MANAGEMENT BOARD FINANCIAL ANALYSIS
OF 3Q 2009 AND THE NINE-MONTH PERIOD ENDED 30th SEPTEMBER 2009

Selected financial data of 3Q 2009 and nine-month period ended 30th September 2009

Table No. 1

000 PLN	3Q 2009	3Q 2008	Change %	9 months 2009	9 months 2008	Change %
Net sales	**590 101**	**525 215**	**+12.4**	**1 790 030**	**1 443 879**	**+24.0**
EBITDA from core operations*	**19 008**	**28 051**	**-32.2**	**71 322**	**92 095**	**-22.6**
% of sales	*3.22%*	*5.34%*		*3.98%*	*6.38%*	
EBIT from core operations*	**-3 821**	**8 729**	**-143.8**	**8 612**	**39 074**	**-78.0**
% of sales	*-0.65%*	*1.66%*		*0.48%*	*2.71%*	
Net profit / (loss) from core operations***	**-14 228**	**3 063**	**-564.5**	**3 325**	**21 256**	**-84.4**
% of sales	*-2.41%*	*0.58%*		*0.19%*	*1.47%*	
Number of outlets**				650	619	
Retail area**				265 016	245 419	

** excluding financial instruments and share-based incentive program valuation*
*** as at 30 September 2009*
**** excluding financial instruments, goodwill impairment charges and share-based incentive program valuation*

Table No. 2

000 PLN	3Q 2009	3Q 2008	Change %	9 months 2009	9 months 2008	Change %
EBITDA from core operations*	**19 008**	**28 051**	**-32.2**	**71 322**	**92 095**	**-22.6**
% of sales	*3.22%*	*5.34%*		*3.98%*	*6.38%*	
Share-based incentive program valuation	**-2 366**	**-2 914**	**+18.8**	**-9 778**	**-10 886**	**+10.2**
Revaluation of financial instruments	**705**	**2 820**	**-75.0**	**3 089**	**14 744**	**-79.0**
Zara + Sephora	-	2 048	-100.0	3 309	13 972	-76.3
Other options	705	772	-8.7	-220	772	-128.5
EBITDA	**17 347**	**27 957**	**-37.9**	**64 633**	**95 953**	**-32.6**
% of sales	*2.94%*	*5.32%*		*3.61%*	*6.65%*	

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

Table No. 3

000 PLN	3Q 2009	3Q 2008	Change %	9 months 2009	9 months 2008	Change %
EBIT from core operations*	**-3 821**	**8 729**	**-143.8**	**8 612**	**39 074**	**-78.0**
% of sales	*-0.65%*	*1.66%*		*0.48%*	*2.71%*	
Share-based incentive program valuation	**-2 366**	**-2 914**	**+18.8**	**-9 778**	**-10 886**	**+10.2**
Revaluation of financial instruments	**705**	**2 820**	**-75.0**	**3 089**	**14 744**	**-79.0**
Zara + Sephora	-	2 048	-100.0	3 309	13 972	-76.3
Other options	705	772	-8.7	-220	772	-128.5
Goodwill impairment charges (Maratex)	-	-		-26 115	-	
EBIT	**-5 482**	**8 635**	**-163.5**	**-24 192**	**42 932**	**-156.3**
% of sales	*-0.93%*	*1.64%*		*-1.35%*	*2.97%*	

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

Table No. 4

000 PLN	3Q 2009	3Q 2008	Change %	9 months 2009	9 months 2008	Change %
Net profit / (loss) from core operations*	**-14 228**	**3 063**	**-564.5**	**3 325**	**21 256**	**-84.4**
% of sales	*-2.41%*	*0.58%*		*0.19%*	*1.47%*	
Share-based incentive program valuation	**-2 366**	**-2 914**	**+18.8**	**-9 778**	**-10 886**	**+10.2**
Revaluation of financial instruments	**2 641**	**3 554**	**-25.7**	**37 401**	**18 341**	**+103.9**
Zara + Sephora	-	2 615	-100.0	3 102	14 399	-78.5
Maratex + other options	2 641	939	+181.4	34 299	3 942	+770.1
Goodwill impairment charges (Maratex)	-	-		-26 115	-	
Net profit / (loss)	**-13 953**	**3 704**	**-476.7**	**4 833**	**28 711**	**-83.2**
% of sales	*-2.36%*	*0.71%*		*0.27%*	*1.99%*	

** excluding financial instruments, goodwill impairment charges and share-based incentive program valuation*

Table No. 5

000 PLN	9 months 2009 adjusted by foreign exchange rate differences **	9 months 2008 adjusted by foreign exchange rate and dividend **	Change %
Net sales	**1 790 030**	**1 443 879**	**+24.0**
EBITDA from core operations*	**77 091**	**82 621**	**-6.7**
% of sales	*4.31%*	*5.72%*	
EBIT from core operations*	**14 381**	**29 600**	**-51.4**
% of sales	*0.80%*	*2.05%*	
Net profit from core operations*,* **	**13 836**	**12 649**	**+9.4**
% of sales	*0.77%*	*0.88%*	

** excluding financial instruments and share-based incentive program valuation*
*** data concerning 9 months 2008 was adjusted by dividend received and foreign exchange rate differences, whereas the data for 9 months 2009 was adjusted by foreign exchange rate differences only (see Table No. 6 and No. 7 below)*
**** net profit for 2009 includes profit on tax optimisations in the amount of PLN 16.8 million*

Table No. 6

Reconciliation of adjusted results for 9 months 2009 with reported results

000 PLN	9 months 2009	Impact of foreign exchange rate differences	Adjusted 9 months 2009
Net sales	**1 790 030**		**1 790 030**
EBITDA from core operations	**71 322**	**5 769**	**77 091**
% of sales	*3.98%*		*4.31%*
EBIT from core operations	**8 612**	**5 769**	**14 381**
% of sales	*0.48%*		*0.80%*
Net profit from core operations	**3 325**	**10 511**	**13 836**
% of sales	*0.19%*		*0.77%*

Table No. 7

Reconciliation of adjusted results for 9 months 2009 with reported results				
000 PLN	**9 months 2008**	**Dividend impact**	**Foreign exchange rate differences impact**	**Adjusted 9 months 2009**
Net sales	**1 443 879**			**1 443 879**
EBITDA from core operations	**92 095**	**-9 339**	**-135**	**82 621**
% of sales	*6.38%*			*5.72%*
EBIT from core operations	**39 074**	**-9 339**	**-135**	**29 600**
% of sales	*2.71%*			*2.05%*
Net profit from core operations	**21 256**	**-9 339**	**732**	**12 649**
% of sales	*1.47%*			*0.88%*

DEVELOPMENT OF THE EM&F GROUP SALES NETWORK

	30 September 2008		30 June 2009		Openings in Q3 2009		Closings in Q3 2009		30 September 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**
Poland										
Empik *	121	60 633	137	70 302	3	609	-	-	140	70 911
Empik Cafe	47	3 738	59	4 564	2	146	2	152	59	4 558
Empik Foto	15	-	12	-	-	-	-	-	12	-
Learning Systems Poland	74	-	77	-	-	-	-	-	77	-
Smyk ***	49	39 621	54	43 237	-	1 075	-	-	54	44 312
Franchised / licensed brands**	126	24 170	131	26 860	-	-	3	280	128	26 580
Total	**432**	**128 162**	**470**	**144 963**	**5**	**1 830**	**5**	**432**	**470**	**146 361**
Ukraine										
Empik ***	23	5 330	21	5 376	-	-	-	372	21	5 004
Learning Systems Ukraine	5	-	5	-	-	-	-	-	5	-
Smyk	7	5 548	7	5 548	-	-	-	-	7	5 548
Franchised / licensed brands	20	4 719	21	5 558	-	-	-	-	21	5 558
Total	**55**	**15 597**	**54**	**16 482**	**-**	**-**	**-**	**372**	**54**	**16 110**
Russia, Kazakhstan										
Learning Systems Russia	1	-	2	-	1	-	-	-	3	-
Smyk	3	1 954	4	2 623	-	-	-	-	4	2 623
Franchised / licensed brands	80	30 050	72	29 159	4	2 114	6	2 937	70	28 336
Total	**84**	**32 004**	**78**	**31 782**	**5**	**2 114**	**6**	**2 937**	**77**	**30 959**
Germany										
Smyk	3	2 624	3	2 624	-	-	1	932	2	1 692
Spiele Max	43	65 952	45	68 814	-	-	-	-	45	68 814
Total	**46**	**68 576**	**48**	**71 438**	**-**	**-**	**1**	**932**	**47**	**70 506**
Turkey										
Smyk	1	988	1	988	-	-	-	-	1	988
Total	**1**	**988**	**1**	**988**	**-**	**-**	**-**	**-**	**1**	**988**
Romania										
Smyk										
Total										
Czech Republic										
Franchised / licensed brands	1	92	1	92	-	-	-	-	1	92
Total	**1**	**92**	**1**	**92**	**-**	**-**	**-**	**-**	**1**	**92**
TOTAL	**619**	**245 419**	**652**	**265 745**	**10**	**3 944**	**12**	**4 673**	**650**	**265 016**

** Total retail area of Empik and Empik Foto. Empik Foto services are being successively incorporated into Empik outlets or services available through* www.empikfoto.pl

*** Excluding Zara stores. Sale of shares in Zara Polska Sp. z o. o. was concluded in January 2009.*

**** Increase / decrease in retail area resulting from outlet restructuring..*

EM&F Group ('the Group') has been continuing its regional expansion. However, due to the current macroeconomic situation, and the resulting smaller number of shopping malls given to use, the Group has been implementing investment projects selectively in shopping malls located in the largest cities.

In the period of nine months ended 30th September 2009, the retail and service network of the Group expanded by 44 outlets, with total net retail area of 17,364 m2. Some of these outlets were opened in the completely renovated Renoma department store in Wrocław (Empik, Smyk, Aldo, Boss, Esprit, Mexx, River Island, Wallis) and in the prestigious Metropolis shopping mall in Moscow (Esprit, River Island, Smyk). In 3Q, four Peacocks stores were opened in Russia as a part of the transformation process of selected existing stores with lowest profitability.

<u>Within nine months ended 30th September 2009 the following outlets were opened in Poland:</u>

- Empik – six own stores (Poznań, Gdynia, Wrocław, two stores in Lublin, Sopot) and six partner stores (Łomża, Dębica, Kłodzko, Iława, Brzeg, Żyrardów);
- Empik Cafe – 11 cafes (Płock, Koszalin, five locations in Warsaw, Konin, Wrocław, Gdynia and Lublin);
- Smyk – one store in Wrocław;
- Ultimate Fashion – six stores in Wrocław (Aldo, Boss, Esprit, Mexx, River Island, Wallis);
- Learning Systems Poland – three Speak Up language schools (Rybnik, Kraków, Kielce).

<u>Within nine months ended 30th September 2009 the following locations were opened by the Group abroad:</u>

- Smyk – one store in Russia (Moscow),
- Maratex – nine stores in Russia (two Esprit stores, Palmers, Hunkemoller, River Island, four Peacocks stores)
- Learning Systems – one Speak Up language school in Russia.

Simultaneously within nine months ended 30th September 2009, the Group, basing on the accessible data and financial projections, decided to close 33 locations in the Fashion and Beauty segment (Maratex - 27, Ultimate Fashion - 5, Amersport - 1) and 12 locations in the Media and Entertainment segment (Empik Poland - 5, Empik Ukraine - 2, Empik Cafe - 3, Empik Foto - 1, Smyk Germany - 1) that will result both in better and more effective use of resources available to the Group as well as in an improvement in the profitability of current activities. At the moment the Group companies are still verifying their portfolios (in particular ones in Poland) and as a result close unprofitable locations. The restructuring process is planned to be completed by the end of 4Q 2009.

<u>NETWORK DEVELOPMENT – PLANS</u>

The Group intends to implement its regional growth strategy consistently. The locations and terms of implementation have been agreed for most new projects, with some lease agreements already signed. Additionally, the Group has been conducting negotiations on lease agreements for years 2010 and 2011.

In Poland, there are 16 new openings planned for 4Q 2009. The aforementioned include Empik stores in Białystok, Częstochowa, Bielsko-Biała, Piotrków Trybunalski, Chrzanów and Kraków. Openings are also planned in terms of new Smyk stores as well as of Ultimate Fashion stores with brands such as New Look and Peacocks (see next section).

In Russia, the Group has been focusing on the Moscow market. In November 2009, the Group is to open five new stores in Rostokino, a new shopping mall in Moscow. The new stores will include brands such as Orsay, River Island, Peacocks, Esprit and Bodique.

In Kiev, Ukraine, the Group is to open two new Peacocks stores and one Aldo store.

PORTFOLIO CHANGES

One of the most significant events in 2009 for the Group's brand portfolio development was the beginning of cooperation by Ultimate Fashion with New Look and Peacocks in order to introduce the aforementioned brands onto the Polish market. The Group plans to open New Look stores in C.H. Renoma in Wrocław in December 2009 as well as in Złote Tarasy and Galeria Mokotów in Warsaw in 1Q 2010. The first Peacocks store is scheduled to be opened at the end of November in Focus Park shopping centre in Bydgoszcz.

During next five years, Ultimate Fashion plans to open four or five of both New Look and Peacocks stores in Poland each year. The retail area of a typical store will be 500 to 800m^2 and 400 to 500m^2 for New Look and Peacocks respectively.

Peacocks is the leading UK retail chain, which offers fashionable clothes at average prices. Peacocks stores offer a wide range of products aimed at diversified target groups and are generally considered one of the better combinations of price, quality and style. Currently, the Group's portfolio includes Peacocks successful on the Russian market.

New Look is UK clothes store chain operating in England, France, Belgium and Russia. Like Peacocks, it offers a wide range of products at average prices aimed at diversified target groups.

Due to the wide range of carried products aimed at varied target groups, trend awareness and reasonable pricing, both brands will strengthen the Ultimate Fashion portfolio and should work well both in times of economic crisis and prosperity.

Below there is a summary of other portfolio changes as well as other significant promotional and marketing events affecting the Group companies in first nine months of 2009.

- Smyk:
  - introduction of new Cool Club product lines: Cool Club Baby (for toddlers aged 0-2 years), Cool Club Kids (for children aged 3-8 years), Cool Club Trend (for schoolchildren aged 9-14 years), Cool Club Jeans, Cool Club Accessories (accessories),

  - introduction of Converse brand (children sports footwear) into Smyk stores in Poland and Germany.

- Spiele Max:
  - introduction of Smyk's own brand - Cool Club products into all 45 Spiele Max stores in Germany.

- Empik:
  - introduction of a new product line in Empikfoto.pl – large format printouts,

  - new collections of Empik's own stationery brand involving works by renowned artists

- Learning Systems Poland
  - introduction of a new method of learning foreign languages via Internet, named "Virtual School".

- Maratex
  - opening the first of the new River Island brand in the prestigious Metropolis shopping mall in Moscow.

- Optimum Distribution Polska
  - starting distribution of new cosmetics brands: Bulgari, Decleor, Carita, Lolita Lempicka.

- EPCD
  - discontinued distribution of Fendi cosmetics.

- Amersport
  - signing an agreement with Moravia Sport Group s.r.o. concerning distribution of Converse products in the 44-store Envy Sport chain, offering technical sportswear in the Czech Republic and Slovakia,
  - expanded distribution of Converse children footwear in Smyk Poland and Germany,

  - signing the agreement with JanSport Apparel Corp. for the exclusive distribution of EASTPAK products in Poland and for the exclusive distribution of JANSPORT in Slovakia, the Czech Republic and Ukraine,
  - commencement of wholesale distribution of CAT accessories in Slovakia and the Czech Republic.

OPERATING RESULTS OF THE GROUP IN THE PERIOD OF NINE MONTHS ENDED 30TH SEPTEMBER 2009

Starting from the current results disclosure, the Group has extended the presentation of its financial data by additional classification of operating segments. We would like to draw attention to the fact that the data previously presented in the Media and Entertainment segment is currently divided into Empik Group, Smyk Group and Language Schools. The Fashion and Beauty segment is presented as previously and still comprises data of franchised brands and wholesale distribution of cosmetics and sports products.

Net sales results

Sales of EM&F Group on particular markets in the region:

PLN 000	3Q 2009	3Q 2008	*Change % 3Q 2009 vs 3Q 2008*
Retail distribution			
Poland	348 657	348 694	*0.0%*
Foreign markets	171 316	111 237	*54.0%*
Wholesale distribution			
Poland	58 315	53 060	*9.9%*
Foreign markets	11 813	12 224	*-3.4%*
TOTAL distribution in Poland	**406 972**	**401 754**	***1.3%***
TOTAL distribution on foreign markets	**183 129**	**123 461**	***48.3%***
Percentage of distribution in Poland in total revenue	***69%***	***76%***	
Percentage of distribution on foreign markets in total revenue	***31%***	***24%***	
TOTAL	**590 101**	**525 215**	***12.4%***

PLN 000	9 months 2009	9 months 2008	*Change % 9 moths 2009 vs 9 moths 2008*
Retail distribution			
Poland	1 076 605	1 013 893	*6.2%*
Foreign markets	520 782	268 137	*94.2%*
Wholesale distribution			
Poland	154 920	123 957	*25.0%*
Foreign markets	37 723	37 892	*-0.4%*
TOTAL distribution in Poland	**1 231 525**	**1 137 850**	***8.2%***
TOTAL distribution on foreign markets	**558 505**	**306 029**	***82.5%***
Percentage of distribution in Poland in total revenue	***69%***	***79%***	
Percentage of distribution on foreign markets in total revenue	***31%***	***21%***	
TOTAL	**1 790 030**	**1 443 879**	***24.0%***

Sales of LTL group

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

**Stores and language schools operating for at least 12 months as of 30th September 2009.*
***Pro-forma data calculated in local currency as Spiele Max revenues have been consolidated by the EMF Group since September 2008.*

Sales in LTL* group of outlets	*Change %* 9 months 2009 vs 9 months 2008
EMPIK (group of companies)	-1%
SMYK (group of companies)	-3%
LANGUAGE SCHOOLS	18%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	-10%
TOTAL	**-3%**
SPIELE MAX** (EUR)	3%

**Stores and language schools operating for at least 12 months as at 30th September 2009.*
*** Pro-forma data calculated in local currency as Spiele Max revenues have been consolidated by the EMF Group since September 2008.*

Sales in LTL* group of outlets	*Change %* October 2009 vs October 2008
EMPIK (group of companies)	1%
SMYK (group of companies)	5%
LANGUAGE SCHOOLS	-6%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	1%
TOTAL	**2%**
SPIELE MAX** (EUR)	-11%

**Stores and language schools operating for at least 12 months as of 31st October 2009.*
***Pro-forma data calculated in local currency.*

3Q 2009

In 3Q 2009, the LTL group (excluding Spiele Max) recorded 9% sales decrease compared with the similar period of 2008. The 17% decrease in sales of franchised and licensed brands was the main contributing factor to the total sales decrease. Worse results of the fashion department were caused by the negative impact of one-off external factors such as seasonality disruption (earlier and longer seasonal sales) and the unusually warm weather in September, which resulted in significant demand decrease for the new fall/winter collection products. The language school segment recorded in turn very good results – increase of 24% yoy.

Nine months 2009

During first nine months of 2009, the LTL group (excluding Spiele Max) recorded 3% sales decrease compared with the similar period of 2008, mainly due to the results of franchised companies (down 10%). Language schools achieved positive LTL sales dynamics of 18%.

The economic crisis caused inter alia decrease in customer traffic at shopping malls. In Poland, Russia and Ukraine, customer traffic decreased by 15 - 20%, unlike Germany where customer traffic remains unchanged. The decrease in customer traffic was lower at Empik Group and Smyk Group stores (partially offset by the increased conversion ratio – customers entering the stores buy more) and higher at the Ultimate Fashion and Maratex store chains.

With regard to sales in particular regions, the highest sales growth was recorded in Ukraine. The situation in Germany remains stable. Negative sales growth was recorded on the Russian market, with the results for Moscow and St. Petersburg about 10% better than for other regions on that market. About 3 - 4% of the entire fashion sales growth was lost in Russia in August and September, due to the partial closing of borders.

October 2009

In October, the LTL group (excluding Spiele Max) recorded 2% sales increase yoy. In October, almost all LTL companies noted positive sales dynamics. This situation suggests that the large decreases in 3Q could have been a one-off event.

Sales by segments

000 PLN		3Q 2009	3Q 2008	2009 vs 2008 %
Net sales		**590 101**	**525 215**	***+12.4%***
	Empik Group	218 894	211 141	*+3.7%*
	Smyk Group	174 589	112 967	*+54.5%*
	Language Schools	20 347	16 690	*+21.9%*
	Fashion & Beauty	176 271	184 417	*-4.4%*

000 PLN		9 months 2009	9 months 2008	2009 vs 2008 %

Net sales		**1 790 030**	**1 443 879**	***+24.0%***
	Empik Group	655 590	607 173	*+8.0%*
	Smyk Group	526 723	275 895	*+90.9%*
	Language Schools	85 692	70 707	*+21.2%*
	Fashion & Beauty	522 025	490 104	*+6.5%*

3Q 2009

In 3Q 2009, total net sales of the Group increased by PLN 64.9 million, i.e. by 12.4%, to PLN 590.1 million compared with PLN 525.2 million in the similar period of 2008.

In 3Q 2009, sales of Empik Group increased by PLN 7.8 million, i.e. by 3.7%, to PLN 218.9 million compared with the similar period of 2008. Sales of Smyk Group increased by PLN 61.6 million, i.e. by 54.5%, to PLN 174.6 million. Sales of Language Schools increased by 21.9%, i.e. by PLN 3.7 million yoy, to PLN 20.3 million. These segments had the most conspicuous impact on the total sales increase of the Group. Good results of these segments stem mostly from the dynamic growth of stores opened since September 2008 to September 2009 (24 Empik stores, 6 Smyk stores). In addition, the Group's sales increase was significantly affected by good results of the Language Schools Group (mainly as a result of significant contribution of the LTL group – 24% increase) as well as consolidation of results achieved by Spiele Max (acquired in September 2008).

In 3Q 2009, sales of the Fashion and Beauty segment decreased by PLN 8.1 million, i.e. by 4.4%, to PLN 176.3 million. This resulted mainly from the customer demand decrease on products distributed by companies of the Optimum Distribution group and from slightly worse sales in the fashion department, caused by one-off external factors (seasonality distortion - earlier and longer seasonal sales of summer collection products and significant demand decrease on new fall/winter collection products, caused by the weather in September). In addition, some changes in buying preference were recorded – Fashion and Beauty segment recorded stagnation in more expensive brands and continued growth with regard to offers aimed at younger and less wealthy customers.

Nine months 2009

Within nine months ended 30th September 2009, total net sales of the Group increased by 24% to PLN 1,790.0 million, compared with PLN 1,443.9 million in the similar period of 2008.

Within nine months ended 30th September 2009, net sales of Empik Group increased by 8.0% to PLN 655.6 million. Sales of Smyk Group increased by 90.9% to PLN 526.7 million. Sales of Language Schools increased by 21.2% to 85.7 million. Sales of the Fashion and Beauty segment increased by 6.5% to PLN 522.0 million compared with the similar period of 2008.

Gross margin

000 PLN	3Q 2009	3Q 2008	2009 vs 2008 %	3Q 2009 Margin %	3Q 2008 Margin %	Change
Gross margin	**249 194**	**223 862**	***+11.3%***	***+42.2%***	***+42.6%***	***-0.4***
Empik Group	78 097	74 164	*+5.3%*	*+35.7%*	*+35.1%*	*0.6*
Smyk Group	77 073	54 563	*+41.3%*	*+44.1%*	*+48.3%*	*-4.2*
Language Schools	13 671	11 838	*+15.5%*	*+67.2%*	*+70.9%*	*-3.7*
Fashion & Beauty	80 353	83 297	*-3.5%*	*+45.6%*	*+45.2%*	*0.4*

000 PLN	9 months 2009	9 months 2008	2009 vs 2008 %	9 months 2009 Margin %	9 months 2008 Margin %	Change
Gross margin	**755 238**	**636 127**	***+18.7%***	***+42.2%***	***+44.1%***	***-1.9***
Empik Group	229 807	214 579	*+7.1%*	*+35.1%*	*+35.3%*	*-0.3*
Smyk Group	229 612	134 004	*+71.3%*	*+43.6%*	*+48.6%*	*-5.0*
Language Schools	54 076	45 300	*+19.4%*	*+63.1%*	*+64.1%*	*-1.0*
Fashion & Beauty	241 743	242 244	*-0.2%*	*+46.3%*	*+49.4%*	*-3.1*

3Q 2009

In 3Q 2009, gross margin of the Group increased by 11.3% to PLN 249.2 million compared with PLN 223.9 million in the similar period of 2008. The increase in gross margin of the Group largely stemmed from the results achieved by Language Schools and Smyk Group. However, the percentage gross margin calculated in relation to sales decreased by 0.4 percentage points – in 3Q 2009 the margin amounted to 42.2% compared with 42.6% in the similar period of 2008. In 3Q 2009, gross margin of Empik Group increased by 5.3% to PLN 78.1 million, which largely resulted from better terms achieved during negotiations and improvements to the product mix concerning the increased proportion of books in the sales structure. Smyk Group achieved 41.3% margin growth to PLN 77.1 million, which largely resulted from the contribution of Spiele Max, which has been consolidated since September 2008. The margin of the Language Schools Group increased by 15.5% to PLN 13.7 million.

A decrease in the amount of gross margin was recorded only in the Fashion and Beauty segment (by 3.5% to PLN 80.4 million), which resulted mainly from the sales decrease, particularly in the fashion department. The decrease in margins in the fashion department in Poland resulted mostly from large and long-lasting markdown policy, costs of additional promotional campaigns enabling selling off goods in terms of intensive competition and also from the negative impact on the sales costs of purchases in foreign currencies. However, the operations on the eastern markets had positive impact on the segment's margins, recording margin increase by nearly 2 percentage points yoy, despite the adverse market situation.

Nine months 2009

Within nine months ended 30th September 2009, the amount of the Group's margin increased by 18.7% to PLN 755.2 million, compared with PLN 636.1 million in the similar period of 2008. Value margin of Empik Group increased by 7.1% to PLN 229.8 million. The margin of Smyk Group increased by 71.3% to PLN 229.6 million, while the margin of the Language Schools Group increased by 19.4% to PLN 54.1 million. The gross margin of the Fashion and Beauty segment remained practically unchanged from 2008 (down 0.2% to PLN 241.7 million).

EBITDA

000 PLN	3Q 2009	3Q 2008	*2009 vs 2008 %*	3Q 2009 EBITDA Margin %	3q 2008 EBITDA Margin %	Change
EBITDA from core operations	**19 008**	**28 051**	***-32.2%***	***+3.2%***	***+5.3%***	***-2.1***
Empik Group	23 100	8 948	*+158.1%*	*+10.6%*	*+4.2%*	*6.3*
Smyk Group	8 748	5 951	*+47.0%*	*+5.0%*	*+5.3%*	*-0.3*
Language Schools	-1 505	-1 236	*-21.7%*	*-7.4%*	*-7.4%*	*0.0*
Fashion & Beauty	-12 098	6 825	*-277.3%*	*-6.9%*	*+3.7%*	*-10.6*
Other	763	7 563	*-89.9%*			

000 PLN	9 months 2009	9 months 2008	*2009 vs 2008 %*	Q3 2009 EBITDA Margin %	Q3 2008 EBITDA Margin %	Change
EBITDA from core operations	**71 322**	**92 095**	***-22.6%***	***+4.0%***	***+6.4%***	***-2.4***
Empik Group	42 926	32 567	*+31.8%*	*+6.5%*	*+5.4%*	*1.2*
Smyk Group	20 808	13 959	*+49.1%*	*+4.0%*	*+5.1%*	*-1.1*
Language Schools	8 044	6 084	*+32.2%*	*+9.4%*	*+8.6%*	*0.8*
Fashion & Beauty	-4 755	34 227	*-113.9%*	*-0.9%*	*+7.0%*	*-7.9*
Other	4 299	5 258	*-18.3%*			

3q 2009

In 3Q 2009, core operations EBITDA of the Group decreased by 32.2% to PLN 19.0 million, compared with PLN 28.1 million in the similar period of 2008. The decrease of the Group EBITDA largely resulted from the decrease in gross margin described above, as well as from the negative impact of foreign exchange rates, affecting inter alia rents denominated in foreign currencies and additional promotional costs related to sales in terms of intensive competition. Additionally, the Group undertook a number of measures aimed at reducing the impact of the aforementioned factors on the Group's results, namely: optimising employee remunerations and benefits as well as some reduction in rent costs, achieved by the Group by means of negotiations.

In 3Q 2009, EBITDA margin from core operations of the Group decreased by 3.2%, compared with 5.3% in 3Q 2008.

In 3Q 2009, EBITDA of Empik Group increased by 158.1% to PLN 23.1 million, mainly due to positive sales growth, margin increase and recognition of profit on deconsolidation of Bukva. EBITDA of Smyk Group increased by 47.0% to PLN 8.7 million, mainly as a result of consolidation of Spiele Max results. EBITDA of the Language Schools Group decreased by 21.7% to PLN -1.5 million.

The decrease of EBITDA in the Fashion and Beauty segment (by 277.3% to PLN -12.1 million) in 3Q 2009 resulted from a number of factors. The decrease in EBITDA in the fashion department resulted from worse sales results caused by external factors. Additionally, EBITDA in this segment is still encumbered by the costs of store restructuring and closings. Furthermore, EBITDA was influenced by the higher base of operating costs in categories related to foreign currencies as well as by negative EBITDA achieved by unprofitable stores prior to their closing. Additionally, the companies incurred promotional costs related to sales of products in the light of increased competition (strong markdown policy on the entire market). In August and September the borders in Russia were partially closed, which resulted in three-week delays in merchandise deliveries.

Nine months 2009

EBITDA from core operations in the period of nine months ended 30th September 2009 decreased by 22.6% to PLN 71.3 million compared with PLN 92.1 million in the similar period of 2008.

EBITDA margin from core operations of the Group for nine months of 2009 year-to-date decreased to 4.0% from 6.4% for the similar period of 2008.

EBITDA by segment was as follows: Empik Group – increase by 31.8% to PLN 43.0 million, Smyk Group – increase by 49.1% to PLN 20.8 million, the Language Schools Group – increase by 32.2% to PLN 8.0 million, Fashion & Beauty segment – decrease by 113.9% to PLN -4.8 million. The decrease in EBITDA from core operations of the Group during the entire period of first nine months of 2009 was caused, apart from the factors appearing in 3Q and those described above, by significant impact of foreign exchange losses and costs related to less profitable stores, which were successively closed, especially in 1H 2009. Additionally, in 1H 2008 Empik received PLN 9.3 million dividend from Sephora Polska (base effect).

The comparison of EBITDA from core operations, adjusted by foreign exchange rate differences and dividends, indicates EBITDA decrease within nine months ended 30th September 2009 by 6.7% yoy; i.e. PLN 77.1 million compared with PLN 82.6 million (see tables notes 5, 6 and 7).

EBITDA margin from core operations adjusted by foreign exchange rate differences and dividends was 4.3% within nine months of 2009 compared with 5.7% in the similar period of 2008.

Net profit / (loss)

000 PLN		3Q 2009	3Q 2008	*2009 vs 2008 %*
Net profit / (loss) from core operations		**-14 228**	**3 063**	***-564.5%***
	Empik Group	13 353	-724	*+1944.0%*
	Smyk Group	3 233	1 540	*+109.3%*
	Language Schools	-2 994	-1 467	*-104.1%*
	Fashion & Beauty	-24 174	-3 489	*-592.8%*
	Other	-3 636	7 203	*-150.5%*

000 PLN		9 months 2009	9 months 2008	*2009 vs 2008 %*
Net profit / (loss) from core operations		**3 325**	**21 256**	***-84.4%***
	Empik Group	30 479	5 560	*+448.1%*
	Smyk Group	6 488	2 132	*+204.3%*
	Language Schools	3 158	2 998	*+5.4%*
	Fashion & Beauty	-31 352	8 723	*-459.4%*
	Others	-5 448	1 843	*-395.6%*

3Q 2009

In 3Q 2009, the Group generated net loss from core operations of PLN 14.2 million, compared with PLN 3.1 million profit in the similar period of 2008. Total net loss (including the valuation of share-based incentive program, goodwill write-down and revaluation of financial instruments) was PLN 14.0 million, compared with a PLN 3.7 million profit in 3Q 2008.

In 3Q 2009, Empik Group recorded an increase in net profit from core operations, to PLN 13.4 million. Smyk Group recorded 109.3% increase in net profit to PLN 3.2 million. The Language Schools Group as well as Fashion and Beauty segment recorded decreases (by 104.1% to the loss of PLN 3.0 million and to the loss of PLN 24.2 million, respectively). The decrease in net profit of the Fashion and Beauty segment resulted from the fact that Ultimate Fashion and Maratex use debt financing in much greater degree than equity financing, unlike Empik and Smyk.

Nine months 2009

Within nine months ended 30th September 2009, net profit from core operations of the Group decreased by 84.4% to PLN 3.3 million, compared with PLN 21.3 million in the similar period of 2008. Net profit of Empik Group increased by 448.1% to PLN 30.5 million, net profit of Smyk Group increased by 204.3% to PLN 6.5 million and net profit of the Language Schools Group increased by 5.4% to PLN 3.2 million. The Fashion and Beauty segment generated net loss of PLN 31.4 million.

Total net profit of the Group for nine months ended 30th September fell by 83.2% to PLN 4.8 million. Total net profit of the Group was significantly affected by goodwill write-down for Maratex recorded in 1Q 2009 in the amount of PLN 26.1 million, compensated to a great extent by profit from the revaluation of financial instruments. The decrease of the positive effect of the financial instruments revaluation on the net profit is caused by the share sale owned by EMF in Zara Polska, since first nine months of 2008 the profit from the revaluation of financial instruments of Zara and Sephora was PLN 14.4 million, whereas in the corresponding period of the current year it was on the level of PLN 3.1 million. The revaluation costs of the share-based incentive program for nine months of 2009 were PLN 9.8 million, whereas in the corresponding period of the previous year it was PLN 10.9 million.

CAPITAL EXPENDITURE

000 PLN	3Q 2009			3Q 2008		
Capital Expenditures	**Total**	New Outlets	Maintenance, rearrangement, modernisation and IT/Log projects	**Total**	New Outlets	Maintenance, rearrangement, modernisation and IT/Log projects
Fashion & Beauty	**6 419**	3 936	2 483	**17 853**	17 223	630
Media and Entertainment	**19 718**	10 392	9 326	**32 718**	14 747	17 971
Total	**26 137**	**14 328**	**11 809**	**50 571**	**31 970**	**18 601**
Centralised EM&F project	**896**	-	896	**2 796**	-	2 796
Total	**27 033**	**14 328**	**12 705**	**53 367**	**31 970**	**21 397**

000 PLN	9 months 2009			9 months 2008		
Capital Expenditures	**Total**	New Outlets	Maintenance, Rearrangement, modernisation and IT/Log projects	**Total**	New Outlets	Maintenance, rearrangement, modernisation and IT/Log projects
Fashion and Beauty	**28 633**	22 894	5 739	**61 358**	55 961	5 397
Media and Entertainment	**80 133**	38 130	42 003	**99 032**	48 698	50 334
Total	**108 766**	**61 024**	**47 742**	**160 390**	**104 659**	**55 731**
Centralised EM&F project	**6 600**	-	6 600	**5 962**	-	5 962
Total	**115 366**	**61 024**	**54 342**	**166 352**	**104 659**	**61 693**

In 3Q 2009, total capital expenditure amounted to PLN 27.0 million, which means decrease by PLN 26.3 million (down 49.3% yoy). Expenditure on new outlets decreased by PLN 17.6 million (down 55.2% yoy). Decrease in expenditure on the sales network development stemmed mostly from the macroeconomic situation and related decrease in the number of newly opened shopping malls. In addition, the Group has optimised its investment process throughout decreasing the speed and engaging only in selective investments in the largest shopping malls.

Total capital expenditure of the Group within nine months ended 30th September 2009 amounted to PLN 115.4 million compared with PLN 166.4 million in the similar period of 2008. Expenditure for the retail network development amounted to PLN 61.0 million, whereas in the similar period of 2008 they were on the level of PLN 104.7 million (decrease of PLN 43.7 million).

Other capital expenditure in the period of nine months ended 30th September 2009 amounted to PLN 54.3 million and were related mainly to the store maintenance, rearrangement and modernisation of the existing sales network, continued implementation of modern IT systems at the Group companies as well as investments in purchases of IT and multimedia equipment.

Fashion and Beauty

In 3Q 2009, capital expenditure in the Fashion and Beauty segment amounted to PLN 6.4 million - decrease by PLN 11.4 million (down 63.7% yoy). The expenditure on retail network development amounted to PLN 3.9 million - decrease of PLN 13.3 million (down 77.3% yoy). The decrease in expenditure on the sales network development resulted largely from the macroeconomic situation and related decrease in the number of newly opened shopping malls. As a result, the Group has optimised its investment process and currently engages only in selective investments in the largest shopping malls.

Within nine months ended 30th September 2009, capital expenditure in the Fashion and Beauty segment amounted to PLN 28.6 million - decrease by PLN 32.8 million (down 53.3% yoy). The aforemantioned expenditure were mainly related to investments in the development of the franchise stores network. Ultimate Fashion increased its sales network by six stores in Poland (Aldo, Boss, Esprit, Mexx, River Island, Wallis in Wrocław), while Maratex opened nine stores in Russia (two stores Esprit, Palmers, River Island, Hunkemoller and four stores Peacocks – as a part of conversion of existing stores of other brands). Currently, both companies are focusing on most profitable brands, such as Peacocks or River Island. Additionally, new stores are being opened only in the largest Polish urban centres, namely in Moscow, Russia and in Kiev (Ukraine).

Within nine months of 2009 the total retail space of the newly opened stores in this segment was 5,970 m^2. (in 3Q - 2,114m^2)

Other expenditures were mainly related to the maintenance, renovation and modernisation of existing stores.

Media and Entertainment

In 3Q 2009, the capital expenditure in the Media and Entertainment segment (including: Empik Group, Smyk Group and Language Schools) amounted to PLN 19.7 million, which means PLN 13.0 million (down 39.7%) decrease yoy. The expenditure on retail network development in the segment amounted to PLN 10.4 million – decrease of PLN 4.3 million (down 29.5%) yoy
Decrease in expenditures on sales network development resulted largely from the macroeconomic situation and related decrease in the number of newly opened shopping malls. As a result, the Group has optimised its investment process and currently engages only in selective investments in the largest shopping malls.

Within nine months ended 30th September 2009, capital expenditure in the Media and Entertainment segment were PLN 80.1 million, decrease by PLN 18.9 million (down 19.1%) yoy. This period noted the opening of six own stores of Empik (Poznań, Gdynia, Wrocław, two stores in Lublin, Sopot) – and six partner stores (Łomża, Dębica, Kłodzko, Iława, Brzeg, Żyrardów) as well as eleven new Empik Cafés (in Płock, Koszalin, five in Warsaw, Konin, Wrocław, Gdynia and Lublin). In addition, a new Smyk store was opened in Wrocław and one in Moscow, while LSP opened three new language schools in Poland (in Rybnik, Kraków and Kielce) and one in Russia.

Within nine months of 2009 the total retail space of the newly opened stores in this segment was 11,393 m^2 (in Q3 - 755m^2).

Apart from incurring expenditures on new stores and modernisation of existing stores, the segment companies continued to implement modern IT and logistics systems. Information regarding projects carried out in the area of logistics and IT is presented in the "IT and Logistics Operations" section below.

IT AND LOGISTICS OPERATIONS

The EMF Group continued the development and improvement of logistics, IT and telecommunication infrastructure as a part of projects implemented with Accenture, Exorigo, DHL, Spedimex, Oracle and other partners. The project includes all companies of the Group. As the portfolio of the companies constantly develops and the Group pursues international expansion, the projects support the Group's further development, as well as help improving effectiveness of many key business processes.

Subsequent stages of implementation of a modern supply chain for import of products from China as well as product distribution and warehousing in the region have been successfully completed in the Smyk group companies. This allowed for significant savings on transport, warehouse operations, sales transactions and other expenses related to the re-export of goods to Russia, Ukraine and Germany. One of the most important undertakings completed in Q3 2009 was the opening of a modern warehouse and distribution centre, which will provide logistics services for Smyk goods in Poland and foreign markets. The pilot launching of solutions automating the flow of goods in stores in Poland ("hand-held" scanners) was also completed. Further, the company continued to implement subsequent stages of an Oracle Business Intelligence-based analytical platform, which allows multi-level data analysis. Additionally, extra functions were added to the system supporting the ordering process and communication with product suppliers in China (POM).

The Empik group companies continued to implement subsequent stages of an Business Intelligence-based analytical platform, optimisation of 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 and Empik stores in Poland.

One of the most important undertakings completed in the first three quarters of 2009 was the launch of a modern product catalogue (including content) management and supplier communication tool. This tool will allow significant increase in the quality of the offer of empik.com and Empik stores in Poland.

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

In the Ultimate Fashion and Maratex group companies, implementation of the modern product planning and management tool Oracle Planning was continued. Full functionality will be reached by the end of Q4 2009.

SIGNIFICANT AGREEMENTS SIGNED DURING THE PERIOD OF NINE MONTHS ENDED 30 SEPTEMBER 2009

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

On 7 July 2009, a subsidiary of NFI EMF S.A. (hereinafter "EMF"), Empik Assets Sp. z o.o., concluded an agreement with Sephora SA on the setting of the final price for the sale of shares in Sephora Polska Sp. z o.o. at PLN 99.5 million. This agreement was the result of Empik Assets Sp. z o.o. accepting an offer to sell 24% of the share capital of Sephora Polska Sp. z o.o. made by Sephora S.A. in accordance with the conditions of the agreement signed in 2003. This amount was paid to Empik Assets Sp. z o.o. in July of 2009. The Group recognised total profit for the sale of shares in the period of nine months in the amount of PLN 10.5 million. This profit is the difference between the agreed amount for the sale of the shares in the amount of PLN 99.5 million less legal costs related to the transaction, and the book value of Sephora Polska Sp. z o.o. shares as at 31 December 2008.

On 26 June 2009 EMF and its subsidiaries Empik Sp. z o.o. (hereinafter "Empik"), Smyk Sp. z o.o. (hereinafter "Smyk"), Ultimate Fashion Sp. z o.o. (hereinafter "UF"), Optimum Distribution Sp. z o.o. (hereinafter "ODP"), and Learning Systems Poland Sp. z o.o. (hereinafter "LSP") signed an annex to the credit facility agreement of 14 August 2008 with the bank Polska Kasa Opieki S.A (hereinafter "Pekao"), pursuant to which the availability period of the operating credit facility in the amount of PLN 50 million was extended to 30 June 2010. In addition, in order to secure the receivables of Pekao under this agreement, Empik established a registered pledge for Pekao on the inventories of selected stores and will assign to Pekao its insurance policies regarding stores in which the subject of the pledge is located.

On 7 July 2009, EMF and its subsidiaries Empik, Smyk, and UF signed a credit facility agreement with BRE Bank SA (hereinafter "BRE"), pursuant to which BRE granted them a credit facility for the total amount of PLN 40 million designated for the financing of the development of their commercial network, where the amount of PLN 25 million was designated for the repayment by EMF of the last tranche of the credit facility granted to EMF by BRE on 17 September 2008. The security for the credit facility is composed of a blank bill of exchange with a bill of exchange agreement provided separately by each of the borrowers. In addition, all borrowers are subject to enforcement proceedings in accordance with the provisions of the banking law. Repayment of the credit facility will take place in 18 equal quarterly instalments, of which the first instalment will be payable after the expiration of the availability period which amounts to six months from the date on which the agreement was concluded. In addition, on the same day, EMF signed an annex to the underwriting agreement with BRE, pursuant to which the duration of the program was extended from December 2009 to 30 June 2014.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Material events after the balance sheet date are described in the Notes to the consolidated financial statements of the Group for the nine-month period ended 30 September 2009.