

**Condensed interim consolidated financial statements
for six-month period ended 30 June 2009**

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

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

Condensed interim consolidated financial statements
for six-month period ended 30 June 2009

Introduction

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

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

These consolidated financial statements have been approved by the Management Board of NFI Empik Media & Fashion S.A. on 27 August 2009.

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

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

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

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

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

Notes on pages 12 to 56 are an integral part of these condensed interim consolidated financial statements

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

Condensed interim consolidated financial statements
for six-month period ended 30 June 2009

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Definitions

In these financial statements the following terms are used:

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

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

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

Notes on pages 12 to 56 are an integral part of these condensed interim consolidated financial statements

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

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Consolidated interim income statement for six-month period ended 30 June 2009

	Note	6 months ended	
		30 June 2009	30 June 2008
		000 PLN	000 PLN
Net sales revenue	4	1 199 929	918 664
Purchase of products and change in inventories		(671 401)	(487 654)
Employee compensation and benefit expenses	5	(217 779)	(171 287)
Marketing expenses		(28 787)	(27 266)
Building expenses	6	(187 366)	(124 629)
Other operating expenses	7	(87 387)	(76 103)
Amortisation, depreciation and impairment charges		(65 996)	(33 699)
Other operating income, net	8	40 077	36 271
Profit from operating activities		(18 710)	34 297
Financial income	9	38 021	3 205
Financial expenses	9	(25 638)	(14 707)
Profit share in affiliates		532	6 011
Profit before income tax		(5 795)	28 806
Income tax		24 581	(3 799)
Net profit		18 786	25 007

Notes on pages 12 to 56 are an integral part of these condensed interim consolidated financial statements

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Consolidated interim total income statement for six-month period ended 30 June 2009

		6 months ended	
	Note	30 June 2009	30 June 2008
		000 PLN	000 PLN
Net profit		18 786	25 007
Other total income:	19		
Foreign currency exchange gains/(losses) on translation of foreign operations		15 082	(6 700)
Cash flow hedges		(5 686)	(5 273)
Foreign currency exchange gains/(losses) on long-term financing of subsidiaries		531	-
Income tax on items of other total income		841	1 002
Other total income, net		10 768	(10 971)
Total income for the financial year		29 554	14 036
Net profit attributable to:			
Equity holders of the Company		16 238	24 574
Minority interest		2 548	433
		18 786	25 007
Total income attributable to:			
Equity holders of the Company		27 006	13 603
Minority interest		2 548	433
		29 554	14 036
Basic profit per share attributable to the equity holders of the Company (not in thousands)	10	0.16	0.24
Diluted profit per share attributable to the equity holders of the Company (not in thousands)	10	0.15	0.24

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for six-month period ended 30 June 2009

Consolidated interim financial statement on financial standing as at 30 June 2009

		As at	
	Note	30 June 2009	30 June 2008
		000 PLN	000 PLN
ASSETS			
Non-current assets			
Property, plant and equipment		540 978	505 456
Other intangible assets		108 743	95 156
Goodwill	11	269 147	277 937
Investments in affiliates		3 158	32 654
Financial assets available for sale		481	518
Other long-term receivables	13	126 087	110 304
Deferred income tax assets		23 753	19 869
Derivative financial instruments		4 493	5 418
		<u>1 076 840</u>	<u>1 047 312</u>
Current assets			
Inventories	14	554 935	595 515
Trade and other receivables	15	208 354	276 766
Derivative financial instruments		1 057	85 077
Cash and cash equivalents	16	169 914	226 449
		<u>934 260</u>	<u>1 183 807</u>
Total assets		<u>2 011 100</u>	<u>2 231 119</u>
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Share capital	17, 18	304 341	297 619
Retained earnings		257 582	139 242
Net profit		16 238	118 340
Other reserves		(45 739)	(57 254)
		<u>532 422</u>	<u>497 947</u>
Minority interest		10 338	8 287
Total equity		<u>542 760</u>	<u>506 234</u>
LIABILITIES			
Long-term liabilities			
Borrowings	21	324 809	317 316
Deferred income tax liabilities		12 192	32 348
Other payables	20	123 188	155 092
Provisions for liabilities		-	31 936
		<u>460 189</u>	<u>536 692</u>
Short-term liabilities			
Trade and other payables	22	641 632	928 432
Borrowings	21	322 974	228 504
Current income tax liabilities		2 330	15 365
Provisions for liabilities		38 981	15 566
Derivative financial instruments		2 234	326
		<u>1 008 151</u>	<u>1 188 193</u>
Total liabilities		<u>1 468 340</u>	<u>1 724 885</u>
Total equity and liabilities		<u>2 011 100</u>	<u>2 231 119</u>

Notes on pages 12 to 56 are an integral part of these condensed interim consolidated financial statements

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

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Consolidated interim statement of changes in equity for six-month period ended 30 June 2009

	Share capital	Retained earnings	Foreign exchange gains/ (losses) on translation of foreign operations	Cash flow hedges	Other reserves	Put options related to purchase transactions	Foreign currency exchange gains/(losses) on long-term financing of subsidiaries	Total	Minority interest	Total equity
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
As at 1 January 2009	297 619	257 582	(15 951)	3 620	16 736	(40 772)	(20 887)	497 947	8 287	506 234
Net profit for the period	-	16 238	-	-	-	-	-	16 238	2 548	18 786
Other total income, net	-	-	15 082	(4 605)	-	-	291	10 768	-	10 768
Share capital increase	58	-	-	-	-	-	-	58	-	58
Dilution of minority interests	-	-	-	-	-	-	-	-	(497)	(497)
Share-based incentive scheme - value of services provided	-	-	-	-	7 411	-	-	7 411	-	7 411
- shares exercised	6 664	-	-	-	(6 664)	-	-	-	-	-
As at 30 June 2009	304 341	273 820	(869)	(985)	17 483	(40 772)	(20 596)	532 422	10 338	542 760

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Consolidated interim statement of changes in equity for six-month period ended 30 June 2008

	Share capital	Retained earnings	Foreign exchange gains/ (losses) on translation of foreign operations	Cash flow hedges	Other reserves	Put options related to purchase transactions	Foreign currency exchange gains/(losses) on long-term financing of subsidiaries	Total	Minority interest	Total equity
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
As at 1 January 2008	289 347	139 242	(7 031)	(3 624)	9 645	(19 483)	-	408 096	7 068	415 164
Net profit for the period	-	24 574	-	-	-	-	-	24 574	433	25 007
Other total income, net	-	-	(6 299)	(4 271)	-	(12 752)	-	(23 322)	(401)	(23 723)
Share capital increase	1 795	-	-	-	-	-	-	1 795	-	1 795
Dilution of minority interests	-	-	-	-	-	-	-	-	(4 203)	(4 203)
Share-based incentive scheme										
- value of services provided	-	-	-	-	7 974	-	-	7 974	-	7 974
- shares exercised	6 477	-	-	-	(6 477)	-	-	-	-	-
As at 30 June 2008	297 619	163 816	(13 330)	(7 895)	11 142	(32 235)	-	419 117	2 897	422 014

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Consolidated interim statement of changes in equity for twelve-month period ended 31 December 2008

	Share capital	Retained earnings	Foreign exchange gains/ (losses) on translation of foreign operations	Cash flow hedges	Other reserves	Put options related to purchase transactions	Foreign currency exchange gains/(losses) on long-term financing of subsidiaries	Total	Minority interest	Total equity
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
As at 1 January 2008	289 347	139 242	(7 031)	(3 624)	9 645	(19 483)	-	408 096	7 068	415 164
Net profit for the period	-	118 340	-	-	-	-	-	118 340	2 495	120 835
Other total income, net	-	-	(8 920)	7 244	-	(21 289)	(20 887)	(43 852)	2 531	(41 321)
Share capital increase	1 795	-	-	-	-	-	-	1 795	-	1 795
Dilution of minority interests	-	-	-	-	-	-	-	-	(3 807)	(3 807)
Share-based incentive scheme										
- value of services provided	-	-	-	-	13 568	-	-	13 568	-	13 568
- shares exercised	6 477	-	-	-	(6 477)	-	-	-	-	-
As at 31 December 2008	297 619	257 582	(15 951)	3 620	16 736	(40 772)	(20 887)	497 947	8 287	506 234

Notes on pages 12 to 56 are an integral part of these condensed interim consolidated financial statements

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Consolidated interim cash flow statement for six-month period ended 30 June 2009

	Note	6 months ended	
		30 June 2009	30 June 2008
		000 PLN	000 PLN
Profit before income tax		(5 795)	28 806
Adjustments for:			
Amortisation, depreciation and impairment charges		65 996	33 699
Loss on disposal of property, plant and equipment and intangible assets		644	1 306
Gain on valuation of derivative financial instruments		(8 401)	(13 228)
Gain on valuation of financial assets at fair value through income statement		-	30
Financial expenses, net	9	(12 383)	11 502
Share-based incentive scheme		7 412	7 974
Dividends		-	(9 339)
Profit share in affiliates		(532)	(6 011)
Sales network reorganisation expenses		628	-
Operating profit before working capital changes		47 569	54 739
Changes in working capital:			
Inventories		48 852	(28 171)
Trade and other receivables		55 453	4 417
Trade and other payables		(297 528)	(174 998)
Cash flows from operating activities		(145 654)	(144 013)
Interest paid		(20 079)	(11 278)
Tax paid		(12 910)	(13 483)
Net cash flows from operating activities		(178 643)	(168 774)
Purchase of property, plant and equipment and intangible assets		(88 333)	(112 985)
Acquisition of subsidiaries	23	(5 247)	(58 626)
Acquisition of affiliates		(154)	-
Other interest received		570	1 597
Dividend received		-	9 339
Inflows from disposal of property, plant and equipment and intangible assets		14 547	3 315
Inflows from disposal of investments		304	356
Disposal of subsidiaries		110 230	-
Repayment of loans granted		4 070	-
Loans granted		(5 725)	-
Net cash flows from investing activities		30 262	(157 004)

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Consolidated interim cash flow statement for six-month period ended 30 June 2009 (cont.)

	Note	6 months ended	
		30 June 2009	30 June 2008
		000 PLN	000 PLN
Inflows from share issues	18	58	1 795
Inflows from bond issues		-	151 500
Repayment of bonds		(15 676)	(17 100)
Received borrowings		69 330	33 756
Repayment of borrowings and leases		(60 781)	(21 165)
Net cash flows from financing activities		(7 069)	148 786
Net increase in cash and cash equivalents		(155 450)	(176 992)
Cash and cash equivalents at the beginning of the period		167 559	201 621
Cash at the beginning of the period		226 449	201 621
Current account overdraft at the beginning of the period		(58 890)	-
Foreign currency translation gains/(losses) on valuation of cash and cash equivalents		2 968	(2 347)
Cash and cash equivalents at the end of the period		15 077	22 282
Cash at the end of the period		169 914	69 551
Current account overdraft at the end of the period		(154 837)	(47 269)

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Notes to the condensed interim consolidated financial statements (cont.)

1. Accounting policies

1.1. Basis for preparation

The accounting rules applied during the preparation of the condensed interim consolidated financial statements comply with relevant accounting policies applied while preparing the consolidated financial statements for the financial year ended 31 December 2008. These policies have been consistently applied to all the reporting periods presented, unless stated otherwise.

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

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

1.2. Accounting books and financial reporting

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

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim financial reporting". These condensed interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the capital group for the year ended 31 December 2008 and notes to the statements.

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

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

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

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Notes to the condensed interim consolidated financial statements (cont.)

1.2. Accounting books and financial reporting (cont.)

Comparable data

a) *Presentation of provisions for liabilities in the consolidated financial statements for the year ended 31 December 2008 and in the condensed interim consolidated financial statements for the period of six months ended 30 June 2009.*

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

The changes to presentation of the abovementioned provisions had the following impact on the balance-sheet comparable data for the period ended 30 June 2009:

Description of a change

	<i>presentation in balance sheet as at 31 December 2008 in condensed interim financial statements for the period of six months ended 30 June 2009</i>	<i>presentation in balance sheet as at 31 December 2008 in financial statements for the year ended 31 December 2008</i>
Change in the presentation of provisions for liabilities	provisions for short-term liabilities in the amount of PLN 15,566,000	provisions for short-term liabilities in the amount of PLN 47,502,000
	provisions for long-term liabilities in the amount of PLN 31,936,000	

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

b) *Presentation of valuation of derivative instruments in the interim consolidated financial statement for the period of six months ended 30 June 2008 and in the condensed interim consolidated financial statements for the period of six months ended 30 June 2009.*

The Group has introduced changes to presentation of valuation of derivative instruments in its income statement. During the reporting period ended 31 December 2008, the result on valuation of derivative instruments was recognised in financial costs. During the present reporting period, the valuation is recognised in financial income.

The changes to presentation of the above mentioned valuation had the following impact on the profit and loss account comparable date for the period ended 30 June 2009:

Description of a change

	<i>presentation in income statement for the period ended 30 June 2008 in condensed interim financial statements for the period of six months ended 30 June 2009</i>	<i>presentation in income statement for the period ended 30 June 2008 in interim financial statements for the period of six months ended 30 June 2008</i>
Change in the presentation of valuation of derivative instruments	Financial income of PLN 2,231,000	Financial expenses of PLN 2,231,000

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Notes to the condensed interim consolidated financial statements (cont.)

1.2. Accounting books and financial reporting (cont.)

Standards, amendments and interpretations effective in 2009

IFRS 2 (Amendment) “Share-based Payments”

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

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

IFRS 8 “Operating Segments”

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

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

IAS 1 (Amendment) “Presentation of Financial Statements”

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

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

IAS 23 (Amendment) “Borrowing Costs”

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

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

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

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

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

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Notes to the condensed interim consolidated financial statements (cont.)

1.2. Accounting books and financial reporting (cont.)

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

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

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

IFRIC 13 “Customer Loyalty Programmes”

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

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

IFRIC 15 “Agreements for the Construction of Real Estate”

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

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

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

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

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

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

On 31 July 2008, the International Accounting Standards Board issued an amendment to IAS 39 - “Eligible Hedged Items” that is effective for annual periods beginning on or after 1 July 2009.

The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. An entity may not designate an inflation component of issued or acquired fixed-rate debt in a fair value hedge. An entity also may not include time value in a one-sided risk in a hedged item if options are designated as a hedging instrument.

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

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Notes to the condensed interim consolidated financial statements (cont.)

1.2. Accounting books and financial reporting (cont.)

IFRS 7 (Amendment) “Financial Instruments: Disclosures”

On 5 March 2009, the International Accounting Standards Board issued an amendment to IFRS 7 “Financial Instruments: Disclosures” that is effective for annual periods beginning on or after 1 January 2009.

The amendments establish a three-level hierarchy for making fair value measurements and require enhanced disclosures about the relative reliability of fair value measurements. The amendments also clarify and enhance the existing requirements for disclosures about liquidity risk.

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

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

On 12 March 2009, the International Accounting Standards Board issued amendments to IFRIC 9 and IAS 39 “Embedded derivatives” that are effective for annual periods ended on or after 30 June 2009.

The amendments clarify the accounting treatment of embedded derivatives set forth in the amendment to IFRS 7 and IAS 39 issued in October 2008. These amendments clarify that on reclassification of a financial asset out of the 'fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements.

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

IFRIC 12 “Service Concession Arrangements”

On 30 November 2006, the International Financial Reporting Interpretations Committee issued IFRIC 12 that is effective for annual periods beginning on or after 29 March 2009. [if the financial statements were prepared in accordance with all IASB and IFRIC standards and interpretations, the date should read 1 January 2008]. This interpretation provides guidance on how service concession operators should apply existing International Financial Reporting Standards (IFRSs) to account for the obligations they undertake and rights they receive in service concession arrangements. IFRIC 12 pertains to arrangements in which the grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price.

The NFI EMF Group implemented IFRIC 12 from its effective date, i.e. from 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

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

On 5 July 2007, the International Financial Reporting Interpretations Committee issued an interpretation of IFRIC 14 that is effective for annual periods beginning on or after 1 January 2009. [if the financial statements were prepared in accordance with all IASB and IFRIC standards and interpretations, the date should read 1 January 2008]. IFRIC 14 provides general guidance on how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of a surplus in a pension plan they can recognise as an asset. In addition, IFRIC 14 clarifies how statutory or contractual minimum funding requirements may affect the asset or obligation under a specific benefit plan.

The NFI EMF Group implemented IFRIC 14 from its effective date, i.e. from 1 January 2009; however, it currently does not affect the financial statements of NFI EMF Group.

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

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for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

1.2. Accounting books and financial reporting (cont.)

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

Improvements to IFRS 2009

On 16 April 2009, the International Accounting Standards Board issued “Improvements to IFRS 2009” - a collection of amendments to 20 standards. The improvements include changes to presentation, recognition and valuation as well as terminological and editing changes. The effective date for the majority of amendments is for annual periods beginning on or after 1 January 2010.

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

IFRS 3 (Amendment) “Business Combinations”

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

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

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

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

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

Amendments to IFRS 2 “Share-based Payments”

On 18 June 2009, the International Accounting Standards Board issued amendments to IFRS 2 “Share-based Payments” that are effective for annual periods beginning on or after 1 January 2010.

The amendments clarify the accounting for group cash-settled share-based payment transactions. The amendments clarify the scope of IFRS 2 and provide the guidance on joint application of IFRS 2 and other standards. The amendments also incorporate guidance previously included in IFRIC 8 and IFRIC 11.

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

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

On 23 July 2009, the International Accounting Standards Board issued an amendment to IFRS 1 “First-time Adoption of International Financial Reporting Standards” that is effective for annual periods beginning on or after 1 January 2010.

The amendments introduce further exemptions from valuation of assets as at the first-time adoption of IFRS for oil and gas companies.

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

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

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for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

1.2. Accounting books and financial reporting (cont.)

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

On 27 November 2008, the International Financial Reporting Interpretations Committee issued IFRIC 17 that is effective for annuals period beginning on or after 1 July 2009. This interpretation clarifies that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity.

An entity should measure the dividend payable at the fair value of the net assets to be distributed and should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Company will implement IFRIC 17 from 1 July 2009. The Management Board is currently assessing the impact of the amendment on the financial statements of the Group.

IFRIC 18 “Transfers of Assets from Customers”

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

The Group will implement IFRIC 18 from 1 July 2009. The Management Board is currently assessing the impact of the amendment on the financial statements of the Group.

As at the date of these financial statements, the above-described amendments to IAS 27, IFRS 3, IFRS 2, IFRS 1, IFRIC 17, IFRIC 18 and amendments to IFRS 2009 are still to be approved by the European Union.

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

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for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

1.3. Group Reporting

(1) The Group

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

Name	Location	Activity	30 June 2009	31 December 2008
			% share	% share
Subsidiaries				
EMPiK Sp. z o.o.	Poland	Books, newspapers and multimedia retail network; photography sales points and language schools	100.00	100.00
EMPiK Technologies Sp. z o.o. ⁽¹⁾	Poland	Retail trading in IT products	100.00	100.00
EMPiK Comfort Media Sp. z o.o. ⁽¹⁾	Poland	Publisher of "Empik News" magazine	82.00	82.00
Empik Assets Sp. z o.o. ⁽¹⁾	Poland	Management of assets and trade marks	100.00	-
Cenzora Enterprises Ltd	Cyprus	Special purpose vehicle holding 100% of shares in Esprentino Trading Limited and 86% of shares in Magalla Holdings Limited	100.00	-
Esprentino Trading Limited ⁽¹⁴⁾	Cyprus	Special purpose vehicle holding 14% of shares in Magalla Holdings Limited	100.00	100.00
Magalla Holdings Limited ⁽¹⁴⁾	Cyprus	Investment vehicle holding 100% of shares in Buk Investment LLC and 1 share in Bukva Closed Joint Stock Company	100.00	100.00
Buk Investment LLC ⁽¹⁵⁾	Ukraine	Investment vehicle holding 100% less one share in Bukva Closed Joint Stock Company	100.00	100.00
Bukva Closed Joint Stock Company ⁽¹⁵⁾	Ukraine	Operator of bookstores network	100.00	100.00
Polperfect Sp. z o.o. ⁽¹⁾	Poland	Distributor of Polish and international newspapers and magazines	94.00	94.00
EMPiK Beauty Sp. z o.o.- Empik Internet ⁽¹⁾	Poland	Management of Empik.com	100.00	-
Learning Systems Poland Sp. z o.o. ⁽¹⁾	Poland	Operator of language schools	75.65	73.39
LSP Master Sp. z o.o. ⁽²⁾	Poland	The owner of a license for the integrated language school management system and language teaching	75.65	73.39
Smyk Sp. z o.o.	Poland	Children's mega-stores network	100.00	100.00
Smyk GmbH ⁽³⁾	Germany	Operator of children's mega-stores network	100.00	100.00
Kids International Sp. z o.o. ⁽³⁾	Poland	Operator of children's stores network	100.00	100.00
Prolex Services Limited ⁽³⁾	Cyprus	Investment vehicle holding 100% of shares in Smyk-Rus Limited	100.00	100.00
Smyk-Rus Limited ^{(3) (7)}	Russia	Operator of children's mega-stores network	100.00	100.00
Mdras Enterprises Limited ⁽³⁾	Cyprus	Investment vehicle holding 100% of shares in Paritet – Smyk LLC	80.00	80.00
Paritet – Smyk LLC ⁽⁴⁾	Ukraine	Operator of children's mega-stores network	80.00	80.00
Smyk Ukraine LLC ⁽³⁾	Ukraine	Logistics and other support services for Paritet – Smyk LLC	100.00	100.00

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

Condensed interim consolidated financial statements

for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

1.3. Group Reporting (cont.)

Name	Location	Activity	30 June 2009	31 December 2008
			% share	% share
Optimum Distribution Sp. z o.o.	Poland	Wholesale trading of selected cosmetics, optical products and sportswear in Poland	100.00	100.00
Optimum Distribution CZ&SK s.r.o.	Czech Republic	Wholesale trading of selected cosmetics, optical products and sportswear in the Czech Republic and Slovakia	100.00	100.00
Amersport Sp. z o.o. ⁽⁹⁾	Poland	Trading in sportswear and athletic gear	100.00	100.00
Poland 1 Development Sp. z o.o. ⁽⁹⁾	Poland	Trading in sportswear and athletic gear	100.00	100.00
Soul Sp. z o.o. ⁽¹⁰⁾	Poland	Trading in sportswear and athletic gear	100.00	100.00
Soul Shop s.r.o. ⁽¹⁰⁾	Czech Republic	Trading in sportswear and athletic gear	100.00	100.00
Amersport Ukraine ⁽¹¹⁾	Ukraine	Trading in sportswear and athletic gear	95.00	95.00
Ultimate Fashion Sp. z o.o.	Poland	Franchise operations of Wallis, Esprit, River Island etc.	100.00	100.00
Ultimate Fashion International Sp. z o.o.	Poland	Wholesale trading of clothes, footwear and other selected products	100.00	100.00
Licomp EMPIK Multimedia Sp. z o.o.	Poland	Distributor of interactive entertainment software	100.00	100.00
EMF Investment Project Sp. z o.o.	Poland	Investment vehicle holding 48.33% of shares in HDS WP Sp. z o.o.	100.00	100.00
East Services S.A.	Switzerland	Wholesale trading of selected cosmetics and sportswear	100.00	100.00
HDS WP Sp. z o.o.	Poland	Non-operating company	48.33	48.33
Maratex Limited ⁽⁵⁾	Cyprus	Investment vehicle holding shares of B4 SA, ZAO Maratex, ZAO BTI Systems and Baza Limited	100.00	100.00
B4 SA ⁽⁶⁾⁽⁵⁾	Switzerland	Franchise operations of Peacock, Esprit etc.	100.00	100.00
Daughter Enterprise Maratex ⁽⁶⁾⁽⁵⁾	Ukraine	Franchise operations of Peacock, Esprit etc.	100.00	100.00
ZAO Maratex (previously ZAO BTI Systems M) ⁽⁶⁾⁽⁵⁾	Russia	Franchise operations of Esprit, Peacocks, Lulu Castagnette etc.	100.00	100.00
TOO BTI Systems M ⁽⁶⁾⁽⁵⁾	Kazakhstan	Franchise operations of Peacock, Esprit etc.	100.00	100.00
TOO BTI Systems ⁽⁶⁾⁽⁵⁾	Kazakhstan	Franchise operations of Peacock, Esprit etc.	100.00	100.00
OOO Maratex ⁽⁶⁾⁽⁵⁾	Kaliningrad	Franchise operations of Esprit, Peacocks, Lulu Castagnette etc.	100.00	100.00
LuxPol Invest S.a.r.l	Luxembourg	Investment vehicle holding 80% of shares in EPCD Sp. z o.o.	75.00	75.00
EPCD Sp. z o.o. ⁽⁸⁾	Poland	Distributor of selected cosmetics in Poland	60.00	60.00
EPCD Cz&SK s.r.o. ⁽¹²⁾	Czech Republic	Distributor of selected cosmetics in the Czech Republic and Slovakia	60.00	60.00
Smyk Çocuk Giyim Oyuncak ve Aksesuarları ⁽³⁾	Turkey	Operator of children's mega-stores network	100.00	100.00
Spiele Max AG ⁽³⁾	Germany	Operator of children's mega-stores network	100.00	100.00
Affiliates				
Zara Polska Sp. z o.o.	Poland	Franchise operations of Zara	-	20.00
Empik Cafe Sp. z o.o. ⁽¹³⁾	Poland	Development of coffee bars	49.00	49.00

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

Condensed interim consolidated financial statements

for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

1.3. Group Reporting (cont.)

- (1) Subsidiaries of EMPiK Sp. z o.o.
- (2) Subsidiary of Learning Systems Poland Sp. z o.o.
- (3) Subsidiaries of Smyk Sp. z o.o.
- (4) As at 30 June 2009 subsidiary of Madras Enterprises Limited
- (5) The Group holds 43.3% of shares, however due to the put option held, it consolidates 100%
- (6) Subsidiaries of Maratex Limited
- (7) Subsidiary of Prolex Service Limited. The Group holds 75% of shares, however due to the put option held, it consolidates 100%
- (8) Subsidiary of LuxPol Invest S.a.r.l
- (9) Subsidiaries of Optimum Distribution Sp. z o.o.
- (10) Subsidiaries of Poland 1 Development Sp. z o.o.
- (11) Subsidiary of Amersport Sp. z o.o.
- (12) Subsidiary of EPCD Sp. z o.o.
- (13) Affiliate of Empik Sp. z o.o.
- (14) Subsidiary of Cenzora Enterprises Ltd
- (15) Subsidiary of Cenzora Enterprises Ltd and Esprentino Trading Limited

(2) Subsidiaries

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

Subsidiaries are fully consolidated from the date on which they were incorporated or control is transferred to the NFI Empik Media & Fashion Group and they are no longer consolidated from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, instruments issued or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Transactions, balances and unrealised gains on intercompany transactions between NFI EMF Group companies are eliminated; unrealised losses are also eliminated unless any indications of the impairment of the asset transferred occur. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group applies a policy of recognising transactions with minority interests as transactions with non-related parties. Disposals to minority shareholders result in gains and losses for the Group that is recorded in the income statement. Purchases from minority shareholders result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary.

(3) Affiliates

Affiliates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights in governing bodies. Investments in affiliates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in affiliates includes goodwill identified on acquisition, net of any accumulated impairment write-offs.

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

Condensed interim consolidated financial statements

for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

1.3. Group Reporting (cont.)

The Group's share of affiliates' post-acquisition net profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserve capital is recognised in other reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an affiliate exceeds carrying amount of the Group's interest in the affiliate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the affiliate. Unrealised gains on transactions between the Group and its affiliates are eliminated to the extent of the Group's interest in the affiliates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of affiliates have been changed where necessary to ensure consistency with the policies adopted by the Group. Dilution gains and losses in affiliates are recognised in the income statement.

(4) Segment Reporting

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

For management purposes, the operations of NFI EMF Group are divided into the segments specified above. For the purposes of allocation of capital expenditures and for the purposes of reviewing the operations of the particular segments, the Management Board of NFI EMF independently verifies financial data for the segments. The segments are reviewed based on their operating results, which are directly reflected in the results of NFI EMF Group. Financial expenses and tax liabilities are another criterion for segment evaluation and therefore have been assigned to the particular segments. No intragroup transactions take place between the segments.

Segments' assets include mainly property, plant and equipment, intangible assets, investments in affiliates, inventories, trade receivables and other receivables, derivative instruments considered to be a hedge for future trade transactions, cash and cash equivalents. They do not, however, cover deferred income tax. Segments' liabilities comprise operating liabilities (including derivative instruments considered a hedge for future trade transactions) as well as borrowing liabilities, but do not include deferred income tax.

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

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for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

1.4. Translation of foreign currency items

(i) Functional and presentation currency

Items included in the financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Polish zloty (PLN), which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency exchange gains and losses resulting from the settlement of such transactions, and from the balance-sheet valuation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement, except when deferred in equity as qualifying cash-flow hedges or when they constitute a form of long-term financing of subsidiaries.

Translation differences on non-monetary financial assets and liabilities are recognised as part of the fair value valuation gain or loss. Translation gains and losses resulting from the valuation of non-monetary assets and financial liabilities such as capital instruments at fair value through profit and loss are recognised in the income statement. Translation differences on financial instruments classified as available for sale are recognised in the reserve fund for valuation at fair value.

(iii) Group companies

Financial data of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities in each presented balance sheet are translated at the closing rate, i.e. as at the last day of that period;
- revenues and expenses in each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues and expenses are translated as at the dates of the transactions); and
- all resulting currency exchange differences are recognised as a separate component of equity.

The applicable foreign currency exchange rates are as follows (in PLN):

Currency	6 months ended 30 June 2009		Year ended 31 December 2008		6 months ended 30 June 2008	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
EUR	4.47	4.47	4.17	3.52	3.35	3.49
USD	3.17	3.36	2.96	2.41	2.12	2.28
CZK	0.17	0.16	0.16	0.14	0.14	0.14
CHF	2.93	2.97	2.80	2.22	2.09	2.17
UAH	0.41	0.42	0.37	0.46	0.47	0.46
RUB	0.10	0.10	0.10	0.10	0.09	0.10
TRY	2.07	2.08	1.94	1.85	-	-

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Notes to the condensed interim consolidated financial statements (cont.)

2. Financial risk management

2.1. Financial risk factors

The NFI Empik Media & Fashion Group's activities expose it to a variety of financial risks: market risk (including the risk of changes in foreign currency exchange rates, fair value adjustments or cash flow changes resulting from interest rate fluctuations as well as price risk), credit risk and liquidity risk. The NFI Empik Media & Fashion Group's overall risk management program focuses mainly on the unpredictability of financial markets and seeks to minimise potential adverse effects on the NFI Empik Media & Fashion Group's financial performance. The Group has used financial instruments to hedge certain risk exposures.

Financial risk is managed by Management Boards of particular companies of the Group in line with arrangements made by the parent entity. The Management Boards introduce general principles of risk management as well as policies relating to particular issues, such as: foreign currency exchange risk, interest rate risk, credit risk, the use of derivatives and other financial instruments as well as liquidity surplus investment.

a) Market risk

(i) Foreign currency exchange risk

The NFI Empik Media & Fashion Group is exposed to foreign currency exchange risk arising from various currency exposures primarily with respect to USD, EUR, CZK, RUB, and UAH. The Group enters into foreign currency futures contracts in order to hedge its exposure to the currency exchange risk resulting from its liabilities under lease agreements, financial leases and anticipated purchases.

In order to minimise its exposure to the currency exchange risk, the Group enters into foreign currency futures contracts denominated in USD, EUR and GBP which are used for making payments of liabilities denominated in foreign currencies.

The Group's risk management policy is to hedge between 65% and 95% of such anticipated cash flows for a period not exceeding the following six months. Mainly, the Group hedges currency payments for financial lease instalments, payments of rents, and settlement of liabilities arising from purchase of inventory. The Group carries out an assessment both at the inception and on an ongoing basis to ensure such transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Had PLN depreciated/appreciated as at 30 June 2009 by 3% against EUR, with other variables held constant, the net profit would have been PLN 5,286,000 (PLN 8,639,000 as at 30 June 2008) higher/lower, mainly due to currency translation gains/losses resulting from recalculation of trade receivables, financial instruments, debt securities classified as available for sale and foreign currency exchange gains/losses resulting from translation of borrowings denominated in EUR. The profit is less exposed to PLN/EUR exchange rate changes in the current period than it was in 2008, mainly as a result of the decrease in the value of trade liabilities and loans denominated in EUR.

Had PLN depreciated/appreciated as at 30 June 2009 by 3% against USD, with other variables held constant, the net profit for the year would have been PLN 1,569,000 (PLN 1,863,000 as at 30 June 2008) higher/lower, mainly due to currency translation gains/losses resulting from recalculation of trade receivables, financial instruments and debt securities classified as available for sale, expressed in USD.

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

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Notes to the condensed interim consolidated financial statements (cont.)

2.1. Financial risk factors (cont.)

The Group holds a number of investments in foreign entities, whose net assets are exposed to the risk of changes in the currency exchange rate.

In 2006-2007, the Group acquired a number of entities in Russia, Kazakhstan, Ukraine and Cyprus. In addition, the Group also has subsidiaries in Germany, Switzerland and Luxembourg. Therefore, the Group may be exposed to currency exchange risks resulting from the fact of the above foreign investments.

(ii) Interest rate risk

For the Group, interest rate risk is connected with long-term debt securities. Floating rate borrowings and debt securities expose the Group to the risk of a change in cash flows as a result of a change in interest rates. The issued discounted bonds do not pose an interest rate risk for the Group, as their interest rate is fixed. The interest rate for financial lease contracts to which the Group is a lessee is fixed and is determined at the moment of entering into such a contract. The Group analyses the level of interest rate risk and evaluates the potential influence of such changes on the Group's financial result on an ongoing basis. A simulation of various scenarios is performed, including the aspects of refinancing, extension of existing items, alternative financing and hedges. On the basis of such scenarios, the Group can evaluate the influence of specific changes of interest rate on the financial result. The scenarios are prepared only for liabilities that are the largest interest-bearing items.

Should the interest rate of borrowings, including debt securities, denominated in PLN be at 30 June 2009 3 p.p. per annum above/below the current level while the other parameters remain unchanged, profit before tax for that period would amount to PLN 7,443,000 (PLN 4,860,000 as at 30 June 2008) below/above the current level, mainly due to higher/lower floating interest rate borrowings expenses.

Should the interest rate of borrowings denominated in EUR be as at 30 June 2009 3 p.p. per annum above/below the current level while the other parameters remain unchanged, profit before tax for that period would amount to PLN 1,743,000 (PLN 1,280,000 as at 30 June 2008) below/above the current level, mainly due to the lower participation of credit facilities denominated in foreign currencies in the structure of financing.

Should the interest rate of borrowings denominated in RUB be as at 30 June 2009 3 p.p. per annum above/below the current level while the other parameters remain unchanged, profit before tax for that period would amount to PLN 415,000 (PLN 436,000 as at 30 June 2008) above/below the current level, mainly due to higher/lower interest rate expenses.

(iii) Share price risk

The Group is not exposed to the risk of share price fluctuations because it does not present such type of items among its assets.

b) Credit risk

Credit risk arises in the case of cash and equivalents, derivative financial instruments and deposits at banks and financial institutions, as well as in the case of loan exposure in relation with wholesale and retail customers, which includes unsettled receivables and liabilities to enter into a transaction.

In the case of banks and financial institutions, only the largest entities with good reputation and standing are accepted.

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Notes to the condensed interim consolidated financial statements (cont.)

2.1. Financial risk factors (cont.)

In relation to wholesale, there are appropriate procedures in the Group in order to ensure that the sales of goods are made to clients with an adequate history of debt payment. In the case of foreign language schools, most receivables are from banks that extended loans to individuals, and accepted the risk connected with debt recovery. In the case of sales to retail customers, they are made in cash or with the use of widely accepted payment cards.

In the NFI Media & Fashion Group, credit risk occurs mainly with respect to put option agreement relating to shares in EPCD. The Management believes credit risk is minimal.

Cash balances at bank accounts in three main banks of the Group are presented in the table below:

	<u>30 June 2009</u>	<u>31 December 2008</u>
	000 PLN	000 PLN
A Bank	11 533	58 170
B Bank	13 729	23 220
C Bank	-	11 908
D Bank	41 540	9 298
E Bank	30 537	-

Aging analysis is presented in Note 15 below.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities, and use of trade supplier credit terms. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines open. The Management monitors current predictions relating to the Groups' liquidity based on estimated cash flows.

Historically, due to the seasonality of its business, the Group witnesses significant increases in both its inventory and trade liabilities at the end of the third quarter and fourth quarter of the year. In addition, the Group incurs significant capital expenditures throughout the year but more typically in the third and fourth quarters of the year. In order to manage these cash outflows, the Group has access to both a working capital facility, involving an overdraft facility of PLN 173 million, EUR 25.5 million, RUB 274 million with banks, as well as unutilised funds of PLN 80 million from its Mid-Term Notes Programme and investment credit of PLN 45.2 million. The Group also operates a Group cash pool facility whereby surplus funds in Group entities can be lent to another Group entity on a day-to-day basis. The Group thereby monitors and manages its liquidity position throughout the year.

The maturity analysis of borrowings is set out in Note 21.

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

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for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

2.1. Financial risk factors (cont.)

The table below presents an analysis of financial liabilities of the Group, including borrowings, debt securities, financial lease liabilities, trade and other payables, as well as derivative instruments settled in the net amount, to be settled in the net amount in respective maturity classes, based on the period remaining to the contractual maturity date as at the balance-sheet date. The amounts presented in the table are contractual undiscounted cash flows.

As at 30 June 2009

	Less than year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
	000 PLN	000 PLN	000 PLN	000 PLN
Trade and other payables	641 632	-	4 828	118 360
Financial lease liabilities	5 927	10 177	7 289	5 520
Debt securities	28 652	-	193 912	-
Borrowings	288 395	49 923	37 206	20 782
Derivative financial instruments	2 234	-	-	-
	966 840	60 100	243 235	144 662

As at 31 December 2008

	Less than year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
	000 PLN	000 PLN	000 PLN	000 PLN
Trade and other payables	928 432	-	3 612	151 480
Financial lease liabilities	5 515	4 928	11 500	5 839
Debt securities	45 075	-	193 817	-
Borrowings	177 914	40 144	56 038	5 050
Derivative financial instruments	326	-	-	-
	1 157 262	45 072	264 967	162 369

In the table below, an analysis of the Group's futures contracts to be settled at their gross amounts is presented, in respective maturity classes, based on the period remaining to the contractual maturity date as at the balance-sheet date. The amounts presented in the table are contractual undiscounted cash flows. The balances to be paid within 12 months are recognised at their carrying amounts, as the impact of the discount is not material in terms of value.

As at 30 June 2009

	Less than year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
	000 PLN	000 PLN	000 PLN	000 PLN
Forward currency exchange contracts -cash flow hedges				
- inflows	195 309	-	-	-
- outflows	196 486	-	-	-

As at 31 December 2008

	Less than year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
	000 PLN	000 PLN	000 PLN	000 PLN
Forward currency exchange contracts -cash flow hedges				
- inflows	74 251	-	-	-
- outflows	69 648	-	-	-

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Notes to the condensed interim consolidated financial statements (cont.)

2.2. Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue its operations in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends distributed to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (equity). Net debt is calculated as total borrowings (including short-term or long-term borrowings, as shown in the financial statements) less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The ratio was as follows:

	<u>30 June 2009</u>	<u>31 December 2008</u>
	000 PLN	000 PLN
Borrowings	647 783	545 820
(minus) cash and cash equivalents	<u>(169 914)</u>	<u>(226 449)</u>
Net debt	477 869	319 371
Equity	<u>542 760</u>	<u>506 234</u>
Total equity	<u>1 020 629</u>	<u>825 605</u>
<i>Gearing ratio</i>	47%	39%

The increase in debt in 1H 2009 resulted mainly from the cyclic increase of the working capital due to the seasonal nature of operations.

Impact of the financial crisis on the operations of the EMF Group

Recent volatile situation on both the global and Polish financial markets and the global liquidity crisis have resulted in a drop in financing available via capital markets, reduction of liquidity of the financial sector and, in some cases, an increase in inter-bank interest rates. It also caused strong fluctuations on the equity markets. The uncertain situation on the global financial markets has led to the collapse of numerous banks and has resulted in the creation of many assistance programmes for banks in the USA, Western Europe, Russia and elsewhere.

Despite the current very restrictive approach of the financial sector to extending loans, the NFI EMF Group has secured overdraft financing necessary to finance its activities thanks to previously signed financing agreements. In addition, in 2Q and July 2009, the Group signed some agreements on credit lines necessary, in the opinion of the Management Board, to secure financing for the Group.

The Management Board is not able to reliably estimate the impact of a potential further deterioration of liquidity on the capital markets or of increased volatility on the money and equity markets on the financial standing of the Group. However, the management believes it is taking all steps necessary to support a stable position and economic growth for the Group under the current circumstances. So far, the Management Board has not identified a material impact of the market situation on the availability of the sources of financing for the Group.

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Notes to the condensed interim consolidated financial statements (cont.)

2.3. Fair value assessment

In assessing the fair value of non-traded derivatives classified as long-term assets, the Group uses a variety of methods and makes assumptions based on the market conditions as at each balance-sheet date. Techniques such as option pricing models and estimated discounted value of future cash flows are used to determine the fair value. The fair value of the financial assets for measurement purposes is estimated by discounting the future contractual cash flows at a discount rate equal to the prevailing rate of return for a financial instrument having substantially the same terms and characteristics, including the credit worthiness of the debtor, as modified by an additional instrument liquidity risk factor. Fair value of currency futures is established based on the valuation executed by banks retained by the Group.

An assumption has been made that the carrying amount decreased by impairment write-offs of the value of trade receivables and payables is an amount close to their fair value. For the purpose of information disclosure, the fair value of financial liabilities is estimated by discounting future contractual cash flows in accordance with the current market interest rate available for the Group in relation with similar financial instruments.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated, based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgments used for the purpose of option pricing – see Note 3 (ii).

(i) Estimated impairment of goodwill and other intangible assets

As at the end of each financial year, provided there are no objective indications of impairment during the reporting year, the Group runs tests whether goodwill and other intangible assets have suffered any impairment. The recoverable amounts of cash generating units (CGU) have been determined based on value-in-use calculations. These calculations are made based on cash flow projections after taxation, prepared in line with budgets/plans/financial projections for the period of 5 years, and accepted by the Management Board.

With regard to estimates of recoverable amounts of intangible assets, there were no material changes to the sensitivity analysis compared with the information disclosed as at 31 December 2008.

The sensitivity analysis for the goodwill of Maratex Limited – see Note 11.

(ii) Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded on an active market (such as put options for shares in EPCD Polska Sp. z o.o.), and options resulting from transactions of purchase of shares in subsidiaries is determined with the help of valuation techniques. The Group uses its subjective judgment in order to select various methods of valuation and makes assumptions based mainly on the market conditions as at the balance-sheet date. The Group applied the discounted cash flows analysis to various monetary assets available for sales that are not subject to trading on active markets.

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Notes to the condensed interim consolidated financial statements (cont.)

3. Critical accounting estimates and judgments (cont.)

As at 30 June 2009 the carrying amount of the receivables under the put option for shares in EPCD, which is recorded in "Long-term receivables", would be an estimated PLN 749,000 higher or lower, were EBITDA to differ by 3 p.p. from the Management Board's estimates (as at 31 December 2008 – PLN 950,000 higher or lower).

As at 30 June 2009 the carrying amount of the receivables under the put option for shares in EPCD would be an estimated PLN 4,830,000 lower or PLN 5,924,000 higher, were the discounted rates used in the discounted cash flow analysis to differ by 3 p.p. from the Management Board's estimates (as at 31 December 2008 – PLN 5,375,000 lower or PLN 6,670,000 higher).

As at 30 June 2009 the carrying amount of the put option for shares in Parytet-Smyk LLC, which is recorded in "Equity" and "Long-term liabilities" would be an estimated PLN 201,000 lower or higher, were EBITDA to differ by 3 percentage points from the Management Board's estimates (as at 31 December 2008 – PLN 150,000 lower or higher).

As at 30 June 2009 the carrying amount of put option for shares in Parytet-Smyk LLC, which is recorded in "Equity" and "Long-term liabilities" would be an estimated PLN 108,000 lower or PLN 114,000 higher, were the discounted rates used in the discounted cash flow analysis to differ by 3 p.p. from the Management Board's estimates (as at 31 December 2008 – PLN 116,000 lower or PLN 124,000 higher). The above change would have an impact on the income statement.

As at 30 June 2009 the carrying amount of the put option for shares in Maratex, which is recorded in "Long-term liabilities", would be an estimated PLN 2,220,000 lower or higher, were EBITDA to differ by 3 p.p. from the Management Board's estimates (as at 31 December 2008 – PLN 3,771,000 lower or higher).

As at 30 June 2009 the carrying amount of the put option for shares in Maratex, which is recorded in "Long-term liabilities" would be an estimated PLN 6,608,000 lower or PLN 7,621,000 higher, were the discounted rates used in the discounted cash flow analysis to differ by 3 p.p. from the Management Board's estimates (as at 31 December 2008 – PLN 12,414,000 lower or PLN 14,373,000 higher).

As at 30 June 2009 the carrying amount of the put option for shares in Smyk Russia, which is recorded in "Equity" and "Long-term liabilities" would be an estimated PLN 937,000 lower or higher, were EBITDA to differ by 3 p.p. from the Management Board's estimates (as at 31 December 2008 – PLN 923,000 lower or higher).

As at 30 June 2009 the carrying amount of the put option for shares in Smyk Russia, which is recorded in "Equity" and "Long-term liabilities" would be an estimated PLN 4,882,000 lower or PLN 5,965,000 higher, were the discounted rates used in the discounted cash flows analysis to differ by 3 p.p. from the Management Board's estimates (as at 31 December 2008 – PLN 5,150,000 lower or PLN 6,377,000 higher). The above change would have an impact on the income statement.

(iii) Leasehold investments

Leasehold investments, amounting to PLN 31,054,000 as at 30 June 2009 (PLN 32,163,000 as at 31 December 2008), are depreciated for a period of up to 20 years including the estimated period of lease and the option to prolong the period. Depreciation of the above-mentioned assets in the period ended 30 June 2009 amounted to PLN 1,663,000 (PLN 1,932,000 in the same period of 2008). Should the contracts be not extended after the original term, earlier depreciation of assets can be required. The estimated time of use and the terminal value of assets are verified and adjusted depending on requirements for every balance-sheet date.

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Notes to the condensed interim consolidated financial statements (cont.)

4. Segment Reporting

6 months ended 30 June 2009	Empik Group	Smyk Group	Language schools	Franchise brands group	Distribution of cosmetics and sports gear	Other segments	TOTAL
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
Sales	436 696	356 573	65 345	245 450	95 865	-	1 199 929
- domestic	426 325	158 220	65 345	104 707	69 955	-	824 552
- abroad	10 371	198 353	-	140 743	25 910	-	375 377
EBITDA	23 784	12 060	9 549	2 762	3 656	(4 526)	47 285
Profit from operating activities	5 510	7 928	7 142	(36 673)	2 351	(4 968)	(18 710)
Financial expenses, net	(6 928)	(4 179)	646	29 773	(1 655)	(5 274)	12 383
Share of profit/(loss) in affiliates	(615)	-	-	1 147	-	-	532
Profit before income tax	(2 033)	3 749	7 788	(5 753)	696	(10 242)	(5 795)
Income tax	21 056	(944)	(1 636)	6 678	(734)	161	24 581
Net profit	19 023	2 805	6 152	925	(38)	(10 081)	18 786
Total assets	633 966	428 790	107 718	528 666	173 588	114 619	1 987 347
Total liabilities	(380 810)	(271 535)	(53 599)	(279 562)	(84 002)	(386 640)	(1 456 148)
Other segment information							
Impairment write-offs	-	-	-	(26 115) *	-	-	(26 115)
Capital expenditures	(37 788)	(18 358)	(4 268)	(20 270)	(1 945)	(5 704)	(88 333)
- domestic	(37 588)	(14 083)	(4 268)	(11 018)	(1 439)	(5 704)	(74 100)
- abroad	(200)	(4 275)	-	(9 252)	(506)	-	(14 233)
Investments in affiliates	3 158	-	-	-	-	-	3 158

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

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Notes to the condensed interim consolidated financial statements (cont.)

4. Segment Reporting (cont.)

6 months ended 30 June 2008	Empik Group	Smyk Group	Language schools	Franchise brands group	Distribution of cosmetics and sports gear	Other segments	TOTAL
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
Sales	396 032	162 928	54 017	233 059	72 628	-	918 664
- domestic	383 975	143 241	54 017	107 903	46 960	-	736 096
- abroad	12 057	19 687	-	125 156	25 668	-	182 568
EBITDA	20 011	8 008	7 320	17 482	9 920	5 255	67 996
Profit from operating activities	5 242	1 930	5 382	8 236	8 528	4 979	34 297
Financial expenses, net	(2 089)	(1 671)	45	86	864	(8 737)	(11 502)
Share of profit/(loss) in affiliates	-	-	-	6 011	-	-	6 011
Profit before income tax	3 153	259	5 427	14 333	9 392	(3 758)	28 806
Income tax	(128)	333	(911)	(1 405)	(1 688)	-	(3 799)
Net profit	3 025	592	4 516	12 928	7 704	(3 758)	25 007
Total assets*	790 687	422 959	105 502	555 202	219 286	117 614	2 211 250
Total liabilities*	(579 305)	(274 280)	(73 657)	(319 809)	(115 933)	(329 553)	(1 692 537)
Other segment information							
Impairment write-offs	-	(322)	-	(516)	-	-	(838)
Capital expenditures	(36 218)	(25 960)	(4 136)	(41 138)	(2 357)	(3 166)	(112 975)
- domestic	(34 383)	(16 046)	(4 136)	(19 454)	(1 570)	(3 166)	(78 755)
- abroad	(1 835)	(9 914)	-	(21 684)	(787)	-	(34 220)
Investments in affiliates*	3 538	-	-	29 116	-	-	32 654

* As at 31 December 2008

Reconciliation of segment reporting with balance sheet:

	2009	2008
Total assets in segment reporting	1 987 347	2 211 250
Deferred income tax assets	23 753	19 869
Total assets in balance sheet	2 011 100	2 231 119
Total liabilities in segment reporting	(1 456 148)	(1 692 537)
Deferred income tax liabilities	(12 192)	(32 348)
Total liabilities in balance sheet	(1 468 340)	(1 724 885)

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Notes to the condensed interim consolidated financial statements (cont.)

5. Employee compensation and benefit expenses

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
Wages and salaries	175 375	141 993
Share options granted	7 412	7 974
Social insurance charges	29 557	19 795
Termination benefits (severance payments)	20	95
Other benefits	5 415	1 430
Total employee compensation and benefit expenses	217 779	171 287

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

Employee compensation expenses include compensations under the employee share-option incentive scheme amounting to PLN 7,412,000 (PLN 7,974,000 in 2008). The following members of senior management of the NFI EMF Group are entitled to participate in the incentive scheme:

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

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

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

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

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

Mr Jacek Bagiński is entitled to subscribe for Series I, J and K subscription warrants. Each warrant authorises its holder to subscribe for 300,000 Series D ordinary shares. In 2Q 2009, Mr Bagiński's warrants were modified. As a result of the modification the issue price, which presently amounts to PLN 8 per share, has been changed and the subscription warrants' exercise period has been extended until 31 December 2013. Exercising of each warrant is conditional upon the holder of the option still rendering his/her services for the benefit of the Company as at the date of warrant execution.

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Notes to the condensed interim consolidated financial statements (cont.)

5. Employee compensation and benefit expenses (cont.)

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

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

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

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

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

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

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

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

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

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

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Notes to the condensed interim consolidated financial statements (cont.)

6. Building expenses

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
Rental expenses	147 150	93 468
Services	40 038	26 814
Repairs	3 653	3 161
Insurance	585	206
Hedging transactions result	(4 060)	980
Total building expenses	187 366	124 629

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

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
Operating lease rental expenses payable to third party - plant and equipment	1 959	2 048
Operating lease rental expenses payable to related parties - plant and equipment	-	-
Operating lease rental expenses payable to third party – buildings expenses	136 252	87 962
Operating lease rental expenses payable to related parties – building expenses	10 898	5 506

Building expenses represent rental charges and service (administrative) fees paid to third party and related party landlords.

7. Other operating expenses

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
IT and telecommunication infrastructure	12 725	11 484
Transportation expenses	17 348	12 430
Parking expenses	2 753	3 282
Security	4 850	6 224
Bank fees	10 348	7 127
Legal and consulting expenses	6 952	8 805
Travel and representation	6 816	6 276
Taxes and fees	3 625	2 351
Currency translation differences	38	(1 119)
Management fees	265	112
Other	21 667	19 131
Total other operating expenses	87 387	76 103

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Notes to the condensed interim consolidated financial statements (cont.)

8. Other operating income, net

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
Gains/(losses) from valuation of financial instrument and long-term receivables - Sephora*	10 473	(5 915)
Gains/(losses) from valuation of derivative financial instruments to fair value - Zara	(1 147)	15 249
Gains/(losses) from valuation of derivative financial instruments - EPCD	(925)	-
Dividend received	-	9 339
Other	31 676	17 598
Total other operating income, net	40 077	36 271

* Gains from the Sephora financial instrument recognised as at 30 June 2009 include gains of PLN 6,257,000 from the valuation of the financial instrument, gains from the valuation of long-term receivable, which amounted to PLN 6,016,000, as well as advisory services fees of PLN 1,800,000 pertaining to the sale of shares in Sephora

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

9. Financial expenses, net

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
Financial income		
Interest income	2 427	974
Other	1 336	-
Gains from valuation of Paritet put option	-	(5)
Gains from valuation of Smyk Rosja put option	-	376
Gains from valuation of Maratex put option	34 258	1 860
Total financial income	38 021	2 834
Financial expenses		
Interest expenses:	(19 295)	(13 451)
- borrowings	(7 210)	(6 540)
- financial lease	(1 753)	(950)
- bonds	(7 995)	(5 961)
- other financial liabilities	(2 337)	-
Loss from valuation of Paritet option	(1 216)	-
Loss from valuation of Smyk Rosja option	(460)	-
Currency translation gains/(losses)	(4 667)	(1 256)
Total financial expenses	(25 638)	(14 707)
Financial expenses, net	12 383	(11 873)

Foreign currency exchange differences arise on foreign currency denominated financial leases and bank borrowings.

As of 1 October 2008, the Group has been recognising some intragroup loans as net investments in subsidiaries. Therefore, in 2009 positive currency translation differences in the amount of PLN 531,000 resulting from these loans were recognised in the consolidated capital of the Group under “Foreign currency exchange gains/(losses) on long-term financing of subsidiaries.”

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

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Notes to the condensed interim consolidated financial statements (cont.)

9. Financial expenses, net (cont.)

The option valuation gains included in the financial income primarily encompass the change in the value of Maratex minority share options (PLN 34,258,000). This item should be read together with the impairment write-off for the goodwill of Maratex in the amount of PLN 26,115,000, which was recognised in the income statement in the category "Amortisation, depreciation and impairment charges". The goodwill impairment write-off as well as the decrease in financial liabilities reflect the financial projection parameters pertaining to the calculation of discount rates, taking into account the current macroeconomic situation in Russia and Ukraine.

10. Earnings per share

Basic earnings (profit) per share are calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in the year, excluding ordinary shares purchased by the Group and held as treasury shares. The dilution resulting from the NFI EMF Group's management incentive schemes was taken into account in the calculation of earnings per share and had no effect due to the fact that the numbers were rounded to two decimal places.

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
Net profit/(loss) from continuing operations attributable to shareholders of the Company (PLN thousands)	16 238	24 574
Weighted average number of shares - basic	103 481 566	102 879 228
Weighted average number of shares - diluted	107 691 912	104 378 254
Basic profit/(loss) per share attributable to shareholders of the Company	0.16	0.24
Diluted profit/(loss) per share	0.15	0.24

Diluted profit per share is calculated by adjusting the weighted average number of issued ordinary shares, assuming conversion of all potential dilutive ordinary shares. Dilutive ordinary shares are share options granted to the NFI EMF Group's management. With the numbers rounded to two decimal places, the diluted earnings per share are equal to the basic earnings per share.

11. Goodwill

Goodwill includes:

	30 June 2009	31 December 2008
	000 PLN	000 PLN
Spiele Max	31 913	24 040
Learning Systems Poland	18 428	14 055
Paritet-Smyk	9 297	8 413
Maratex*	170 955	192 875
Amersport	38 554	38 554
Total goodwill	269 147	277 937

* In 2009, as a result of updating the parameters included in the financial projections discount that reflect the current macroeconomic situation in Russia and Ukraine and the slowdown of the investment programme, the EMF Group recognised a Maratex goodwill impairment loss of PLN 26.1 million.

The goodwill impairment test is performed at the end of each year.

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Notes to the condensed interim consolidated financial statements (cont.)

Goodwill (cont.)

Following the identification of material indications of goodwill impairment for Maratex, the goodwill was tested for impairment as at 30 June 2009.

Maratex

Goodwill arising on the acquisition of Maratex was calculated based on the financial data prepared by the Management Board and using cash flow projections for subsequent years. The cash flows were extrapolated with the use of an estimated rate of return. The key assumptions were as follows:

Gross margin	49.1%
Growth rate	22.90%
Discount rate	18.1%

The Management Board determined budgeted gross margin based on up-to-date performance of subsidiaries and its expectations for market development. The growth rate has been assumed as consistent with long-term economy growth, taking into account the planned expansion of the Group. The discount rate reflects specific risk attached to the countries in which the company operates, and approximation to the risk-free rate for Russia and Ukraine. It also includes a reference to peer companies.

No indications of goodwill impairment for other companies were identified; therefore the goodwill impairment tests will be performed at the end of the year.

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Notes to the condensed interim consolidated financial statements (cont.)

12. Financial instruments by category

As at 30 June 2009

	Loans and receivables	At fair value through profit or loss	Hedging instruments	Available for sale	Total
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
Assets					
Assets available for sale	-	-	-	481	481
Derivative financial instruments	-	-	5 550	-	5 550
Other long- term receivables	26 587	99 500	-	-	126 087
Trade and other receivables	200 617	-	-	-	200 617
Cash and cash equivalents	169 914	-	-	-	169 914
	397 118	99 500	5 550	481	502 649

	At fair value through profit or loss	Hedging instruments	Other financial liabilities	Total
	000 PLN	000 PLN	000 PLN	000 PLN
Liabilities				
Borrowings	-	-	647 783	647 783
Derivative financial instruments	-	2 234	-	2 234
Trade and other payables	123 188	-	641 632	764 820
	123 188	2 234	1 289 415	1 414 837

As at 31 December 2008

	Loans and receivables	At fair value through profit or loss	Hedging instruments	Available for sale	Total
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
Assets					
Assets available for sale	-	-	-	518	518
Derivative financial instruments	-	85 566	4 929	-	90 495
Other long- term receivables	23 077	87 227	-	-	110 304
Trade and other receivables	276 766	-	-	-	276 766
Cash and cash equivalents	226 449	-	-	-	226 449
	526 292	172 793	4 929	518	704 532

	At fair value through profit or loss	Hedging instruments	Other financial liabilities	Total
	000 PLN	000 PLN	000 PLN	000 PLN
Liabilities				
Borrowings	-	-	545 820	545 820
Derivative financial instruments	-	326	-	326
Trade and other payables	151 761	-	931 763	1 083 524
	151 761	326	1 477 583	1 629 670

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Notes to the condensed interim consolidated financial statements (cont.)

13. Other long-term receivables

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
Related party receivables	322	-
Investment receivables	99 500	87 227
Loans extended	12 702	7 165
Other long-term receivables	13 563	15 912
Total other long-term receivables	126 087	110 304

Investment receivables pertain to the receivables under the put option arising from the transaction originally made between Empik Sp. z o.o. and Sephora Polska S.A. On 1 June 2009, the receivable arising from that agreement was transferred to the newly established Empik Assets Sp. z o.o. (Nota 26). The option was exercised on 7 July 2009, when Empik Assets Sp. z o.o., a subsidiary of NFI EMF, and Sephora Polska S.A. signed an agreement on the final sale price for the shares in Sephora Polska Sp. z o.o., which was set to PLN 99,500,000.

The item "Loans extended" includes a sum of PLN 4,461,000 which is a long-term portion of a loan guaranteed by Vistula Group S.A. (PLN 3,730,000 as at 31 December 2008). Under a tripartite agreement signed on 3 June 2009 with Vistula Group S.A. and Galeria Centrum Sp. z o.o., the date of repayment of PLN 4,461,000 was set for 2011. In June 2009, Galeria Centrum Sp. z o.o. repaid PLN 2,000,000 out of a total due sum of PLN 7,461,000 and pursuant to the agreement shall repay PLN 1,000,000 until the end of 2009 (which is recognised in short-term trade and other receivables). Pursuant to current report No. 59/2009 dated 29 July 2009, published on the website of Grupa Vistula S.A., on 28 July 2009, Vistula Group S.A. and Fortis Bank Polska S.A. signed an Amendment Agreement to the credit facility agreement and the guarantee agreement. The Amendment Agreement secures financing for Vistula Group S.A. until 5 January 2018.

The currency structure of long-term receivables is as follows:

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
PLN	112 886	21 120
EUR	4 536	80 306
RUB	6 818	7 025
UAH	1 296	1 177
CZK	21	-
TRY	530	676
	126 087	110 304

The carrying amount of long-term receivables approximates their fair value.

The maximum exposure to credit risk as at the reporting date is the fair value of each category of receivables listed above.

No long-term receivables require impairment write-offs.

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

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for six-month period ended 30 June 2009

Notes to the condensed interim consolidated financial statements (cont.)

14. Inventories

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
Materials	3 915	2 508
Goods	534 641	574 967
Goods in progress	16 379	18 040
	554 935	595 515

As at 30 June 2009 the inventory impairment write-offs amounted to PLN 28,888,000 (as at 31 December 2008 – PLN 25,461,000).

15. Trade and other receivables

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
Trade receivables	118 109	181 266
Less: receivables write-offs	(10 962)	(10 249)
Trade receivables, net	107 147	171 017
Accruals	25 035	33 535
Related party receivables	585	2 714
Receivables from the sale of property, plant and equipment and intangible assets	1 102	-
VAT receivables	9 614	-
Other receivables	48 312	68 401
Loans extended	16 559	1 099
	208 354	276 766

The carrying amounts of the Group's trade and other receivables approximate their fair values.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
PLN	122 344	190 905
USD	6 229	4 546
EUR	44 449	39 677
GBP	420	-
RUB	14 213	2 080
UAH	5 948	6 776
CZK	12 108	26 235
KZT	935	230
SKK	-	5 029
TRY	1 467	1 267
CHF	241	21
	208 354	276 766

With regard to the entire operations of the Group, bad debts risk is limited mainly to the servicing of language schools and wholesale trading. The other sales transactions are made in cash or with the use of widely accepted payment cards.

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Notes to the condensed interim consolidated financial statements (cont.)

16. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents and current account overdrafts comprise the following:

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
Cash at hand and bank overdrafts balances	102 561	138 093
Short-term bank deposits	67 353	88 356
	169 914	226 449

Cash includes mainly overnight deposits, bearing interest as per the effective interest rate, amounting on average to 3.00% over the current reporting period (4.50% in 2008).

17. Shareholders

As at 13 July 2009 the key shareholders of NFI Empik Media & Fashion S.A. were:

As at 13 July 2009	Number of shares (votes)	Direct shareholding
Empik Centrum Investments S.A.	62 578 383	60.33%
Aviva Otworthy Fundusz Emerytalny BZ WBK	10 300 000	9.93%

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

As at 30 June 2009 the total number of shares of the Fund equalled 103,729,569.

18. Share capital

	Number of shares (not in thousands)	Ordinary shares	Surplus on the sale of shares above the nominal value	Total
		000 PLN	000 PLN	000 PLN
As at 1 January 2008	102 586 645	10 258	279 089	289 347
Issue of shares – share-based incentive scheme	568 163	57	1 738	1 795
Employee shares taken up	-	-	6 477	6 477
As at 1 January 2009	103 154 808	10 315	287 304	297 619
Issue of shares – share-based incentive scheme	574 761	58	-	58
Employee shares taken up	-	-	6 664	6 664
As at 30 June 2009	103 729 569	10 373	293 968	304 341

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

Condensed interim consolidated financial statements

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Notes to the condensed interim consolidated financial statements (cont.)

18. Share capital (cont.)

The nominal value of one share is PLN 0.10 (not in thousands). The share capital of NFI EMF is 10,372,956.90 (not in thousands) and is divided into 101,893,645 Series A ordinary shares, 1,200,000 Series B ordinary shares, 450,924 Series C ordinary shares and 185,00 Series E ordinary shares.

During the six months ended 30 June 2009, the nominal share capital was increased by PLN 58,000 by means of the issue of 574,761 shares of PLN 0.10 each (not in thousands) in the following transactions:

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

Shares held by the Management Board

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

19. Other total income

	6 months ended 30 June 2009			6 months ended 30 June 2008		
	Gross value	Tax	Net value	Gross value	Tax	Net value
	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN	000 PLN
Foreign currency exchange gains/(losses) on translation of foreign operations	15 082	-	15 082	(6 700)	-	(6 700)
Cash flow hedges	(5 686)	1 081	(4 605)	(5 273)	1 002	(4 271)
Foreign currency exchange gains/(losses) on long-term financing of subsidiaries	531	(240)	291	-	-	-
Total other income	9 927	841	10 768	(11 973)	1 002	(10 971)

As of 1 October 2008, the Group has been recognising some intragroup loans as net investments in subsidiaries. Therefore, in 2009 positive currency translation differences in the amount of PLN 531,000 resulting from these loans were recognised in the consolidated capital of the Group under "Foreign currency exchange gains/(losses) on long-term financing of subsidiaries".

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Notes to the condensed interim consolidated financial statements (cont.)

20. Other long-term liabilities

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
Smyk Paritet put option	4 828	3 612
Smyk Rosja put option	31 319	30 859
Maratex put option	82 924	117 290
Other	4 117	3 331
	123 188	155 092

In September 2007, the Group concluded an investment agreement on the acquisition of shares in Maratex Limited. In 2010-2014, minority shareholders will have the right to sell (put option) with respect to all their shares in Maratex to NFI EMF, at a price calculated on the basis of Maratex' financial results for the previous year. Furthermore, NFI EMF will have the right to purchase all the shares in Maratex from the minority shareholders, such right to be exercised in 2011-2016 for a price based on the EBITDA of Maratex for the preceding year. As at 30 June 2009, the liability arising from the put option was estimated at PLN 82,924,000 (PLN 117,290,000 as at 31 December 2008). The decrease in the value of the option results from the revision of the financial projections used to estimate the goodwill of Maratex.

In November 2007, the Group acquired 99% of shares in Prolex Services Limited, a Cypriot company. Pursuant to the investment agreement, in 2015-2017 individuals shall have the right to sell (a put option) to Smyk Sp. z o.o. all their shares in Prolex Services Limited, for a price based on the EBITDA of Prolex Services Limited for the preceding year. As at 30 June 2009, the liability under the put option was estimated at PLN 31,319,000 (PLN 30,859,000 as at 31 December 2008).

21. Borrowings

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
Long-term borrowings		
Financial lease liabilities	22 986	22 267
Mid-term Notes	193 912	193 817
Bank borrowings	107 911	101 232
Total long-term borrowings	324 809	317 316
Short-term borrowings		
Financial lease liabilities	5 927	5 515
Bonds	28 652	45 075
Bank borrowings	131 716	118 652
Current account overdraft	154 837	58 890
Other	1 842	372
Total short-term borrowings	322 974	228 504
Total borrowings	647 783	545 820

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Notes to the condensed interim consolidated financial statements (cont.)

21. Borrowings (cont.)

Bank borrowings

Bank borrowings include:

	Effective tax rate	Repayable	30 June 2009 000 PLN	31 December 2008 000 PLN
Bank credit facility of EUR10 million	EURIBOR 1M + bank margin	30 July 2009	45 721	41 837
Bank credit facility of EUR 7 million	EURIBOR + bank margin	22 January 2009	-	29 207
Bank credit facility of PLN 25 million	WIBOR 1M + bank margin	9 July 2009	25 000	25 000
Bank credit facility of PLN 25 million	WIBOR 3M + bank margin	31 December 2011	24 995	24 995
Bank credit facility of PLN 21 million	WIBOR 1M + bank margin	30 June 2014	20 769	20 909
Bank credit facility of PLN 100 million	WIBOR 1M + bank margin	30 June 2015	58 386	9 687
Bank credit facility of RUB 180 million	MIBOR + bank margin	28 July 2010	18 452	18 413
Bank credit facility of RUB 93 million	MIBOR + bank margin	20 May 2010	9 216	9 363
Bank credit facility of UAH 5.8 million	19%	March 2010	2 408	2 921
Bank credit facility of EUR 4 million	EURIBOR + bank margin	undetermined	17 878	10 431
Bank credit facility of EUR 5.5 million	EURIBOR + bank margin	undetermined	5 628	16 690
Bank credit facility of EUR 2.5 million	EURIBOR + bank margin	15 August 2010	11 174	10 431
			239 627	219 884

Bank credit facility of EUR 10 million

The credit facility is secured by the receivables under the put option for 24% of shares in Sephora Polska Sp. z o.o. Due to the shares having been sold in July 2009 (Note 26), the credit facility was repaid in full on 30 July 2009.

Bank credit facility of EUR 7 million

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

Bank credit facility of PLN 25 million

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

Bank credit facility of PLN 25 million

As at 30 June 2009, Smyk Sp. z o.o. had a credit liability amounting to PLN 25 million. Credit interest equals WIBOR 3M increased by a bank margin. Credit shall be repaid in instalments until December 2011. Credit is secured with inventory of Smyk Sp. z o.o.

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Notes to the condensed interim consolidated financial statements (cont.)

21. Borrowings (cont.)

Bank credit facility of PLN 21 million

On 12 June 2008, Amersport Sp. z o.o., Soul Sp. z o.o. and Poland 1 Development Sp. z o.o. signed an investment credit agreement with PEKAO S.A. for PLN 20.5 million and a current account overdraft agreement of PLN 12 million. Investment credit shall be repaid in instalments until 30 June 2014 and current account overdraft – one off repayment on 30 June 2009.

Bank credit facility of PLN 100 million

On 14 August 2008, NFI EM&F and its subsidiaries: Empik Sp. z o.o., Smyk Sp. z o.o., Ultimate Fashion Sp. z o.o., Optimum Distribution Sp. z o.o. and Learning Systems Poland Sp. z o.o. signed a credit agreement with PEKAO S.A. amounting to PLN 150 million. The credit facility is comprised of a PLN 100 million investment credit facility with a fixed repayment date, to be repaid in 20 equal instalments over the period from 30 September 2010 to 30 June 2015 and of a PLN 50 million overdraft facility, to be repaid in 2010. The major part of credit will be used to finance the development of the Group distribution network as well as logistic and IT infrastructure. As at 30 June 2009, the Group used PLN 58.4 million of available funds to finance its capital expenditures and PLN 48.9 million within financing from the current bank account.

Other credit facilities

Other credit facilities in the amount of PLN 64.8 million have been incurred by Maratex Group and Spiele Max AG. The repayment dates for such credit facilities do not exceed 18 months from the balance-sheet date, and in the case of two credit facilities incurred by Spiele Max AG, the repayment date has not been specified. The repayment security for the liabilities is the inventory of Maratex Limited Group and Spiele Max AG.

Current account overdraft

Current account overdrafts include:

	<u>Effective interest rate</u>	<u>30 June 2009</u>	<u>31 December 2008</u>
		<u>000 PLN</u>	<u>000 PLN</u>
Bank loan of PLN 50 million in Pekao S.A.	WIBOR 1M + bank margin	48 866	22 000
Bank loan of EUR 10 million in ABN Amro Bank (Polska) S.A.	LIBOR 1M + bank margin	35 230	21 868
Bank loan of PLN 100 million in ABN AMRO Bank (Polska) S.A.	WIBOR T/N + bank margin	63 460	-
Bank loan of PLN 12 million in Pekao S.A.	WIBOR 1M + bank margin	1 190	7 046
Bank loan of PLN 11 million in ABN AMRO Bank (Polska) S.A.	T/N WIBOR + margin	5 898	7 387
Bank loan of EUR 745,000 in Postbank	EURIBOR 1M + bank margin	193	589
		<u>154 837</u>	<u>58 890</u>

Bonds and Mid-Term Notes

	<u>Effective interest rate</u>	<u>Repayable</u>	<u>30 June 2009</u>	<u>31 December 2008</u>
			<u>000 PLN</u>	<u>000 PLN</u>
Mid-term notes	6M WIBOR + margin	2012	193 912	193 817
Bonds	WIBOR + margin	2009	28 652	45 075
			<u>222 564</u>	<u>238 892</u>

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Notes to the condensed interim consolidated financial statements (cont.)

21. Borrowings (cont.)

As at 30 June 2009, the Group's liabilities under issued bonds are as follows:

- (i) Interest-free discount bonds with a total nominal value of PLN 25 million. The level of the bond discount was set as WIBOR + margin. Rolled bonds with maturity of 2 months. The next maturity date is 17 August 2009.
- (ii) Coupon bonds with a total nominal value of PLN 151.5 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 20 March 2012. Interest shall be paid every 6 months.
- (iii) Coupon bonds with a total nominal value of PLN 7.8 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 11 July 2012. Interest shall be paid every 6 months.
- (iv) Coupon bonds with a total nominal value of PLN 20 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 24 August 2012. Interest shall be paid every 6 months.
- (v) Coupon bonds with a total nominal value of PLN 15 million. The bonds interest rate was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 29 September 2012. Interest shall be paid every 6 months.

None of the issued bonds is secured.

The maturity structure of long-term borrowings, including debt securities, as at 30 June 2009 is as follows:

As at	<u>30 June 2009</u>	<u>31 December 2008</u>
	000 PLN	000 PLN
1 - 2 years	49 923	40 143
2 - 5 years	231 118	249 856
Over 5 years	20 782	5 050
	<u>301 823</u>	<u>295 049</u>

The impact of the interest rate risks on the borrowings of the Group and the contractual dates of changes in the interest rates as at the balance-sheet date are presented below:

	<u>2009</u>	<u>2008</u>
	000 PLN	000 PLN
Under 6 months	618 870	518 038
	<u>618 870</u>	<u>518 038</u>

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Notes to the condensed interim consolidated financial statements (cont.)

21. Borrowings (cont.)

The carrying amounts and fair values of long-term borrowings are presented in the table below:

	Carrying amount		Fair value	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
	000 PLN	000 PLN	000 PLN	000 PLN
Financial leases	22 986	22 267	17 766	16 247
Mid-term notes	193 912	193 817	158 984	141 417
Bank borrowings	107 911	101 232	88 953	79 919
	324 809	317 316	265 703	237 583

Fair value of short-term borrowings is equal to their carrying amount, as the influence of the discount is not material. Fair value of long-term borrowings is based on cash flows discounted at the rate based on the interest rate for credit facilities and loans amounting to 4.44% plus margin and on the interest rate for mid-term debt securities amounting to 4.62% plus margin.

The carrying amounts of the borrowings of the Group by currency are presented below:

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
PLN	495 985	341 842
USD	-	7 044
EUR	115 824	164 479
RUB	27 668	27 745
UAH	2 408	54
CZK	5 898	4 656
	647 783	545 820

The Group's unused current account overdrafts:

	30 June 2009	31 December 2008
	000 PLN	000 PLN
Floating interest rate:		
- up to 1 year expiry period	126 663	168 643
- expiry period over 1 year	-	-

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Notes to the condensed interim consolidated financial statements (cont.)

22. Trade and other payables

As at	<u>30 June 2009</u>	<u>31 December 2008</u>
	000 PLN	000 PLN
Trade payables	398 056	627 872
Employee compensation and benefits liabilities	23 149	25 732
Related party liabilities	797	2 705
Accrued expenses	59 603	121 810
Other liabilities	160 027	150 313
	<u>641 632</u>	<u>928 432</u>

Related party liabilities as at 30 June 2009 comprise PLN 797,000 (as at 31 December 2008 - PLN 2,705,000) due to Eastbridge S.a.r.l and its subsidiaries.

Other liabilities and accrued expenses include capital expenditures, VAT and accrued income in relation to tuition fees and lease agreements liabilities.

The carrying amount of trade and other payables approximates their fair value.

23. Contingent liabilities and guarantees

1. As provided by general provisions of law, the tax authorities may, at any time, inspect the books and records of the taxpayer within 5 years subsequent to the reported tax year, and, if any inaccuracies are found, may impose additional tax assessments and penalties. NFI Empik Media & Fashion S.A.'s Management Board is not aware of any circumstances which may give rise to a potential material liability in this respect.
2. The NFI Empik Media & Fashion Group also has contingent liabilities in respect of bank and other guarantees issued upon the request of the Group's subsidiaries by NFI Empik Media & Fashion S.A. to guarantee rents and trade liabilities of its subsidiaries and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.
3. In order to protect Inditex and Zara Polska Sp. z o.o. (previously Young Fashion Sp. z o.o.) from any contingent liabilities arising from events that took place prior to the sale of 51% of shares in Zara Polska to Inditex S.A. i.e. when Zara Polska Sp. z o.o. was under the management and control of NFI Empik Media & Fashion S.A., ABN Amro Bank (Polska) S.A. issued, at the request of NFI Empik Media & Fashion S.A., a bank guarantee up to EUR 500,000 to the benefit of Zara Polska Sp. z o.o. Total responsibility of the Group resulting from the sale agreement of shares in Zara Polska Sp. z o.o. is limited to the amount of EUR 20 million. The bank guarantee expires in 2010. It is not anticipated that any material liabilities will arise from the contingent liabilities.
4. On 26 June 2007 NFI Empik Media & Fashion S.A. issued a guarantee in favour of ABN AMRO Bank (Polska) S.A. up to the amount of PLN 36.0 million in relation with the PLN 30.0 million current account overdraft facility made available. Furthermore, as at 30 June 2009 the liabilities under the guarantees granted by the Fund on the account of liabilities of its subsidiaries, mainly towards their suppliers and lessors, amounted to PLN 157,953,000 (EUR 35,339,000), PLN 847,000 (USD 267,000) and PLN 42,856,000.

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Notes to the condensed interim consolidated financial statements (cont.)

24. Related party transactions

Empik Centrum Investments S.A. and its subsidiaries, Eastbridge S.a.r.l. and its subsidiaries are considered related parties for the purpose of the consolidated financial information.

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

The balances of the related party transactions as at the reporting dates were as follows:

As at	30 June 2009	31 December 2008
	000 PLN	000 PLN
Receivables from Eastbridge group	-	606
Receivables from other Eastbridge companies	907	2 108
Receivables from affiliates	2 091	2 031
	2 998	4 745
Payables to Eastbridge group	223	71
Payables to other Eastbridge companies	574	2 634
	797	2 705

Revenues and costs arising from related party transactions during the reporting periods are presented in the table below:

6 months ended 30 June	2009	2008
	000 PLN	000 PLN
Operating lease expenses payable to other Eastbridge companies	(9 478)	(5 506)
Management fees payable to Eastbridge S.a.r.l.	(265)	(210)
Other operating income from other Eastbridge companies	5 026	-

25. Business combinations

Acquisition of shares in Spiele Max AG

In June 2008, a subsidiary of EM&F Group, Smyk Sp. z o.o. concluded a purchase agreement of Spiele Max AG Group, operating a network of 45 specialist shops for children in Germany. This transaction was finalised on 2 September 2008. As a result the Group acquired 1,000,000 shares amounting to EUR 3,831,459, entitling to 100% of shares in share capital and the right to 100% of total votes. The preliminary purchase price amounted to EUR 13,379,700 and included EUR 2,500,000 as a conditional payment to be finally settled following the end of 2008, being the basis for the calculation of the conditional payment. Following the 2008 closing, it turned out that the conditions to effect a conditional payment were not fulfilled and the final acquisition price amounted to EUR 10,879,700. Furthermore, NFI EMF also incurred direct merger costs of PLN 7,912,000.

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

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

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Notes to the condensed interim consolidated financial statements (cont.)

25. Business combinations (cont.)

	<u>000 PLN</u>	<u>000 EUR</u>
Consideration paid		
- cash payment	33 372	
- costs directly related to the acquisition	7 912	
Total consideration paid	<u>41 284</u>	
Fair value of acquired net assets (100%)	16 876	
Company goodwill	<u>24 408</u>	<u>7 058</u>

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

The assets and liabilities arising from the acquisition are as follows (PLN thousand):

	<u>Fair value</u>
	<u>000 PLN</u>
Cash and cash equivalents	5 928
Property, plant and equipment	6 732
Intangible assets	29 095
Inventories	52 372
Receivables and other assets	8 651
Borrowings	(43 037)
Liabilities	(42 864)
Total net assets	<u>16 876</u>
Net assets acquired	<u>16 876</u>

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

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

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

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

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

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

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Notes to the condensed interim consolidated financial statements (cont.)

25. Business combinations (cont.)

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

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

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

Establishment of Empik Assets Sp. z o.o.

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

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

The transferred assets included shares in the following companies:

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

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

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

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Notes to the condensed interim consolidated financial statements (cont.)

26. Events after the balance-sheet date

Agreement on the sale of 24% of shares in Sephora

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

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

Signing of a PLN 40 million credit facility agreement with BRE Bank SA

On 7 July 2009, NFI EMF and its subsidiaries Empik Sp. z o.o., Smyk Sp. z o.o., Ultimate Fashion Sp. z o.o. and BRE Bank S.A. signed a credit facility agreement. Pursuant to that agreement, BRE Bank S.A. extended a PLN 40 million credit facility to the Borrowers for the purpose of financing the retail network. The Borrowers shall be jointly and severally liable for the repayment of the credit facility and performance of the credit facility agreement. The credit facility availability period is 6 months.

The credit facility in the amount of PLN 25 million was promptly used by NFI EMF to repay the last tranche of the credit facility extended to NFI EMF by BRE Bank S.A. on 17 September 2007, and which as a result of the above expires.

The Borrowers shall repay the credit facility in 18 equal quarterly instalments to be calculated separately for each Borrower on the basis of the drawn amount of the credit facility. The first repayment shall be made following the end of the availability period. The credit facility is secured by a blank promissory note along with a promissory note declaration issued separately by each Borrower. In addition, all Borrowers have submitted themselves to enforcement proceedings pursuant to the provisions of the Banking Law.

Credit facility agreement with ABN AMRO

On 31 July 2009, NFI EMF and its subsidiaries Empik Sp. z o.o. and Smyk Sp. z o.o. (jointly referred to as the Borrowers) and ABN Amro Bank S.A. signed a credit facility agreement. Pursuant to the agreement, ABN Amro Bank S.A. extended a PLN 50 million credit facility to the Borrowers. The credit facility shall be repaid in 10 equal instalments until 30 June 2012.

Acquisition of shares in Maratex

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

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Notes to the condensed interim consolidated financial statements (cont.)

27. Remuneration of the Management Board and Supervisory Board

Remuneration of the President and the Members of the Management Board for the period of six months ended 30 June 2009 was respectively: PLN 5,888,000 (including PLN 5,393,000 of the share-based remuneration) and PLN 3,682,000 (including PLN 2,019,000 of the share-based remuneration). For the period of six months ended 30 June 2008, these amounts were respectively: PLN 5,877,000 (including PLN 5,547,000 of the share-based remuneration) and PLN 2,616,000 (including PLN 2,143,000 of the share-based remuneration).

6 months ended 30 June	2009 000 PLN	2008 000 PLN
Gross remuneration	2 159	803
Employees' shares (share-based incentive scheme)	7 412	7 690
	9 571	8 493

Remuneration of the Supervisory Board is presented in the table below (thousand PLN):

6 months ended 30 June	2009 000 PLN	2008 000 PLN
Mark Burch	53	49
Peter Kadletz	53	49
Tomasz Chenczke	75	70
William Brooksbank	53	49
Andrzej Szumański	53	49
	287	266

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Additional information

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

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

Selected financial data

SELECTED FINANCIAL DATA	000 PLN		000 EUR	
	6 months ended 30 June 2009	6 months ended 30 June 2008	6 months ended 30 June 2009	6 months ended 30 June 2008
I. Net sales	1 199 929	918 664	265 564	264 166
II. Gain/(loss) from continuing operations	(18 710)	34 297	(4 141)	9 862
III. Gain/(loss) before income tax	(5 795)	28 806	(1 283)	8 283
IV. Gain/(loss), net	18 786	25 007	4 158	7 191
V. Net cash flows generated from/(used in) operating activities	(178 643)	(168 774)	(39 537)	(48 532)
VI. Net cash flows generated from/(used in) investing activities	30 262	(157 004)	6 697	(45 147)
VII. Net cash flows from/(used in) financing activities	(7 069)	148 786	(1 564)	42 784
VIII. Total net cash flows	(155 450)	(176 992)	(34 404)	(50 895)
IX. Total assets	2 011 100	1 677 321	449 951	500 066
X. Liabilities and provisions for liabilities	1 468 340	1 256 471	328 517	374 596
XI. Long-term liabilities	460 189	512 419	102 960	152 769
XII. Short-term liabilities	1 008 151	744 052	225 557	221 827
XIII. Equity	542 760	420 850	121 434	125 470
XIV. Share capital	304 341	297 619	68 091	88 730
XV. Number of shares	103 729 569	103 154 808	103 729 569	103 154 808
XVI. Gain/(loss) per share (in PLN/EUR)	0.18	0.24	0.04	0.07
XVII. Diluted gain/(loss) per share (in PLN/EUR)				
XVIII. Book value per share (in PLN/EUR)	5.23	4.08	1.17	1.22
XIX. Diluted book value per share (in PLN/EUR)				
XX. Declared or paid dividend per share (in PLN/EUR)				