

**MANAGEMENT BOARD FINANCIAL ANALYSIS FOR THE THREE-MONTH PERIOD ENDED
31 MARCH 2009 AND 31 MARCH 2008**

Selected financial data for the period of Q1 2009 vs Q1 2008

Settlement of selected financial data to the consolidated financial statements

Table no 1

PLN 000	Q1	Q1	Change %
	2009 PLN 000	2008 PLN 000	
Net sales	570 895	428 171	+33.3
EBITDA from core operations*	13 627	23 717	-42.5
% of sales	2.39%	5.54%	
EBIT from core operations*	-6 767	7 592	-189.1
% of sales	-1.19%	1.77%	
Net profit from core operations*	2 371	2 805	-15.5
% of sales	0.42%	0.66%	
Number of outlets**	651	456	
Net retail area**	262 884	156 152	
* Excluding financial instruments and share-based incentive scheme valuation.			
** Increase of the number of outlets and retail area, core operations.			
EBITDA from core operations*	13 627	23 717	-42.5
% of sales	2.39%	5.54%	
Share-based incentive scheme valuation	-2 007	-3 630	+44.7
Revaluation of financial instruments	633	8 726	-92.7
Zara + Sephora	-414	8 726	-104.7
Other options	1 047	0	
EBITDA	12 253	28 813	-57.5
% of sales	2.15%	6.73%	
* Excluding financial instruments and share-based incentive scheme valuation.			
PLN 000	2009	2008	%
EBIT from core operations*	-6 767	7 592	-189.1
% of sales	-1.19%	1.77%	
Share-based incentive scheme valuation	-2 007	-3 630	+44.7
Revaluation of financial instruments	633	8 726	-92.7
Zara + Sephora	-414	8 726	-104.7
Other options	1 047	0	
Impairment charges (Maratex)	-26 115	0	
EBIT	-34 256	12 688	-370.0
% of sales	-6.00%	2.96%	
* Excluding financial instruments and share-based incentive scheme valuation.			

PLN 000	Q1	Q1	Change
	2009	2008	%
Net profit from core operations***	2 371	2 805	-15.5
% of sales	0.42%	0.66%	
Share-based incentive scheme valuation	-2 007	-3 630	+44.7
Revaluation of financial instruments	29 022	7 783	+272.9
Zara + Sephora	-620	9 517	-106.5
Maratex + other options	29 642	-1 734	+1 809.5
Impairment charges (Maratex)	-26 115	0	-
Net profit	3 271	6 958	-53.0
% of sales	0.57%	1.63%	
* Excluding financial instruments, impairment charges and share-based incentive scheme valuation.			

which has not been paid yet in 2009.

s below show the
mpik in Q1 2008;

Table no 5

PLN 000	Q1 2009 adjusted by currency translation differences**	Q1 2008 adjusted by currency translation differences and dividends**	Change %
	PLN 000	PLN 000	
Net sales	570 895	428 171	+33.3
EBITDA from core operations*	16 579	12 816	+29.4
% of sales	2.90%	2.99%	
EBIT from core operations*	-3 815	-3 309	-15.3
% of sales	-0.67%	-0.77%	
Net profit from core operations***	11 618	-5 777	+301.1
% of sales	2.04%	-1.35%	
* Excluding financial instruments and share-based incentive scheme valuation.			
** Data concerning Q1 2008 was adjusted by dividend received and currency translation differences, whereas the data for Q1 2009 was adjusted by currency translation differences (see also Table no 6 and no 7 below).			
*** Net profit for 2009 includes profit on tax optimisations of PLN 16.8 million.			

PLN 000	Q1 2009	translation differences impact	Adjusted Q1 2009
	PLN 000	PLN 000	PLN 000
Net sales	570 895		570 895
EBITDA from core operations	13 627	2 952	16 579
% of sales	2.39%		2.90%
EBIT from core operations	-6 767	2 952	-3 815
% of sales	-1.19%		-0.67%
Net profit from core operations	2 371	9 247	11 618
% of sales	0.42%		2.04%

Table no 7

Settlement of adjusted results for Q1 2008 to the reported results				
PLN 000	Q1 2008 PLN 000	Dividends impact PLN 000	Currency translation differences impact PLN 000	Adjusted Q1 2008 PLN 000
Net sales	428 171			428 171
EBITDA from core operations	23 717	-9 000	-1 901	12 816
<i>% of sales</i>	5.54%			2.99%
EBIT from core operations	7 592	-9 000	-1 901	-3 309
<i>% of sales</i>	1.77%			-0.77%
Net profit from core operations	2 805	-9 000	418	-5 777
<i>% of sales</i>	0.66%			-1.35%

RETAIL NETWORK

EM&F Group has been continuing its regional expansion. However, due to the current macroeconomic situation, the Group has slowed down the rate of expansion of its retail network and has been implementing selected investment projects:

- focusing on key projects (in the long-term perspective – premium shopping centres, mainly in the largest cities in the region; only projects involving very good terms obtained from property developers);
- taking into account the dynamic developments on the commercial retail property market.

In Q1 2009, the retail and service network of the Group expanded by 14 new outlets, with a total retail area of 3893 m².

- openings in Poland:
 - Empik – 1 own store i 2 partner stores,
 - Empik Cafe – 5 cafes,
 - Learning Systems Poland – 1 Speak Up language school.
- openings abroad:
 - Smyk – 1 store in Russia,
 - Maratex – 4 stores in Russia.

As at 31 March 2009, the retail and service network of the Group included 651 outlets with total net retail area of 262 884 m².

MATERIAL AGREEMENTS

- On 22 January 2009, NFI EM&F S.A. sold to Industria de Diseño Textil SA (“INDITEX S.A.”) the 20% of shares it held in Zara Polska Sp. z o.o. for PLN 110,230,000. Under the purchase agreement, all rights to the sold shares have been transferred to Inditex S.A. The proceeds of the share sale were used by NFI EM&F S.A. to repay an EUR 7,000,000 credit facility taken in January 2006 from ABN AMRO Bank NV. The outstanding proceeds of the sale of shares in Zara Polska will be used to finance the ongoing operations and expansion of the Group.

NEW BRANDS, NEW RETAIL FORMATS AND NEW PRODUCT LINES

- Empik
 - inauguration of the first stage of building a specialised offer of academic, professional and scientific books at two outlets (at Nowy Świat St. in Warsaw and near the Town Market in Wrocław),
 - new collections of Empik’s own stationery brand involving works by renowned artists (designs commissioned by Empik).
- Smyk:

- introduction to sale of new Cool Club product lines: Cool Club Baby (for toddlers aged 0-2 years), Cool Club Kids (for kindergarteners aged 3-8 years), Cool Club Trend (for schoolchildren aged 9-14 years), Cool Club Jeans, Cool Club Accessories (accessories);
- introduction to sale of Converse brand children's sports footwear into Smyk stores in Poland and Germany.
- Spiele Max:
 - introduction to sale of Cool Club products (Empik's own brand – Smyk – Cool Club) into an additional 15 Spiele Max stores in Germany (as at 31 March 2009, Cool Club products were available at 28 Spiele Max stores).
- Learning Systems Poland
 - introduction of a new method of learning foreign languages via Internet, named "Virtual School".
- Maratex
 - opening of the first store belonging to the new River Island brand in a prestigious Metropolis shopping centre in Moscow.
- Optimum Sport:
 - signing of a contract with Moravia Sport Group s.r.o. for distribution of Converse brand products in the Envy Sport chain of 44 stores, offering technical sportswear in Czech Republic and Slovakia;
 - expansion of distribution of Converse children's footwear in Smyk store chain in Poland and Germany (initially at 25 selected Smyk stores).

IT and LOGISTICS OPERATIONS :

The Group continued the development and improvement of logistics, IT and telecommunication platforms/infrastructure as part of a project implemented with Accenture, Exorigo, DHL, Spedimex, Oracle and other partners. The project includes all companies of the Group. As the portfolio of the companies constantly grows and the Group pursues international expansion, the project supports the Group's further development, as well as achieving significant savings and improving effectiveness of many key business processes (detailed information for specific companies can be found in the "Capital Expenditures" section).

Moreover, in order to improve the effectiveness of reporting, control and financial consolidation of the EM&F Group, the next phase of implementation of the Hyperion Financial Management system, which is an Oracle Business Intelligence system-based analytical platform that allows multi-level data analysis, was completed.

Development of the EM&F Group retail network in Q1 2009.

EM&F Group distribution network	Q1 2009		Q1 2008		Change %	
	Number of outlets	Net retail area	Number of outlets	Net retail area	Number of outlets	Net retail area
Media and Entertainment	417	199 527	277	106 445	140	87.4%
Empik outlets	155	72 152	132	62 252	23	15.9%
Empik Cafe*	55	4 315	-	-	-	-
Empik Foto Labs**	12	-	15	-	-3	-
Language schools	82	-	75	-	7	-
Smyk	68	53 987	55	44 194	13	22.2%
Spiele Max	45	69 073	-	-	-	-
Fashion and Beauty	234	63 357	179	49 707	55	27.5%
Ultimate Fashion	113	24 354	102	20 906	11	16.5%
Maratex	107	37 744	77	28 802	30	31.0%
Amersport	14	1 259	-	-	-	-
Total, excluding Zara Polska	651	262 884	456	156 152	195	68.4%

Net sales of the Group increased in Q1 2009 by 33.3% to PLN 570,900,000, compared with PLN 428,200,000 for the Q1 2008 due to double-digit sales growth achieved by the majority of Group companies.

Sales at NLTL¹ stores and language schools and newly opened outlets, as well as the consolidation of sales of companies acquired in 2008, i.e. Spiele Max and Amersport, were the major contributing factors to the sales growth at EM&F Group. In Q1 2009, LTL² stores recorded "flat" or negative sales growth, resulting from the economic slowdown and a decrease in retail sales. LTL language schools, however, recorded a positive sales growth of 17.0%.

Sales in LTL* group of retail outlets and language schools (in PLN)	Change % Q1 2009 vs Q1 2008
EMPIK (group of companies)	0%
SMYK (group of companies)	-3%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	-8%
LANGUAGE SCHOOLS	17%
TOTAL	-1%
SPIELE MAX**	21%

* Language schools operating for at least 12 months as at 31 March 2009. ** Pro-forma data due to the fact that Spiele Max revenues are consolidated by EM&F Group as of Q3 2008.

Sales of the EM&F Group by market in the region are shown in the table below:

¹ Stores and language schools opened in 2008, operating for less than 12 months (a total of 231 stores and language schools).

² Stores and language schools operating for at least 12 months as at 31 March 2009.

PLN 000	Q1 2009	Q1 2008	Change % Q1 2009 vs Q1 2008
Retail distribution			
Poland	347 603	319 097	8.9%
Abroad	167 510	65 375	156.2%
Wholesale distribution			
Poland	42 751	32 266	32.5%
Abroad	13 032	11 433	14.0%
TOTAL distribution in Poland	390 354	351 363	11.1%
TOTAL distribution abroad	180 542	76 808	135.1%
TOTAL	570 895	428 171	33.3%

Sales by segment

Sales	Q1 2008	Increase/(decrease) in LTL	Sales of NLT and Development	Profit of acquired companies (Amersport, Spiele Max)	(Decrease in) wholesale	Consolidation exclusions	Q1 2009	Change %
Fashion and Beauty	129 341	-7 678	22 692	16 522	-1 731	-2 226	156 920	21.3%
Media and Entertainment	298 830	2 617	39 795	82 312	- 9 806	226	413 975	38.5%
Total	428 171	-5 060	62 487	98 834	-11 536	-2 000	570 895	33.3%

EBITDA

In Q1 2009, EBITDA from core activities (excluding the revaluation of financial instruments and share-based incentive scheme) decreased by 42.5% to PLN 13,600,000, compared with PLN 23,700,000 in Q1 2008.

The decrease was mainly caused by the significant negative impact of currency translation losses, which affected gross margins and operating expenses. Additionally, in Q1 2008, Empik received a PLN 9,000,000 dividend from Sephora Polska on account of its minority shareholding, and this dividend has not been paid yet in 2009 (see tables 5, 6, 7).

Of note is the fact that the positive results of the actions undertaken insofar by the Group in order to protect its margins and optimise be reflected in expenses (such as remuneration expenses, store maintenance, rents, etc.) should affect the results for the remaining quarters of 2009.

In Q1 2009, EBITDA margin from core operations (excluding financial instruments and the valuation of the share-based incentive scheme) of the Group decreased to 2.39%, compared with 5.54% in Q1 2008. The main reasons for the margin decrease are the factors affecting EBITDA from core operations, specified above.

In Q1 2009, total EBITDA decreased by 57.5% to PLN 12,300,000, compared with PLN 28,800,000 in Q1 2008.

The valuation of financial instruments contributed to the total EBITDA, but failed to compensate for the negative impact of the valuation of the share-based incentive scheme.

Fashion & Beauty

In Q1 2009 EBITDA from core operations (excluding the valuation of financial instruments and share-based incentive scheme) in the Fashion & Beauty segment decreased by 27.0% to PLN 3,600,000 compared with PLN 5,000,000 in Q1 2008.

Despite the high growth of sales for the entire segment (by 21.3%), EBITDA was affected by the slight decrease of the gross margin (by -0.2 p.p.) and the negative impact of currency translation rates).

Media & Entertainment

In Q1 2009, EBITDA from core operations (excluding the revaluation of financial instruments and share-based incentive scheme) in the Media & Entertainment segment decreased by 14.5% to PLN 15,800,000, compared with PLN 18,400,000 in Q1 2008.

Despite the high growth of sales for the entire segment (by 38.5%), EBITDA was affected by the negative impact of currency translation rates and the slight decrease of the gross margin (by -1.1 p.p.). Additionally, in Q1 2008, Empik received a PLN 9,000,000 dividend from Sephora Polska on account of its minority shareholding, and this dividend has not been paid yet in 2009.

EBIT

In Q1 2009, EBIT from core operations (excluding the valuation of financial instruments and the valuation of the share-based incentive scheme) decreased by 189.1% to PLN -6,800,000, compared with PLN 7,600,000 in Q1 2008. The decrease in EBIT of EM&F Group in Q1 2009 largely resulted from foreign currency translation losses and the dividend received in Q1 2008 by Empik, which has not been paid yet in 2009 (see tables 5, 6, 7).

In Q1 2009, total EBIT amounted to PLN -34,300,000, compared with PLN 12,700,000 in Q1 2008, which means a decrease by 370.0%.

Net profit

In Q1 2009, net profit from core operations of the Group (excluding financial instruments and the valuation of the share-based incentive scheme) decreased by 15.5% to PLN 2,400,000, in Q1 2009 compared with PLN 2,800,000 in Q1 2008.

The decrease in net profit from core operations of the Group resulted from the significant foreign currency translation losses and the dividend received in Q1 2008 by Empik, which has not been paid yet in 2009 (see tables 5, 6, 7), as well as higher amortisation costs than in the same periods of previous year. (by 21.54%).

In Q1 2009, total net profit of the EM&F Group decreased by 53.0% to PLN 3,300,000, compared with PLN 7,000,000 in Q1 2008.

The total net profit of the Group was influenced by the revaluation of financial instruments from the Company's portfolio, the valuation of the share-based incentive scheme and impairment charges.

In Q1 2009, the Group recognised a further PLN 26,100,000 goodwill impairment charge for Maratex Ltd. (in 2008, the Group recognised a PLN 70,200,000 goodwill impairment charge for Maratex Ltd.). The impairment charge was made based on the financial forecasts of Maratex, prepared on the basis of macroeconomic data reflecting the current market situation in Russia and Ukraine. (key region of core operations of Maratex Ltd.)

The Maratex impairment charge should be seen in connection with the decrease in EM&F's liabilities towards the minority shareholders of Maratex, whose valuation is based on the same financial forecasts as the valuation of the company's goodwill. The rate of further expansion on the Russian and Ukrainian markets will depend on the further development of the macroeconomic situation.

Capital expenditures

EM&F Group has been continuing its regional expansion. However, due to the current macroeconomic situation, the Group has slowed down the rate of expansion of its retail network and has been implementing selected investment projects, while:

- focusing on key projects (in the long-term perspective – premium shopping centres, mainly in the largest cities in the region; only projects involving very good terms obtained from property developers);
- taking into account the dynamic developments on the commercial retail property market.

The total capital expenditures of the Group in Q1 2009 amounted to PLN 48,800,000 (compared with PLN 56,400,000 in the same period of 2008) for the development and modernisation of retail network and IT/logistics infrastructure.

Significant part of capital expenditures includes openings of new stores and schools, which in Q1 2009 were PLN 19,000,800 compared with PLN 28,700,000 in the same period of 2008.

Other capital expenditures were related to the rearrangement and modernisation of the existing retail network, continued implementation of state-of-the-art IT systems at the Group companies and investments in purchases of IT and multimedia equipment (see the description by segment below).

Investment expenditures	Q1 2009			Q1 2008		
	Total	New outlets	Rearrangement and modernisation, IT/Log projects	Total	New outlets	Rearrangement and modernisation, IT/Log projects
Fashion and Beauty	9 097	7 280	1 818	19 919	11 919	8 000
Media and Entertainment	35 551	11 622	23 929	35 069	16 779	18 290
Total	44 648	18 902	25 746	54 988	28 698	26 290
Centralised EM&F projects	4 160	918	3 242	1 431	-	1 431
Discontinued operations	0	0	0	0	0	0
Total	48 808	19 820	28 988	56 419	28 698	27 721

Capital expenditures in the Fashion & Beauty segment were PLN 9,100,000 in Q1 2009 compared with PLN 19,900,000 in the same period of the previous year.

The expenditures were mainly related to investments in the development of the franchise stores network. In Q1 2009 Maratex opened a total of 4 stores in Russia.

The total retail space of the newly opened stores in this segment of operations was 2205 m².

Other expenditures were related to the renovation and modernisation of the existing stores and implementation of state-of-the-art IT and logistics systems at the segment companies:

- Maratex and Ultimate Fashion group
 - A number of IT solutions were introduced to improve integration with key brand suppliers.
 - Additionally, another stage of implementation was completed of an Oracle Business Intelligence-based platform allowing integrated reporting for all group companies dealing in franchise brands retail sales. Furthermore, consolidation was continued of warehouses and transport services suppliers in Russia and Ukraine. which generated significant savings on warehouse and transport operations costs.
- Optimum Distribution group
 - Another stage of integration of logistics and IT systems of Amersport and Optimum Distribution was completed.
 - Additionally, a number of IT solutions were introduced to improve integration with key group clients (EDI).

Media & Entertainment

Capital expenditures in the Media & Entertainment segment totalled PLN 35,500,000 in Q1 2009 compared with PLN 35,100,000 in Q1 2008.

Majority of the funds were spent for development of the sales network. During the discussed period, 3 new Empik stores were opened in Poland (1 own store in Poznań and 2 partner stores in Łomża and Dębica) and 1 Smyk store in Russia (in Moscow). LSP opened 1 new language school in Poland (in Rybnik). Additionally, 5 new Empik Cafes were opened (in Płock, Koszalin, Warsaw (2) and Konin).

The total retail space of the newly opened stores in this segment was 1 688 m².

Besides incurring expenditures on new stores and modernisation of existing stores, the segment companies continued to implement state-of-the-art IT and logistics systems:

- Smyk group:
 - Subsequent stages of implementation of a modern supply chain for imports of products from China and product distribution have been successfully completed. The Spring/Summer clothes collection will be fully prepared and packaged by producers with a direct division among stores (CROSS DOCK). This generated significant savings on warehouse operations, transport and other expenses related to re-export of goods to Russia and Ukraine. Additionally, the consolidation of deliveries from China has been improved, which generated further savings on sea transport costs.
 - Additionally, the implementation of the new UPOS retail stores software system for the company's operations in Poland was completed. The new system will facilitate customer service and allow the launch of new promotional actions to improve sales.
 - Further, the company continued to implement subsequent stages of an Oracle Business Intelligence-based analytical platform which allows multi-level data analysis; among other developments, it has launched detailed reporting on the imports of merchandise from China.
- Empik group:
 - The company continued to implement subsequent stages of an Oracle Business Intelligence-based analytical platform, a new DHL central warehouse, and improvements to the logistics and IT platform built for the purposes of empik.com.
- LSP group:
 - The company continued to build and implement a new transaction management and CRM system. Additionally, a modern "Virtual school" multimedia IT tool for Internet based teaching was launched.

Material events after the reporting period

New stores

Between 1 April and 15 May 2009, the Group opened **14** stores: 4 Empik stores, 2 Empik Cafés, 1 Smyk store, 1 Speak Up language school and 6 franchise brands stores in Poland.