

# MANAGEMENT BOARD FINANCIAL ANALYSIS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009 AND 30 JUNE 2008

## SELECTED FINANCIAL DATA FOR THE PERIODS

### Q2 2009 vs Q2 2008 AND SIX MONTHS OF 2009 VS SIX MONTHS OF 2008

**Table No 1**

PLN' 000	Q2	Q2	Change	6 months	6 months	Change
	2009	2008	%	2009	2008	%
<b>Net Sales</b>	<b>629 034</b>	<b>490 493</b>	<b>+28,2</b>	<b>1 199 929</b>	<b>918 664</b>	<b>+30,6</b>
<b>EBITDA from core operations*</b>	<b>38 687</b>	<b>40 328</b>	<b>-4,1</b>	<b>52 314</b>	<b>64 045</b>	<b>-18,3</b>
<i>% of sales</i>	<i>6,15%</i>	<i>8,22%</i>		<i>4,36%</i>	<i>6,97%</i>	
<b>EBIT from core operations*</b>	<b>19 200</b>	<b>22 754</b>	<b>-15,6</b>	<b>12 433</b>	<b>30 346</b>	<b>-59,0</b>
<i>% of sales</i>	<i>3,05%</i>	<i>4,64%</i>		<i>1,04%</i>	<i>3,30%</i>	
<b>Net profit form core operations*</b>	<b>15 181</b>	<b>15 388</b>	<b>-1,3</b>	<b>17 552</b>	<b>18 193</b>	<b>-3,5</b>
<i>% of sales</i>	<i>2,41%</i>	<i>3,14%</i>		<i>1,46%</i>	<i>1,98%</i>	
Number of outlets**				652	515	
Net retail area**				265 745	170 139	

\* Excluding financial instruments and share-based incentive scheme valuation.  
\*\* As at June 30, 2009

**Table No 2**

PLN' 000	Q2	Q2	Change	6 months	6 months	Change
	2009	2008	%	2009	2008	%
<b>EBITDA from core operations*</b>	<b>38 687</b>	<b>40 328</b>	<b>-4,1</b>	<b>52 314</b>	<b>64 045</b>	<b>-18,3</b>
<i>% of sales</i>	<i>6,15%</i>	<i>8,22%</i>		<i>4,36%</i>	<i>6,97%</i>	
Share-based incentive scheme valuation	<b>-5 405</b>	<b>-4 344</b>	<b>-24,4</b>	<b>-7 412</b>	<b>-7 974</b>	<b>+7,0</b>
Revaluation of financial instruments	<b>1 751</b>	<b>3 199</b>	<b>-45,3</b>	<b>2 384</b>	<b>11 924</b>	<b>-80,0</b>
<i>Zara + Sephora</i>	<i>3 723</i>	<i>3 199</i>	<i>+16,4</i>	<i>3 309</i>	<i>11 924</i>	<i>-72,2</i>
<i>Other options</i>	<i>-1 972</i>	<i>-</i>		<i>-925</i>	<i>-</i>	
<b>EBITDA</b>	<b>35 033</b>	<b>39 183</b>	<b>-10,6</b>	<b>47 286</b>	<b>67 996</b>	<b>-30,5</b>
<i>% of sales</i>	<i>5,57%</i>	<i>7,99%</i>		<i>3,94%</i>	<i>7,40%</i>	

\* Excluding financial instruments and share-based incentive scheme valuation.

**Table No 3**

PLN' 000	Q2	Q2	Change	6 months	6 months	Change
	2009	2008	%	2009	2008	%
<b>EBIT from core operations*</b>	<b>19 200</b>	<b>22 754</b>	<b>-15,6</b>	<b>12 433</b>	<b>30 346</b>	<b>-59,0</b>
<i>% of sales</i>	<i>3,05%</i>	<i>4,64%</i>		<i>1,04%</i>	<i>3,30%</i>	
Share-based incentive scheme valuation	<b>-5 405</b>	<b>-4 344</b>	<b>-24,4</b>	<b>-7 412</b>	<b>-7 974</b>	<b>+7,0</b>
Revaluation of financial instruments	<b>1 751</b>	<b>3 199</b>	<b>-45,3</b>	<b>2 384</b>	<b>11 924</b>	<b>-80,0</b>
<i>Zara + Sephora</i>	<i>3 723</i>	<i>3 199</i>	<i>+16,4</i>	<i>3 309</i>	<i>11 924</i>	<i>-72,2</i>
<i>Other options</i>	<i>-1 972</i>	<i>-</i>		<i>-925</i>	<i>-</i>	
Impairment charges (Maratex)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-26 115</b>	<b>-</b>	
<b>EBIT</b>	<b>15 546</b>	<b>21 609</b>	<b>-28,1</b>	<b>-18 710</b>	<b>34 297</b>	<b>-154,6</b>
<i>% of sales</i>	<i>2,47%</i>	<i>4,41%</i>		<i>-1,56%</i>	<i>3,73%</i>	

\* Excluding financial instruments and share-based incentive scheme valuation.

**Table No 4**

PLN' 000	Q2	Q2	Change	6 months	6 months	Change
	2009	2008	%	2009	2008	%
<b>Net profit form core operations*</b>	<b>15 181</b>	<b>15 388</b>	<b>-1,3</b>	<b>17 552</b>	<b>18 193</b>	<b>-3,5</b>
<i>% of sales</i>	<i>2,41%</i>	<i>3,14%</i>		<i>1,46%</i>	<i>1,98%</i>	
Share-based incentive scheme valuation	<b>-5 405</b>	<b>-4 344</b>	<b>-24,4</b>	<b>-7 412</b>	<b>-7 974</b>	<b>+7,0</b>
Revaluation of financial instruments	<b>5 739</b>	<b>7 005</b>	<b>-18,1</b>	<b>34 761</b>	<b>14 788</b>	<b>+135,1</b>
<i>Zara + Sephora</i>	3 723	3 040	+22,5	3 103	12 556	-75,3
<i>Maratex + Other options</i>	2 016	3 965	-49,2	31 658	2 231	+1 318,7
Impairment charges (Maratex)	-	-		<b>-26 115</b>	-	
<b>Net profit</b>	<b>15 515</b>	<b>18 049</b>	<b>-14,0</b>	<b>18 786</b>	<b>25 007</b>	<b>-24,9</b>
<i>% of sales</i>	<i>2,47%</i>	<i>3,68%</i>		<i>1,57%</i>	<i>2,72%</i>	

\* Excluding financial instruments, impairment charges and share-based incentive scheme valuation.

Foreign exchange losses had a significant impact on the EMF Group results for six months of 2009. The tables below show the impact of foreign exchange gains/losses and of the dividend received by Empik in H1 2008 on the EMF Group's results.

**Table No 5**

Reconciliation of adjusted results for 6 months 2009 to the reported results			
PLN' 000	6 months 2009 adjusted by forex differences**	6 months 2008 adjusted by forex differences and dividends**	Change %
<b>Net Sales</b>	<b>1 199 929</b>	<b>918 664</b>	<b>+30,6</b>
<b>EBITDA from core operations*</b>	<b>58 534</b>	<b>56 030</b>	<b>+4,5</b>
<i>% of sales</i>	<i>4,88%</i>	<i>6,10%</i>	
<b>EBIT from core operations*</b>	<b>18 653</b>	<b>22 331</b>	<b>-16,5</b>
<i>% of sales</i>	<i>1,55%</i>	<i>2,43%</i>	
<b>Net profit form core operations*+***</b>	<b>28 438</b>	<b>7 986</b>	<b>+256,1</b>
<i>% of sales</i>	<i>2,37%</i>	<i>0,87%</i>	

\* Excluding financial instruments and share-based incentive scheme valuation.  
\*\* Data for H1 2008 was adjusted by dividend received and foreign exchange differences, whereas the data for H1 2009 was adjusted by foreign exchange differences (see also Table no 6 and no 7 below)  
\*\*\* Net profit for 2009 includes gain from tax optimisations of PLN 16.8 million.

**Table No 6**

Reconciliation of adjusted results for 6 months 2009 to the reported results			
PLN' 000	6 months 2009	Forex impact	Adjusted 6 months 2009
<b>Net Sales</b>	<b>1 199 929</b>		<b>1 199 929</b>
<b>EBITDA from core operations</b> <i>% of sales</i>	<b>52 314</b> <i>4,36%</i>	<b>6 220</b>	<b>58 534</b> <i>4,88%</i>
<b>EBIT from core operations</b> <i>% of sales</i>	<b>12 433</b> <i>1,04%</i>	<b>6 220</b>	<b>18 653</b> <i>1,55%</i>
<b>Net profit form core operations</b> <i>% of sales</i>	<b>17 552</b> <i>1,46%</i>	<b>10 886</b>	<b>28 438</b> <i>2,37%</i>

**Table No 7**

Reconciliation of adjusted results for 6 months 2008 to the reported results				
PLN' 000	6 months 2008	Dividends impact	Forex impact	Adjusted 6 months 2008
<b>Net Sales</b>	<b>918 664</b>			<b>918 664</b>
<b>EBITDA from core operations</b> <i>% of sales</i>	<b>64 045</b> <i>6,97%</i>	<b>-9 339</b>	<b>1 324</b>	<b>56 030</b> <i>6,10%</i>
<b>EBIT from core operations</b> <i>% of sales</i>	<b>30 346</b> <i>3,30%</i>	<b>-9 339</b>	<b>1 324</b>	<b>22 331</b> <i>2,43%</i>
<b>Net profit form core operations</b> <i>% of sales</i>	<b>18 193</b> <i>1,98%</i>	<b>-9 339</b>	<b>-868</b>	<b>7 986</b> <i>0,87%</i>

**RETAILSALES NETWORK**

EMF Group continues its regional expansion. However, due to the current macroeconomic situation, and as a result, a smaller number of shopping malls available, the EMF Group has slowed down the rate of expansion of its retail network and develops selective investment projects in shopping malls located in the biggest cities.

In H1 2009, the retail and service network of the EMF Group expanded by 34 new retail and service outlets, with a total net retail area of 14,495 m<sup>2</sup>. Some of these outlets were opened in the fully refurbished Renoma department store in Wrocław (Empik, Smyk, Aldo, Boss, Esprit, Mexx, River Island, and Wallis) and in the prestigious Metropolis shopping mall in Moscow (Esprit, River Island, and Smyk).

The following locations were opened in Poland in H1 2009:

- Empik – 5 own stores (Poznań, Gdynia, Wrocław, 2 stores in Lublin) and 4 partner stores (Łomża, Dębica, Kłodzko and Iława)
- Empik Cafe – 9 cafes (Płock, Koszalin, 3 locations in Warsaw, Konin, Wrocław, Gdynia and Lublin)
- Smyk – 1 store in Wrocław
- Ultimate Fashion – 6 stores in Wrocław (Aldo, Boss, Esprit, Mexx, River Island, Wallis)
- Learning Systems Poland – 3 Speak Up language schools (Rybnik, Kraków, Kielce)

Openings abroad took place as follows:

- Smyk – 1 store in Russia (Moscow),
- Maratex – 5 stores in Russia (2 Esprit stores, Palmers, Hunkemoller, River Island)

At the same time, in H1 2009, the EMF Group, based on an analysis of results to date and financial projections, decided to close 24 locations in the Fashion & Beauty segment (Maratex - 21, Ultimate Fashion - 3) and 9 locations in the Media & Entertainment segment (Empik Polska - 5, Empik Ukraine - 2, Empik café - 1, Empik Foto - 1), which will result in more effective use of resources available to the EMF Group as well as an improvement of the profitability of operations.

#### DEVELOPMENT OF THE EMF GROUP SALES NETWORK IN H1 2009

EM&F Group distribution network	As at June 30, 2009		As at June 30, 2008		Change %	
	Number of outlets	Net retail area	Number of outlets	Net retail area	Number of outlets	Net retail area
<b>Media and Entertainment</b>	<b>427</b>	<b>204 076</b>	<b>290</b>	<b>111 063</b>	<b>137</b>	<b>83,7%</b>
Empik outlets	158	75 678	140	64 749	18	16,9%
Empik Cafe*	59	4 564	-	-	59	
Empik Foto Labs	12	-	15	-	-3	
Language schools	84	-	78	-	6	
Smyk	69	55 020	57	46 314	12	18,8%
Spiele Max	45	68 814	-	-	45	
<b>Fashion and Beauty</b>	<b>225</b>	<b>61 669</b>	<b>225</b>	<b>59 075</b>	<b>-</b>	<b>4,4%</b>
Ultimate Fashion	118	25 693	112	22 866	6	12,4%
Maratex	93	34 717	97	34 818	-4	-0,3%
Amersport	14	1 259	16	1 392	-2	-9,5%
<b>Total</b>	<b>652</b>	<b>265 745</b>	<b>515</b>	<b>170 139</b>	<b>137</b>	<b>56,2%</b>

\*The transaction of the in-kind contribution of cafes to Empik Cafe Sp. z o.o. was registered in December 2008.

EM&F Group distribution network	As at December 31, 2008		As at March 31, 2009	
	Number of outlets	Net retail area	Number of outlets	Net retail area
<b>Media and Entertainment</b>	<b>413</b>	<b>198 389</b>	<b>417</b>	<b>199 527</b>
Empik outlets	156	71 813	155	72 152
Empik Cafe*	51	4 067	55	4 315
Empik Foto Labs	13	-	12	-
Language schools	81	-	82	-
Smyk	67	53 437	68	53 987
Spiele Max	45	69 073	45	69 073
<b>Fashion and Beauty</b>	<b>238</b>	<b>62 515</b>	<b>234</b>	<b>63 357</b>
Ultimate Fashion	115	23 913	113	24 354
Maratex	109	37 343	107	37 744
Amersport	14	1 259	14	1 259
<b>Total</b>	<b>651</b>	<b>260 904</b>	<b>651</b>	<b>262 884</b>

\*The transaction of the in-kind contribution of cafes to Empik Cafe Sp. z o.o. was registered in December 2008.

## SIGNIFICANT AGREEMENTS

On 7 July 2009, a subsidiary of NFI EMF S.A. (the “EMF”), Empik Assets Sp. z o.o., concluded an agreement with Sephora S.A. setting the final price for the sale of shares in Sephora Polska Sp. z o.o. at PLN 99.5m. This agreement was the result of Empik Assets Sp. z o.o. accepting an offer to sell 24% of the share capital of Sephora Polska Sp. z o.o. made by Sephora S.A. in accordance with the conditions of the agreement signed in 2003. This amount was paid to Empik Assets sp. z o.o. in July of 2009. The EMF Group recognised a total profit from the sale of the shares amounting to PLN 10.5m in H1 2009. The profit is the difference between the agreed sale price of PLN 99.5m adjusted by the legal costs related to the transaction and the book value of shares as at 31 December 2008.

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

On 7 July 2009, EMF and its subsidiaries Empik, Smyk, and UF signed a credit facility agreement with BRE Bank S.A. (the “BRE”), pursuant to which BRE granted them a credit facility up to PLN 40m designated for the financing of the development of their commercial network, where the amount of PLN 25m was designated for repayment by EMF of the last tranche of the credit facility granted to EMF by BRE on 17 September 2008. The security for the credit facility is composed of a blank bill of exchange with a bill of exchange agreement provided separately by each of the borrowers. In addition, all borrowers are subject to enforcement proceedings in accordance with the provisions of the banking law. Repayment of the credit facility will take place in 18 equal quarterly instalments, of which the first instalment will be payable after the expiration of the availability period of 6 months from the date on which the agreement was concluded. In addition, on the same day, EMF signed an annex to the underwriting agreement with BRE, pursuant to which the duration of the program was extended from December 2009 to 30 June 2014.

On 31 July 2009, EMF and its subsidiaries Empik and Smyk signed a credit facility agreement with ABN Amro Bank S.A. (the “ABN”), pursuant to which ABN granted them a credit facility of up to PLN 50m to finance the development of their commercial network. Repayment of the credit facility will take place in quarterly instalments commencing in March 2010, and the final repayment of the credit facility is to take place by 30 June of 2012.

## NEW BRANDS, NEW RETAIL FORMATS AND NEW PRODUCT LINES

The achievements of the main companies of the group in H1 2009 have been presented below:

- Smyk:
  - introduction to sale of new Cool Club product lines: Cool Club Baby (for babies and 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 (Smyk’s own brand – Cool Club) into an additional 15 Spiele Max stores in Germany (as at 30 June 2009, Cool Club products were available at 28 Spiele Max stores)

- Empik:
  - introduction of a new product line in Empikfoto.pl – large format printouts
  - new collections of Empik’s own stationery brand involving works by renowned artists of designs commissioned by Empik
- Learning Systems Poland
  - introduction of a new method of learning foreign languages via Internet, the “Virtual School”
- Maratex
  - opening of the first store belonging to the new River Island brand in the prestigious Metropolis shopping centre in Moscow
- Optimum Distribution Polska
  - commencement of sales of new cosmetics brands: Bulgari, Decléor, Carita, Lolita Lempicka
- Amersport
  - 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 the Czech Republic and Slovakia;
  - expansion of distribution of Converse children’s footwear in Smyk store chain in Poland and Germany
  - conclusion of an agreement with JanSport Apparel Corp. for the exclusive distribution of EASTPAK brand products in Poland and for the exclusive distribution of the JANSPORT brand in Slovakia, the Czech Republic, and Ukraine.
  - commencement of wholesale sales of CAT brand accessories in Slovakia and the Czech Republic

### IT AND LOGISTICS ACTIVITIES

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

Subsequent stages of implementation of a modern supply chain for imports of products from China and product distribution and warehousing in the region have been successfully completed in the Smyk group companies. This allowed for significant savings on warehouse operations, sales transactions, transport and other expenses related to re-export of goods to Russia, Ukraine and Germany.

One of the most important undertakings completed in Q2 2009 was the opening of a modern warehouse and distribution centre which will provide logistics services for Smyk goods in Poland and foreign markets.

The pilot launching of solutions automating the flow of goods in stores in Poland (hand-held scanners) was also completed. This solution will be fully implemented in Poland by the end of Q3 2009.

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.

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

One of the most important undertakings completed in Q2 2009 was the launch of a modern product catalogue management (including content) and supplier communication tool. This tool will allow for a significant improvement of the quality of the offer of empik.com and Empik stores in Poland.

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

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

### RESULTS OF THE GROUP OPERATIONS IN H1 2009

#### **Net sales**

Net sales of the EMF Group increased in H1 2009 by 30.6% to PLN 1,199.9m compared with PLN 918.7m for H1 2008 mainly due to double-digit sales growth achieved by the majority of Group companies (including Smyk group companies, language schools and Maratex).

Sales at stores and language schools operating less than 12 months, 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 the EMF Group.

In H1 2009, LTL<sup>1</sup> group stores (excluding franchise stores) recorded “flat” or slightly positive sales growth, whereas in Q2 2009, these stores recorded growth of 2-3%. In the H1 of the year, franchise stores recorded decline in LTL of -6%, and on a quarterly basis of -5%.

LTL language schools, however, recorded a positive sales growth of 16.0% on a half-year basis.

Sales in LTL* group of retail outlets and language schools	Change % H1 2009 vs H1 2008
EMPIK (group of companies)	2%
SMYK (group of companies)	0%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	-6%
LANGUAGE SCHOOLS	16%
<b>TOTAL</b>	<b>0%</b>
SPIELE MAX**	4%

\*Stores and language schools operating for at least 12 months as at 30 June 2009.

\*\*Pro-forma data in local currency as Spielemax revenues are consolidated by the EMF Group as of the beginning of Q3 2008.

Sales in LTL* group of retail outlets and language schools	Change % Q2 2009 vs Q2 2008
EMPIK (group of companies)	3%
SMYK (group of companies)	2%
FASHION / FRANCHISED BRANDS (Ultimate Fashion, Maratex)	-5%
LANGUAGE SCHOOLS	14%
<b>TOTAL</b>	<b>1%</b>
SPIELE MAX**	14%

\*Stores and language schools operating for at least 12 months as at 30 June 2009.

\*\*Pro-forma data in local currency as Spielemax revenues are consolidated by the EMF Group as of the beginning of Q3 2008.

<sup>1</sup> Stores and language schools operating for at least 12 months as at 30 June 2009.

Sales of the EMF Group by market in the region are shown in the table below:

PLN 000	1H 2009	1H 2008	Change % H1 2009 vs H1 2008
<b>Retail distribution</b>			
Poland	727 949	665 199	9,4%
Abroad	349 466	156 900	122,7%
<b>Wholesale distribution</b>			
Poland	96 604	70 897	36,3%
Abroad	25 910	25 668	0,9%
<b>TOTAL distribution in Poland</b>	<b>824 553</b>	<b>736 096</b>	<b>12,0%</b>
<b>TOTAL distribution abroad</b>	<b>375 376</b>	<b>182 568</b>	<b>105,6%</b>
<b>TOTAL</b>	<b>1 199 929</b>	<b>918 664</b>	<b>30,6%</b>

PLN 000	Q2 2009	Q2 2008	Change % Q2 2009 vs Q2 2008
<b>Retail distribution</b>			
Poland	380 345	346 103	9,9%
Abroad	181 957	91 525	98,8%
<b>Wholesale distribution</b>			
Poland	53 854	38 631	39,4%
Abroad	12 878	14 235	-9,5%
<b>TOTAL distribution in Poland</b>	<b>434 199</b>	<b>384 734</b>	<b>12,9%</b>
<b>TOTAL distribution abroad</b>	<b>194 835</b>	<b>105 760</b>	<b>84,2%</b>
<b>TOTAL</b>	<b>629 034</b>	<b>490 494</b>	<b>28,2%</b>

### Sales by segment

Net Sales	6 months 2008	Increase/(decrease) LTL	Sales of NLTL and Development	Profit of acquired companies (Amersport, Spielemax)	(Decrease) in wholesale	Consolidation adjustments	6 months 2009	Change %
Fashion and Beauty	305 687	-13 892	25 447	28 325	-5 120	867	341 314	11,7%
Media and Entertainment	612 977	14 137	75 257	166 819	-853	-9 722	858 615	40,1%
<b>Total</b>	<b>918 664</b>	<b>245</b>	<b>100 704</b>	<b>195 144</b>	<b>-5 973</b>	<b>-8 855</b>	<b>1 199 929</b>	<b>30,6%</b>

Net Sales	Q2 2008	Increase/(decrease) LTL	Sales of NLTL and Development	Profit of acquired companies (Amersport, Spielemax)	Increase/(Decrease) in wholesale	Consolidation adjustments	Q2 2009	Change %
Fashion and Beauty	176 346	-6 178	2 720	11 803	-3 389	3 093	184 395	4,6%
Media and Entertainment	314 147	11 510	35 471	84 507	251	-1 247	444 639	41,5%
<b>Total</b>	<b>490 493</b>	<b>5 332</b>	<b>38 191</b>	<b>96 310</b>	<b>-3 138</b>	<b>1 846</b>	<b>629 034</b>	<b>28,2%</b>

## Fashion & Beauty

Net sales in the Fashion & Beauty segment increased in H1 2009 by 11.7% to PLN 341.3m compared with PLN 305.7m in H1 2008 (in Q2 2009 alone, an increase of revenue by 4.6% to PLN 184.4m was recorded compared with PLN 176.4m in Q2 2008).

Growth in H1 2009 was due mostly to the dynamic development of the network of Maratex franchise stores during the last 12 months (since July 2008 Maratex opened over 20 locations in Russia and Ukraine) and the contribution of companies acquired in 2008 (Amersport).

## Media & Entertainment

Net sales in the Media & Entertainment segment increased in H1 2009 by 40.1% to PLN 858.6m compared with PLN 613.0m in H1 2008 (in Q2 2009 alone, an increase of revenue by 41.5% to PLN 444.6m was recorded compared with PLN 314.1m in Q2 2008).

The high sales dynamic was sustained in all companies operating in this segment. The increase of sales in Empik and Smyk in H1 2009 was 11.5% and 20.7% respectively, while low positive or flat sales growth was maintained in the LTL group of stores. The strong development of stores opened by the segment companies in H2 2008 (18 Empik stores, 7 Smyk stores in Poland and 4 abroad), as well as selective investments made in H1 2009, also contributed significantly to the growth of the sales dynamic. Another significant growth factor was the contribution of the segment revenue from Spielemax, which was acquired in September 2008.

Sales of the network of language schools increased in H1 2009 by 19.6% compared with the same period last year due to the significant contribution of LTL group schools (increase of 16%) and 3 newly opened schools in Poland.

PLN' 000		6 months 2009	6 months 2008	2009 vs 2008 %
<b>Net sales</b>		<b>1 199 929</b>	<b>918 664</b>	<b>+30,6%</b>
	<i>Fashion and Beauty</i>	341 314	305 687	+11,7%
	<i>Media and Entertainment</i>	858 615	612 977	+40,1%
<b>EBITDA from core operations</b>		<b>52 314</b>	<b>64 045</b>	<b>-18,3%</b>
	<i>Fashion and Beauty</i>	7 643	27 467	-72,2%
	<i>Media and Entertainment</i>	41 436	38 661	+7,2%
	<i>Others</i>	3 235	-2 083	+255,3%
PLN' 000		Q2 2009	Q2 2008	2009 vs 2008 %
<b>Net sales</b>		<b>629 034</b>	<b>490 493</b>	<b>+28,2%</b>
	<i>Fashion and Beauty</i>	184 395	176 346	+4,6%
	<i>Media and Entertainment</i>	444 639	314 147	+41,5%
<b>EBITDA from core operations</b>		<b>38 687</b>	<b>40 328</b>	<b>-4,1%</b>
	<i>Fashion and Beauty</i>	4 902	22 502	-78,2%
	<i>Media and Entertainment</i>	32 670	20 230	+61,5%
	<i>Others</i>	1 115	-2 405	+146,4%

## **EBITDA**

In H1 2009, EBITDA from core operations decreased by 18.3% to PLN 52.3m compared with PLN 64.0m in H1 2008. In Q2 2009 alone a small decrease of EBITDA from core operations was recorded, i.e. by 4.1% to PLN 38.7m compared with PLN 40.3m in Q2 2008. The decrease was mainly caused by the significant negative impact of foreign exchange losses, which affected gross margins and operating expenses. Additionally, in H1 2008, Empik received a PLN 9.3m dividend from Sephora Polska, and this dividend has not been paid in H1 2009.

The comparison of the EBITDA from core operations, adjusted by foreign exchange differences and dividends, indicates EBITDA growth in H1 2009 by 4.5% compared with the same period of last year; that is, PLN 58.5m compared with PLN 56.0m (see tables No. 5, 6 and 7).

The EMF Group recorded drop in EBITDA margin from core operations. In H1 2009, the margin was 4.36% compared with 6.97% in H1 2008. The EBITDA margin from core operations adjusted by foreign exchange differences and dividends was 4.88% in H1 2009 compared with 6.1% in the same period of 2008 (see tables No. 5, 6 and 7). In Q2 2009, EBITDA margin from core operations was 6.15% compared with 8.22% in Q2 2008. In addition to the abovementioned factors affecting EBITDA margin, the necessity to decrease margins as a result of adverse market situation also impacted the margin.

In H1 2009, total EBITDA decreased by 30.5% to PLN 47.3m compared with PLN 68.0m in H1 2008. The valuation of financial instruments contributed positively to the total EBITDA, but failed to compensate for the negative impact of the valuation of the share-based incentive scheme. In H1 2008 the valuation of financial instruments was significantly higher than the corresponding value noted in 2009 due to the fact that it included the increase of the valuation of shares in Zara Polska sold by EMF in Q1 2008.

### **Fashion & Beauty**

In H1 2009 EBITDA from core operations in the Fashion & Beauty segment decreased by 72.2% to PLN 7.6m compared with PLN 27.5m in H1 2008 (in Q2 2009 alone, EBITDA from core operations in this segment fell by 78.2% to PLN 4.9m compared with PLN 22.5m in the same period in 2008).

Despite the high growth of sales for the entire segment (11.7% in H1 2009), EBITDA from core operations was affected by the significant decrease of the gross margin (4.7 p.p. in total, with the biggest drop recorded on the Eastern markets) and the negative impact of foreign exchange differences. In addition, the drop in EBITDA in 2009 was caused by the results of stores that are to be closed this year.

### **Media & Entertainment**

In H1 2009, EBITDA from core operations in the Media & Entertainment segment increased by 7.2% to PLN 41.4m compared with PLN 38.7m in H1 2008, whereas in Q2 2009 the EBITDA from core operations in this segment increased by 61.5% to PLN 32.7m compared with PLN 20.2m in Q2 2008. The growth of EBITDA from core operations was mainly affected by the high sales growth of the entire segment (40.1% in H1 2009) and the contribution of Spielemax, which was acquired in September 2008.

## **EBIT**

In H1 2009, EBIT from core operations dropped by 59.0% to PLN 12.4m compared with PLN 30.3m in H1 2008 (in Q2 2009 alone, an EBIT decrease of 15.6% to PLN 19.2m was recorded compared with PLN 22.8m in Q2 2008).

This decrease largely resulted from foreign exchange losses and the dividend of PLN 9.3m received in H1 2008 from Sephora Polska.

The total EBIT in H1 2009 decreased by 154.6% to PLN -18.7m compared with PLN 34.4m in H1 2008. The abovementioned decrease was significantly affected by the goodwill impairment for Maratex in the amount of PLN 26.1m made in Q1 2009. This write-off should be viewed in connection with the financial gain from the revaluation of the EMF liability to purchase minority stake in this company (see comment below).

### *Net profit*

In H1 2009, net profit from core operations was PLN 17.6m compared with PLN 18.2m in the same period of the previous year, whereas in Q2 2009 a net profit from core operations of PLN 15.2m was recorded, i.e. a 1.3% decrease compared with Q1 2008 which was PLN 15.4m.

The comparison of the net profit from core operations adjusted by the effect of foreign exchange differences and dividends indicates its growth in a period of 6 months of 2009 by 256.1%, i.e. to PLN 28.4m compared with PLN 8.0m in H1 2008 (see tables No. 5, 6, and 7).

The total net profit of the EMF Group for H1 2009 decreased by 24.9% to PLN 18.8m compared with PLN 25.0m in 2008. Whereas in Q2 2009 alone, a decrease in net profit by 14.0% to PLN 15.5m was recorded compared with PLN 18.0m in Q2 2008.

The total net profit of the EMF Group for the first six months of 2009 was significantly affected by goodwill impairment for Maratex recorded in Q1 2009 in the amount of PLN 26.1m, compensated in large part by profit from the revaluation of financial instruments recorded in H1 2009, whereas in the corresponding period of last year, profit from the revaluation of financial instruments was recorded in the amount of PLN 14.8m. The decrease of the positive effect of the revaluation of financial instruments on the net profit is due to the sale of shares owned by EMF in Zara Polska, since in H1 2008 the profit from the revaluation of financial instruments of Zara and Sephora was PLN 12.6m, whereas in the corresponding period of this year this amount was PLN 3.1m. The revaluation costs of the share-based incentive scheme were similar in both periods and amounted to approx. PLN 7-8m.

### CAPITAL EXPENDITURES

The total capital expenditures of the EMF Group in H1 2009 amounted to PLN 88.3m compared with PLN 113.0m in the same period of 2008. Expenditures for the opening of new stores and schools totalled PLN 47.8m in this period, while in H1 2008 were PLN 72.7m.

Other capital expenditures in the first six months of 2009 amounted to PLN 40.6m and were related to the store maintenance, rearrangement and modernisation of the existing retail sales network, continued implementation of state-of-the-art IT systems at the EMF Group companies and investments in purchases of IT and multimedia equipment.

<b>PLN' 000</b>						
<b>Capital Expenditure</b>	<b>6 months 2009</b>			<b>6 months 2008</b>		
	<b>Total</b>	<b>New Outlets</b>	<b>Rearrangement and modernisation, IT/Log projects</b>	<b>Total</b>	<b>New Outlets</b>	<b>Rearrangement and modernisation, IT/Log projects</b>
Fashion and Beauty	22 215	18 959	3 256	43 505	38 738	4 767
Media and Entertainment	60 414	27 738	32 676	66 314	33 952	32 362
<b>TOTAL</b>	<b>82 629</b>	<b>46 696</b>	<b>35 932</b>	<b>109 819</b>	<b>72 690</b>	<b>37 129</b>
Centralised EM&F projects	5 704	1 058	4 646	3 166	-	3 166
<b>TOTAL</b>	<b>88 332</b>	<b>47 754</b>	<b>40 578</b>	<b>112 985</b>	<b>72 690</b>	<b>40 295</b>

PLN' 000

Capital Expenditure	Q2 2009			Q2 2008		
	Total	New Outlets	Rearrangement and modernisation, IT/Log projects	Total	New Outlets	Rearrangement and modernisation, IT/Log projects
Fashion and Beauty	13 117	11 679	1 438	23 586	19 906	3 680
Media and Entertainment	24 863	16 538	8 326	31 245	17 173	14 072
<b>TOTAL</b>	<b>37 981</b>	<b>28 217</b>	<b>9 764</b>	<b>54 831</b>	<b>37 079</b>	<b>17 752</b>
Centralised EM&F projects	1 544	140	1 404	1 735	-	1 735
<b>TOTAL</b>	<b>39 525</b>	<b>28 357</b>	<b>11 168</b>	<b>56 566</b>	<b>37 079</b>	<b>19 487</b>

## Fashion & Beauty

Capital expenditures in the Fashion & Beauty segment were PLN 22.2m in H1 2009 compared with PLN 43.5m in the same period of the previous year.

These expenditures were mainly related to investments in the development of the franchise stores network. In H1 2009, Ultimate Fashion increased its sales network by 6 stores in Poland (Aldo, Boss, Esprit, Mexx, River Island, Wallis in Wrocław), while Maratex opened 5 stores in Russia (Esprit, Palmers, River Island – in the Metropolis shopping mall in Moscow; Esprit (Nizhniy Novgorod); Hunkemoller (St. Petersburg).

The total retail space of the newly opened stores in this segment of operations was 3,856 m<sup>2</sup>.

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

## Media & Entertainment

Capital expenditures in the Media & Entertainment segment totalled PLN 60.4m in H1 2009 compared with PLN 66.3m in H1 2008.

Part of the funds was spent for development of the sales network. During the discussed period, 9 new Empik stores were opened in Poland (Poznań, Gdynia, Wrocław, 2 stores in Lublin and 4 partner stores in Łomża, Dębica, Kłodzko and Iława), Empik Café - 9 new cafes (in Płock, Koszalin, Warsaw (3), Konin, Wrocław, Gdynia and Lublin). Additionally, new Smyk stores were opened in Wrocław and Russia (Moscow), one in each location. And LSP opened 3 new language schools in Poland (in Rybnik, Kraków and Kielce).

The total retail space of the newly opened stores in this segment was 10,683 m<sup>2</sup>.

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. Information regarding projects carried out in the area of logistics and IT is presented in the "IT and Logistics Operation" section.

### SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Material events after the reporting period have been described in the "Significant Agreements" section.