Group continued the development and improvement of logistics, IT and telecommunication infrastructure as part a series of projects implemented by all Group companies in cooperation with Accenture, ExOrigo, DHL, Spedimex, Oracle and other partners. As the portfolio of the companies constantly grows and the Group pursues international expansion, the projects support the Group's further development, as well as help improve the effectiveness of many key business processes.

Subsequent stages of implementation of a modern supply chain for imports of products from China and product distribution and warehousing in the region have been successfully completed in the Smyk Group companies. Smyk Group companies are counting on obtaining significant savings on transport, warehouse operations, sales transactions and other expenses related to the re-export of goods to Russia, Germany and Ukraine. One of the most important undertakings completed in 2009 was the opening of a modern, bonded warehouse and distribution centre, which will provide logistics services for Smyk goods in Poland and foreign markets. In addition, extra functions were added to the system supporting the ordering from and communication with product suppliers in China (POM).

The Empik group companies continued to implement subsequent stages of a Business Intelligence-based analytical platform, optimisation of a new DHL central warehouse, tools for improving communication with suppliers and goods management, as well as improvements to the logistics and IT platform built for the purposes of empik.com.

The LSP group companies continued to build and implement a new transaction management and CRM system.

In the group of Ultimate Fashion and Maratex companies, the implementation was completed of Oracle Planning, a modern tool for planning and managing product lines.

For the needs of the Optimum Distribution and Amersport group of companies, a new warehouse was opened which will help in the integrated logistics servicing of the group.

Development directions and goals for 2010.

The year 2009 was particularly difficult for representatives of practically all sectors. The economic crisis, a decrease in retail sales, unfavourable consumption trends, the unstable situation on the currency market, unfavourable weather conditions, and the resulting increased competition – these are just some of the negative external factors which had to be faced by operators of the retail market in Poland. EMF quickly adapted to the new conditions by cutting operating expenses (employment costs, leasing costs, etc.), closing unprofitable stores, restructuring the fashion brand portfolio (concentration on the most profitable, mid-priced mainstream brands), the highly selective choice of locations (only in the largest cities, with the exception of Empik partner stores), and through the improvement of purchase and goods supply processes. As a result of these actions, it was possible to not only end this difficult year on a positive note, but also to attain a significant level of savings and other operational and retail benefits, which the Group intends to maintain or increase in the coming years.

According to experts, 2010 may not be as difficult as 2009, but a revival (including positive trends in consumption) is expected in the second half of the year at the earliest, or even at the end of the year. It should also be remembered that the beginning of 2010 also involves facing the effect of a strong base (in 2009 LTL growth was high).

EMF Group made certain prudent assumptions regarding the 2010 budget, while it continues to monitor their verification depending on the macroeconomic situation as well as other external factors affecting the results of the Group. In 2010, EMF Group assumes LTL sales at the zero level (0%), while simultaneously stressing the optimisation of costs in order to increase profitability. An increase at the gross margin level should be reached with the help of improvements in the product mix in the direction of high-margin products as well as the further improvement in the effectiveness of purchase and delivery processes. Benefits obtained as a result of negotiations in 2009 and the predicted stabilisation of the PLN vs. the EUR or USD should also positively affect the margin. With the zero LTL growth, the Group assumes positive growth at the EBITDA level, whereas the possible increase in sales will result in a dynamic increase in profitability. Regarding costs, the Group intends to maintain savings at the 2009 level. Planned further savings at the level of operating expenses, primarily from the improvements in the functioning of IT and logistics systems, should also positively affect costs. The improvement of product purchase and supplies conditions and inventory management will also positively affect the operating cash flow. The Group assumes maintenance of net debt at the 2009 level. The continuation of the decrease of debt vs. EBITDA is also expected (net debt / EBITDA ratio).

Assumptions for the individual segments of the Group are as follows:

In Empik Group, LTL sales will conducted as a result of the expansion of the product range and an improvement of the product mix sold in the direction of high-margin products. As part of the expansion, the Group will concentrate mainly on the opening of partner stores in the smaller cities of Poland, in which there is a high demand potential. Currently, there are 22 Empik partner stores. According to plans, in the next three of four years, this number is to increase to 200-300 stores. The Group is also planning to significantly increase the share of products it publishes (books and multimedia). The share of products imported from the Far East will also increase significantly. As part of the development of its online activity, Empik is planning the possibility of providing access to the books contents through the internet. Acquisitions are also not excluded. Regarding the so-called coffee business of Empik, that is, the Empik Café chain of cafes, the Group plans to open additional outlets in 2010 and wants to concentrate on creating and strengthening the position of this brand on the Polish market.

Smyk Group intends to increase the level of profits and operational cash flow in Poland and Germany, mainly through the improvement of its product offer. The introduction of a new format of Smyk stores in Poland (the so-called big box), based on the concept of the German Spiele Max, is also planned. In Russia, the Group wants to focus on building a strong portfolio of stores in the two largest cities, Moscow and St. Petersburg. Acquisitions are also not excluded. In Ukraine, Smyk will concentrate on strengthening its leading position on the market. The Group also has a long-term development strategy for the Turkish market.
In the language schools segment, plans include increasing the number of locations and the further development of the teaching of languages through the Internet. In Russia, the Group intends to create an organisational structure as well as a network of schools in Moscow and separately in St. Petersburg. The development strategy involves 100 schools over four to five years. In Ukraine, the Group wants to become the leader and open more than five schools per year.
In the fashion & beauty segment, in the retail part, the Group wants to restore the high profitability of the existing network of stores. One of the steps to reach this goal was the process of restructuring and closing unprofitable stores, which was conducted in 2009 and was nearly completed. In the current year, closings are possible, but on a smaller scale. The Group intends to concentrate on the most profitable mid-priced mainstream brands: Peacocks, New Look, and River Island. In 2009, Ultimate Fashion successfully introduced the Peacocks and New Look brands to the Polish market; in 2010, the conclusion of an agreement with one more mid-priced mainstream brand is possible. In addition, the introduction of the New Look brand to Ukraine is planned as well as the conclusion of a new franchise agreement with River Island in Russia. As part of the development strategy, the Group wants to obtain the best locations in Poland, Moscow, St. Petersburg, and Kiev. The Group also plans to develop a new wholesale distribution network in Russia and Ukraine based on new licenses (including Converse).

Material events after the reporting period

Material events after the balance-sheet date are described in the Notes to the condensed consolidated financial statements of the Group for the 4Q of 2009.