

**Condensed interim consolidated financial statements for the
period of nine months ended 30 September 2008**

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

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

Condensed interim consolidated financial statements
for the period of three months ended 30 September 2008

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. Zurawia 8, 00-503 Warsaw, is the parent company of the NFI EMPiK Media & Fashion Capital Group (the “Group”) which comprises subsidiaries held directly and indirectly by NFI EMPiK Media & Fashion S.A. Its principal activities involve retail and wholesale operations in Poland, Russia, Germany, Ukraine, Kazakhstan, Czech Republic, Slovakia and Switzerland. The Group is controlled by EMPiK Centrum Investments S.A. (incorporated in Luxembourg) which owns 59.90% of NFI EMPiK Media & Fashion S.A.’s shares. The ultimate parent company publishing the financial statements of the Group is Eastbridge B.V./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.

The Group operations are organised into the following business segments:

Fashion & Beauty. This segment comprises branded clothing and fashion accessories, products, perfumes and cosmetics; mainly licensed from world market leaders.

Media & Entertainment. This segment comprises books & magazines, recorded music, films, early education, arts & crafts and paper products, games and computer software, photography equipment and products as well as language schools.

Other. This segment includes holding companies within the NFI Empik Media & Fashion S.A. Group.

Additionally, the Group holds shares in the companies owned by NFI Empik Media & Fashion S.A., which were not sold before the date of inverse acquisition. The Group’s intention is to sell these shares in the near future.

A significant part of the Group’s annual revenues was generated in the last quarter, i.e. in the period from October to December. In the period of 9 months 2008 the sales for this period in “Fashion & Beauty” and “Media & Entertainment” segments were respectively 33.9% (in 2007 – 21.8%) and 66.0% (in 2007 – 78.2%) of the annual sales. Due to the high revenues in the last quarter (mainly in December) and higher sales margin in this period, usually with constant operational activity costs, a significant part of the annual core business operational profit is generated in the last quarter of the calendar year.

These condensed consolidated financial statements have been approved by the Management Board of NFI EMPiK Media & Fashion S.A. on 14 November 2008.

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

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

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

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

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

Notes on pages 10 to 43 are an integral part of these interim consolidated financial statements

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

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Definitions

In these consolidated financial statements the following terms are used:

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

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

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

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

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Selected financial data pertaining to operating activities of the NFI Empik Media & Fashion Group for the period of three months ended:

	30 September 2008	30 September 2007	change
	thousand PLN	thousand PLN	%
Net sales	1 443 879	953 291	+51.5
EBITDA from continuing operations*	92 095	51 907	+77.4
<i>% of sales</i>	<i>6.38%</i>	<i>5.45%</i>	
Net profit*	21 256	14 700	+44.6
<i>% of salesy</i>	<i>1.47%</i>	<i>1.54%</i>	
Number of points of sale **	638	343	
Retail space **	276 186	134 134	

* excluding financial instruments and the valuation of the employee option incentive scheme

** as at 30 September continuing operations

Reconciliation of selected financial data for consolidated financial statements for Q ended:

	30 September 2008	30 September 2007	change
	thousand PLN	thousand PLN	%
EBITDA from continuing operations*	92 095	51 907	+77.4
Unrealised profit from financial instruments revaluation (note 5)*	14 745	5 199	
Valuation of employee option incentive scheme (note 3)	(10 887)	(4 178)	
Amortisation, depreciation and impairment write-offs	(53 021)	(32 320)	
Profit from operating activities	42 932	20 609	

* valuation of financial instruments of Zara and Sephora, as at 30.09.2007; this amount also included a loss on disposal of Coffeeheaven shares.

	30 September 2008	30 September 2007	change
	thousand PLN	thousand PLN	%
Net profit*	21 256	14 700	+44.6
Unrealised profit from financial instruments revaluation (notes 5,6)	18 342	3 679	
Valuation of employee option incentive scheme (note 3)	(10 887)	(4 178)	
Net profit	28 711	14 202	

Notes on pages 10 to 43 are an integral part of these interim consolidated financial statements

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* valuation of financial instruments of Zara, Sephora, Paritet-Smyk, Smyk Russia and Maratex with consideration of deferred tax. As at 30 September 2007, this amount also included a loss on disposal of Coffeeheaven shares.

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

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for the period of three months ended 30 September 2008

Consolidated interim income statement

	Note	9 months ended 30 September 2008	3 months ended 30 September 2008	9 months ended 30 September 2007	3 months ended 30 September 2007
		thousand PLN	thousand PLN	thousand PLN	thousand PLN
Net sales		1 443 879	525 215	953 291	332 356
Purchase of goods and changes in inventories		(784 356)	(296 702)	(539 637)	(193 482)
Employee compensation and benefit expenses	3	(260 430)	(89 143)	(172 844)	(57 458)
Marketing expenses		(40 584)	(13 318)	(30 959)	(9 855)
Buildings costs	4	(190 250)	(65 621)	(102 649)	(36 091)
Other operating costs	4	(122 114)	(46 011)	(74 919)	(26 402)
Amortisation, depreciation and impairment changes		(53 021)	(19 322)	(32 320)	(11 994)
Other operational gains – net	5	49 808	13 537	20 646	6 754
Profit from operating activities		42 932	8 635	20 609	3 828
Finance income		2 891	1 917	2 215	488
Finance costs	6	(18 950)	(6 474)	(7 354)	(2 805)
Profit share in associates		9 669	3 658	3 692	1 625
Profit before income tax		36 542	7 736	19 162	3 136
Income tax		(7 831)	(4 032)	(4 960)	(314)
Profit for the year		28 711	3 704	14 202	2 822
Attributable to:					
Shareholders of the Company		28 520	3 946	16 558	4 829
Minority Interest		191	(242)	(2 356)	(2 007)
		28 711	3 704	14 202	2 822
Basic earnings per share attributable to the shareholders of the Group (not in thousands)	7	0.28		0.16	
Diluted earnings per share attributable to the shareholders of the Group (not in thousands)	7	0.27		0.16	

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Consolidated interim balance sheet

	Note	As at	
		30 September 2008	31 December 2007
		thousand PLN	thousand PLN
ASSETS			
Non-current assets			
Property, plant and equipment		483 176	376 505
Goodwill		414 318	314 044
Other intangible assets		58 821	43 160
Investments in associates		26 074	16 380
Deferred income tax assets		13 443	12 745
Derivative financial instruments	8	41 934	24 948
Financial assets available for sale		1	1
Other receivables		106 899	106 686
		1 144 666	894 469
Current assets			
Inventories		531 719	376 090
Trade and other receivables		188 000	191 218
Cash and cash equivalents		78 026	201 621
		797 745	768 929
Total assets		1 942 411	1 663 398
EQUITY AND LIABILITIES			
Capital attributable to the Company's equity holders			
Share capital	9, 10	297 619	289 347
Other reserves		(26 270)	(20 489)
Retained earnings		168 895	139 242
		440 244	408 100
Minority interest		6 218	7 068
Total equity		446 462	415 168
LIABILITIES			
Non-current liabilities			
Other payables		225 546	216 098
Borrowings	11	316 750	64 173
Deferred income tax liabilities		33 291	29 460
		575 587	309 731
Current liabilities			
Trade and other payables		616 835	683 293
Current income tax liabilities		2 594	12 911
Provisions for liabilities		48 734	49 985
Borrowings	11	248 943	188 094
Derivative financial instruments	8	3 256	4 216
		920 362	938 499
Total liabilities		1 495 949	1 248 230
Total equity and liabilities		1 942 411	1 663 398

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

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Consolidated interim statements of changes in equity

	Attributable to the equity holders of the Group			Total thousand PLN	Minority interest thousand PLN	Total equity thousand PLN
	Share capital thousand PLN	Other reserves thousand PLN	Retained earnings thousand PLN			
As at 1 January 2008	289 347	(20 489)	139 242	408 100	7 068	415 168
Cash flow hedges, net of tax	-	744	-	744	-	744
Currency translation differences	-	1 810	-	1 810	2 432	4 242
Net loss recognised in equity	-	2 554	-	2 554	2 432	4 986
Net profit for the period	-	-	28 520	28 520	191	28 711
Total profit/loss recognised in equity	-	2 554	28 520	31 074	2 623	33 697
Minority shareholding from acquisition	-	-	-	-	(3 473)	(3 473)
Employee option incentive scheme						
- value of services provided	-	10 887	-	10 887	-	10 887
- shares exercised	6 477	(6 477)	-	-	-	-
- shares issued	1 795	-	-	1 795	-	1 795
Acquisition-related put options	-	(11 612)	-	(11 612)	-	(11 612)
Reclassification of real estate revaluation due to its sale	-	(1 133)	1 133	-	-	-
Total changes in equity	8 272	(5 781)	29 653	32 144	(850)	31 294
As at 30 September 2008	297 619	(26 270)	168 895	440 244	6 218	446 462

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Consolidated interim statements of changes in equity (cont.)

	Attributable to the equity holders of the Group			Total thousand PLN	Minority interest thousand PLN	Total equity thousand PLN
	Share capital thousand PLN	Other reserves thousand PLN	Retained earnings thousand PLN			
As at 1 January 2007	286 578	(15 732)	55 028	325 874	11 493	337 367
Cash flow hedges, net of tax	-	1 344	-	1 344	-	1 344
Business combinations	-	-	-	-	10 414	10 414
Currency translation differences	-	(3 319)	-	(3 319)	-	(3 319)
Net income recognised in equity	-	(1 975)	-	(1 975)	10 414	8 439
Net profit for the period	-	-	16 558	16 558	(2 356)	14 202
Total profit/loss recognised in equity	-	(1 975)	16 558	14 583	8 058	22 641
Employee option incentive scheme						
- value of services provided	-	4 178	-	4 178	-	4 178
- shares exercised	2 724	(2 724)	-	-	-	-
- shares issued	43	-	-	43	-	43
Total changes in equity	2 767	(521)	16 558	18 804	8 058	26 862
As at 30 September 2007	289 345	(16 253)	71 586	344 678	19 551	364 229

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

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Consolidated interim cash flow statement

	9 months ended	
	30 September 2008	30 September 2007
	thousand PLN	thousand PLN
Profit before income tax	36 542	19 162
Adjustments for:		
Amortisation, depreciation and impairment charges	53 021	32 320
Loss on disposal of property, plant and equipment and intangible assets	1 304	1 634
Financial costs - net	16 059	5 139
Gain on valuation of derivative financial instruments	(14 901)	(11 875)
Loss on disposal of investments and operations	-	6 677
Profit participation in associates	(9 669)	(3 692)
Dividends received	(9 339)	-
Employee option incentive scheme	10 887	3 859
Operational earnings before working capital changes	83 904	53 224
Changes in working capital:		
Inventories	(89 724)	(41 201)
Trade and other receivables	12 123	5 627
Trade and other payables	(114 124)	(34 855)
Cash generated from operating activities	(107 821)	(17 205)
Interest paid	(23 485)	(6 071)
Tax paid	(15 015)	(3 435)
Net cash generated from operating activities	(146 321)	(26 711)
Purchase of property, plant and equipment and intangible assets	(166 352)	(130 731)
Purchase of subsidiaries	(107 194)	(61 679)
Interest received	2 919	199
Interest paid	-	(323)
Dividend received	9 339	-
Financial instruments at fair value through profit or loss	-	42 018
Proceeds from disposal of property, plant and equipment	4 978	8 569
Proceeds from disposal of investments	350	29 406
Net cash generated from investment activities	(255 960)	(112 541)
Proceeds from shares issue	1 795	-
Proceeds from bonds issue	194 300	-
Bank borrowings and loans received	52 181	97 335
Net related party financing	-	37
Repayment of borrowings	(31 654)	(3 770)
Repayment of bonds	(17 100)	-
Net cash generated from financing activities	199 522	93 602
Net increase in cash and cash equivalents	(202 759)	(45 650)
Cash and cash equivalents at the beginning of the period	201 621	125 721
Decrease in cash and cash equivalents	(202 759)	(45 650)

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Effects of exchange rates changes on cash and cash equivalents	(473)	(1 691)
Cash and cash equivalents at the end of the period	(1 611)	78 380
including current account overdraft	(79 639)	(1 989)

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Notes to condensed interim consolidated financial statements (cont.)

1. Accounting policies

These condensed interim consolidated financial statements for the quarter ended 30 September 2008 reflect the consolidated results, assets and liabilities of the NFI EMPiK Media & Fashion Group.

1.1. 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 interim condensed 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". The accounting rules applied during the preparation of the interim condensed consolidated financial statements comply with all relevant accounting policies applied while preparing the consolidated financial statements for the financial year ended 31 December 2007. The interim condensed financial statements should be read in conjunction with the audited consolidated financial statements of the capital group for the year ended 31 December 2007 and notes to the statements.

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

Income tax costs are recognised based on the estimates of the average weighted annual income tax rate expected for a full financial year. For the quarter ended 30 June 2008, the income tax rate was 19%.

All amounts are presented in thousand PLN, unless indicated otherwise.

The preparation of financial statements requires certain estimates and assumptions made by the Management Board, which 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 costs 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, which are not traded on active markets (for example the Sephora and Zara put options) are assessed with the use of valuation techniques. The Group uses a degree of subjective judgement 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, which are not traded in active markets.

Comparable data

a) Presentation of results of valuation of financial instruments in the profit and loss account for the period of nine months ended 30 September 2007 and in the financial statements for the period of nine months ended 30 September 2008.

The Group has changed accounting rules pertaining to the disclosure of results of valuation of financial instruments related to acquisitions of minority stakes valued at fair value (Bukva, Parytet options) in the income statement. During the previous period ended 30 September 2007, the changes in the values of the instruments were recognised in other operating net profit. As at 30 September 2008 the results of the valuation of financial instruments at fair value were presented in financial costs.

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Notes to condensed interim consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

b) *Presentation of provisions for liabilities and receivable and inventory write-downs in the interim consolidated cash flow statement for the period of nine months ended 30 September 2007 and in the financial statements for the period of nine months ended 30 September 2008.*

The Group changed its accounting policies in the scope of the presentation of provisions for liabilities and receivable and inventory write-downs in the cash flow statement. During the reporting period ended 30 September 2007, such write-downs were recognised in the provision item in the operating segment. In the current reporting period, such items are recognised as changes in the working capital.

The change in presentation of valuation of the financial instruments listed above had the following impact on the comparable data presented in the profit and loss account for the period of nine months ended 30 September 2008:

Change

change in presentation of the impact of valuation of financial instruments related to purchase of shares from minority shareholders

recognition in the profit and loss account for the period of nine months ended 30 September 2008

recognition in the profit and loss account for the period of nine months ended 30 September 2007

finance costs in the amount of (PLN 608 thousand)

other operational gains-net in the amount of (PLN 608 thousand)

recognition in the cash flow statement for the period of nine months ended 30 September 2008

recognition in the cash flow statement for the period of nine months ended 30 September 2007

finance costs in the amount of PLN 608 thousand

gain on valuation of derivative financial instruments in the amount of PLN 608 thousand

change in recognition of provisions for liabilities and write-downs

recognition in the cash flow statement for the period of nine months ended 30 September 2008

recognition in the cash flow statement for the period of nine months ended 30 September 2007

change in inventories in the amount of PLN 1 246 thousand

provisions in the amount of (PLN 1 708 thousand)

change in trade and other receivables in the amount of (PLN 731 thousand)

change in trade and other payables in the amount of PLN 1 193 thousand

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Notes to condensed interim consolidated financial statements (cont.)

1.1 Accounting books and financial reporting (cont.)

The above changes did not impact the amounts recognised in equity.

b) Adjustments to comparable data resulting from the receipt of audited financial statements of a subsidiary.

As the result of verification aiming to finally account for the financial data as at the date of assuming control over Maratex Ltd., conducted in part on the basis of audit procedures performed by the auditor of Maratex Ltd. Group (hereinafter “Maratex”) on the consolidated financial statements of Maratex Ltd. Group as at 31 December 2007, the comparable data presented in the interim consolidated financial statements as at 30 September 2008 were adjusted. However, some adjustments resulting in the change of the comparable data referred to economic events which occurred prior to the date of acquisition of Maratex Ltd. and such changes were recognised as a part of the net assets of Maratex Ltd. Group as at the date of acquisition by NFI EMF Group. The changes to the financial data of Maratex Ltd. Group resulting from the verification impacted the amounts presented as comparable data in these interim consolidated financial statements as follows:

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Notes to condensed interim consolidated financial statements (cont.)

	changed 31 December 2007 thousand PLN	approved 31 December 2007 thousand PLN	change thousand PLN
ASSETS			
Non-current assets			
Property, plant and equipment	376 505	376 648	(143)
Goodwill	314 044	291 997	22 047
Other intangible assets	43 160	42 855	305
Deferred income tax assets	12 745	7 997	4 748
Other receivables	106 686	106 684	2
	894 469	867 510	26 959
Current assets			
Inventories	376 090	373 085	3 005
Trade and other receivables	191 218	179 530	11 688
Cash and cash equivalents	201 621	201 621	-
	768 929	754 236	14 693
Total assets	1 663 398	1 621 746	41 652
EQUITY AND LIABILITIES			
Capital attributable to the Company's equity holders			
Other reserves	(20 489)	(22 261)	1 772
	408 100	406 328	1 772
Liabilities			
Non-current liabilities			
Other payables	216 098	216 039	59
Borrowings	64 173	64 175	(2)
Deferred income tax liabilities	29 460	24 501	4 959
	309 731	304 715	5 016
Current liabilities			
Trade and other payables	683 293	654 634	28 659
Current income tax liabilities	12 911	12 432	479
Provisions for liabilities	49 985	44 258	5 727
Borrowings	188 094	188 095	(1)
Total equity and liabilities	1 663 398	1 621 746	41 652

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Notes to condensed interim consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

The main changes resulting from the adjustment of comparable data and a partial determination of the fair value of the net assets of Maratex Ltd. Group as at the date of its acquisition by EMF Group pertained to the following areas:

1. As at 31 December 2007, as a result of the verification of the valuation of the inventory, it was determined that the inventory was undervalued by PLN 3 005 thousand in Maratex books and records. This amount included the deliveries which had not been recorded in the Company's records as well as the items which decreased the value of the inventory (mainly the inventory write-down). Out of the above amount, PLN 2 118 thousand pertained to the transactions conducted prior to the date of acquisition. These changes further resulted in the increase of trade payables above the amounts recognised as at the previous balance sheet date.
2. It was determined that the assumption that the entities cooperating with Maratex as their only business partner are controlled by Maratex in the scope of logistics and capital expenditures, which was adopted while preparing the consolidated financial statement of EMF NFI Group, is ambiguous. Therefore, such entities were excluded from the consolidation of Maratex Ltd. as at 31 December 2007, which resulted in a PLN 11 688 thousand increase of trade receivables and contributed to the increase of trade payables.
3. As a result of the verification of risks related to the operations of Maratex Ltd., provisions for liabilities increased by PLN 5 727 thousand. The increase in provisions resulted mainly from the adjustment of estimates pertaining to the financial risks of settlements and practices applied by Maratex and the estimates of the impact of changes to the distribution network. The change in the estimates of provisions for liabilities in relation to the data as at the date of acquisition increased the goodwill.
4. The provision for deferred tax, which is mainly established for temporary differences between the book value and tax value of non-current assets and intangible assets, has been adjusted by PLN 4 959 thousand. Furthermore, the deferred tax asset has been recognised in the provision for deferred tax.
5. As a result of the verification of net assets final figures as at the acquisition date of Maratex Ltd it was determined that the adjustment to be made, increasing property, plant and equipment to their fair value of PLN 22 290 thousand, which previously was booked to undistributed financial result of Maratex Ltd as at the acquisition date should be disclosed in liabilities and further settled with payments on the acquisition of property, plant and equipment made following the acquisition date. This reclassification resulted in an increase in trade liabilities; an increase in liabilities was recognised in goodwill.

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Notes to condensed interim consolidated financial statements (cont.)

1.1. Accounting books and financial reporting (cont.)

Standards, amendments and interpretations effective in 2008

IFRIC 11 “Group and Treasury Share Transactions”

On 2 November 2006, the International Financial Reporting Interpretations Committee issued IFRIC 11, which is effective for annual periods beginning on or after 1 March 2007. This interpretation provides guidance on:

- how to apply IFRS 2 “Share-based Payments” to treasury share transactions, in which two or more affiliated entities participate; and
- the accounting approach to the following:
 - an entity grants to its employees the right to its equity instruments that may or must be repurchased from a third party in order to comply with its obligations towards employees,
 - an entity or its owner grants to the employees of such entity the right to equity instruments of such entity, provided that the supplier of these instruments is the owner of the entity.

The Group implements IFRIC 11 from 1 January 2008. The above interpretation had no impact on the presented financial data for the previous years.

IFRIC 12 “Service Concession Arrangements”

On 30 November 2006, the International Financial Reporting Interpretations Committee issued interpretation of IFRIC 12, which is effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on how to apply the existing standards by entities that are parties to service concession arrangements made between the public and the private sector. IFRIC 12 refers to the arrangements, under which the ordering party controls what services are provided by the operator using the infrastructure, to whom and at what price.

IFRIC 12 came into effect on 1 January 2008, but as of now it has no impact on the financial statements of the Group.

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

On 9 July 2007, the International Financial Reporting Interpretations Committee issued IFRIC 14, which is effective for annual periods beginning on or after 1 January 2008. This interpretation provides general guidance on how to assess the limit, in line with IAS 19, of the surplus of the fair value of a defined benefit asset above the current value of a defined benefit liability, which can be recognised as an asset. IFRIC 14 also explains how a defined benefit asset or liability may be affected when there is a statutory or contractual minimum funding requirement.

IFRIC 14 came into effect on 1 January 2008, but as of now it has no impact on the financial statements of the Group.

IAS 23 (Amendment) “Borrowing Costs”

On 29 March 2007, the International Accounting Standards Board issued an amendment to IAS 23, which 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.

Pursuant to the decision of the Management Board, the amendment to IAS 23 was introduced to the accounting policies of NFI Empik Media & Fashion S.A. on 1 January 2008.

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

Condensed interim consolidated financial statements
for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

1.1 Accounting books and financial reporting (cont.)

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

IFRS 2 (Amendment) “Share-based Payments”

On 17 January 2008, the International Accounting Standards Board issued an amendment to IFRS 2, which is effective for annual periods beginning on or after 1 January 2009. The amendment deals with two matters: it clarifies that vesting conditions are service conditions and operational performance conditions 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 will implement the amended IFRS 2 from 1 January 2009. The Management Board is currently evaluating the impact of the amendment on the accounting policies of the Group.

IFRS 3 (Amendment) “Business Combinations”

On 10 January 2008, the International Accounting Standards Board issued an amended version of IFRS 3, which applies prospectively to business entities with an acquisition date falling on or after 1 July 2009. The introduced amendments include the possibility to recognise the minority interests either at fair value or as their proportionate interest in the net identifiable assets; the revaluation of any investment in the acquired business held before the acquisition at fair value and its recognition in the income statement, as well as some additional guidelines for applying the acquisition method, inclusive of the treatment of transaction costs as the costs of the period in which they were incurred.

The Group will apply the amended standard as described as soon as it becomes effective, on 1 January 2010. The Management Board is currently assessing the impact of the aforesaid amendment on financial statements of the Group.

IFRS 8 “Operating Segments”

On 30 November 2006, the International Accounting Standards Board issued IFRS 8, which 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 will implement the amended IFRS 8 from 1 January 2009. The Management Board is currently evaluating the impact of the amendment on the accounting policies of the Group.

IAS 1 (Amendment) “Presentation of Financial Statements”

On 6 September 2007, the International Accounting Standards Board issued an amended IAS 1, which 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 will apply the amended version of IAS 1 as at 1 January 2009. The Management Board is currently assessing the impact of the aforesaid amendment on financial statements 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, which 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, on 1 January 2010. The Management Board is currently assessing the impact of the aforesaid amendment on financial statements of the Group.

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Notes to condensed interim consolidated financial statements (cont.)

1.1 Accounting books and financial reporting (cont.)

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

The amendments to IAS 32 and IAS 1 were issued by the International Accounting Standards Board on 14 February 2008 and they 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 will implement the above amendment to the IAS from its effective date, i.e. from 1 January 2009. The Management Board is currently evaluating the impact of the amendment on the accounting policies of the Group.

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

The amendments to IFRS 1 and IAS 27 were issued by the International Accounting Standards Board on 23 May 2008 and they are effective for annual periods beginning on or after 1 January 2009. The amendments allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. Furthermore, the definition of the cost method was removed from IAS 27 and replaced with a requirement to present dividends as income in the standalone financial statements of the investor.

The Group will implement the amendments to IFRS 1 and IAS 27 from 1 January 2009. The Management Board expects that the amendments will not have any material impact on the accounting policies of the Group.

Improvements to IFRS 2008

The International Accounting Standards Board has issued “Improvements to IFRS” - a collection of amendments to 20 International Financial Reporting 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 2009.

The Group will implement the improvements to IFRS in accordance with the interim provisions applicable to the above amendments.

IFRIC 13 “Customer Loyalty Programmes”

On 27 June 2007, the International Financial Reporting Interpretations Committee issued IFRIC 13, which is effective for annual periods beginning on or after 1 July 2008. This interpretation addresses accounting by entities that provide for customer loyalty programmes, such as loyalty cards or loyalty points programmes. 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”.

The Group will apply IFRIC 13 as at 1 January 2009. In the opinion of the Management Board, the interpretation will not impact the financial statements of the Group.

IFRIC 15 “Agreements for the Construction of Real Estate”

IFRIC 15 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and 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 is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue and, accordingly, when revenue from the construction should be recognised.

The Group will implement IFRIC 15 from 1 January 2009. In the opinion of the Management Board, the interpretation will not impact the financial statements of the Group.

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

IFRIC 16 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and 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 currencies of the foreign operation and the parent entity, or 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 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.

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

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Notes to condensed interim consolidated financial statements (cont.)

1.1 Accounting books and financial reporting (cont.)

IFRIC 16 further clarifies how an entity should determine the amounts to be reclassified from equity to profit or loss account for both the hedging instrument and the hedged item when the entity disposes of the investment.

The Group will implement IFRIC 16 from 1 January 2009. The Management Board is currently evaluating the impact of the interpretation on the accounting policies of the Group.

As of the date of the hereby financial statements the above described amendments to IFRS 1, IFRS 2, IFRS 3, IAS 1, IAS 23, IAS 27, IAS 32, IFRIC 13, IFRIC 15, IFRIC 16 as well as interpretations IFRS 2008 are still to be approved by the European Union.

1.2. Basis for preparation

These condensed consolidated financial statements for Q3 ended 30 September 2008 have been prepared under the historical cost convention, except for financial assets and liabilities measured at fair value.

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

1.3. Foreign currency translation

As stated in the consolidated financial statements for the year ended 31 December 2007, the Group is exposed to risks resulting from changes in foreign exchange rates. Changes in the most important exchange rates relevant to the Group's financial situation in the reporting periods are as follows:

Currency	<u>9 months ended 30 September 2008</u>		<u>12 months ended 31 December 2007</u>		<u>9 months ended 30 September 2007</u>	
	Closing rate	Average rate	Closing rate	Average rate	Closing rate	Average rate
EUR	3.41	3.43	3.58	3.78	3.78	3.83
USD	2.37	2.26	2.44	2.77	2.66	2.85
CZK	0.14	0.14	0.13	0.14	0.14	0.14
CHF	2.16	2.13	2.16	2.30	2.28	2.34
UAH	0.47	0.47	0.48	0.55	0.53	0.57
RUB	0.09	0.09	0.10	0.11	0.11	0.11

1.4. Investments in subsidiaries and associates

(1) Subsidiaries and associates

The following are direct and indirect subsidiaries and associates of NFI EMPiK Media & Fashion S.A.:

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for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

1.4 Investments in subsidiaries and associates (cont.)

Name	Location	Activity	30 September	31 December
			2008	2007
			% 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
Esprentino Trading Limited ⁽¹⁾	Cyprus	Special purpose vehicle holding 14% of shares in Magalla Holdings Limited	100.00	100.00
Magalla Holdings Limited ⁽¹⁾	Cyprus	Investment vehicle holding 100% of Buk Investment LLC and 1 share in Bukva Closed Joint Stock Company	100.00	79.00
Buk Investment LLC ⁽¹⁾	Ukraine	Investment vehicle holding 100% less one share in Bukva Closed Joint Stock Company	100.00	79.00
Bukva Closed Joint Stock Company ⁽¹⁾	Ukraine	Operator of bookstores network	100.00	79.00
Polperfect Sp. z o.o. ⁽¹⁾	Poland	Distributor of Polish and international newspapers and magazines	94.00	94.00
Learning Systems Poland Sp. z o.o. ⁽¹⁾	Poland	Operator of language schools	73.97	71.50
LSP Master Sp. z o.o. ⁽²⁾	Poland	The owner of a license for the integrated language school management system	73.97	71.50
Smyk Sp. z o.o.	Poland	Network of children's stores	100.00	100.00
Smyk GmbH ⁽³⁾	Germany	Operator of children's stores network	100.00	100.00
Kids International Sp. z o.o. ⁽³⁾	Poland	Operator of children's stores network	100.00	-
Prolex Services Limited ⁽³⁾ ⁽⁷⁾	Cyprus	Investment vehicle holding 100% of Smyk-Rus Limited	100.00	100.00
Smyk-Rus Limited ⁽³⁾ ⁽⁷⁾	Russia	Operator of children's stores network	100.00	100.00
Madras Enterprises Limited ⁽³⁾	Cyprus	Investment vehicle holding 100% of Paritet – Smyk LLC	80.00	65.00
Paritet – Smyk LLC ⁽⁴⁾	Ukraine	Operator of children's stores network	80.00	65.00
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
Optimum Sport Sp. z o.o. ⁽¹⁰⁾	Poland	Special purpose vehicle holding 100% shares in Amersport Sp. z o.o.	100.00	-
Poland 1 Development Sp. z o.o. ⁽¹⁰⁾	Poland	Special purpose vehicle holding 100% shares in PolaAnd 1 Sp. z o.o. and Soul Sp. z o.o.	100.00	-
Amersport Sp. z o.o. ⁽¹¹⁾	Poland	Trading in clothes and sports footwear	100.00	-
PolAnd 1 Sp. z o.o. ⁽¹²⁾	Poland	Trading in clothes and sports footwear	100.00	-
Soul Sp. z o.o. ⁽¹²⁾	Poland	Trading in clothes and sports footwear	100.00	-

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Notes to condensed interim consolidated financial statements (cont.)

1.4 Investments in subsidiaries and associates (cont.)

Name	Location	Activity	30 September	31 December
			2008	2007
			% share	% share
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 in clothes, footwear and other selected products	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 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⁾⁽⁸⁾	Cyprus	Investment vehicle holding shares of B4 SA, ZAO MARATEX, ZAO BTI Systems and Baza Limited	100.00	100.00
B4 SA ⁽⁶⁾⁽⁸⁾	Switzerland	Franchise operations of Peacock, Esprit etc.	100.00	100.00
BAZA Limited ⁽⁶⁾⁽⁸⁾	Ukraine	Franchise operations of Peacock, Esprit etc.	100.00	100.00
ZAO Maratex (previously ZAO BTI Systems M) ⁽⁶⁾⁽⁸⁾	Russia	Franchise operations of Esprit, Peacocks, Lulu Castagnette etc.	100.00	100.00
TOO BTI Systems M ⁽⁶⁾⁽⁸⁾	Kazakhstan	Franchise operations of Peacock, Esprit etc.	100.00	100.00
OOO BTI Systems M Spb ⁽⁶⁾⁽⁸⁾	Russia	Franchise operations of Peacock, Esprit etc.	100.00	100.00
ZAO BTI Systems ⁽⁶⁾⁽⁸⁾	Russia	Franchise operations of Peacock, Esprit etc.	100.00	100.00
OOO BTI Systems Spb ⁽⁶⁾⁽⁸⁾	Russia	Franchise operations of Peacock, Esprit etc.	100.00	100.00
TOO BTI Systems ⁽⁶⁾⁽⁸⁾	Kazakhstan	Franchise operations of Peacock, Esprit etc.	100.00	100.00
LuxPol Invest S.a.r.l	Luxembourg	Investment vehicle holding 80% of EPCD Sp. z o.o.	75.00	-
EPCD Sp. z o.o. ⁽⁹⁾	Poland	Distributor of selected cosmetics in Poland	60.00	-
EPCD Cz&SK s.r.o.(13)	Czech Republic	Distributor of selected cosmetics in the Czech Republic and Slovakia	60.00	-
Smyk Çocuk Giyim Oyuncak ve Aksesuarları (3)	Turkey	Operator of children's stores network	100.00	-
Spiele Max AG (3)	Germany	Operator of children's stores network	100.00	-
Associates				
Zara Polska Sp. z o.o.	Poland	Franchise operations of Zara	20.00	20.00
Empik Café Sp. z o.o. (14)	Poland	Development of Coffee bars	49.00	-

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for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

1.4 Investments in subsidiaries and associates (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) Subsidiary of Madras Enterprises Limited
- (5) The Group holds 51% of votes of Maratex Limited
- (6) Subsidiaries of Maratex Limited
- (7) The Group holds 75% of shares, however due to the put option held, it consolidates 100%
- (8) The Group holds 43,3% of shares, however due to the put option held, it consolidates 100%
- (9) Subsidiaries of LuxPol Invest S.a.r.l
- (10) Subsidiaries of Optimum Distribution Sp. z o.o.
- (11) Subsidiary of Optimum Sport Sp. z o.o.
- (12) Subsidiaries of PolAnd 1 Development Sp. z o.o.
- (13) Subsidiaries of EPCD Sp. z o.o.
- (14) Associate of Empik Sp. z o.o.

(ii) Subsidiaries

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Found controls another entity.

(ii) Associates

Associates are all entities over which the Found has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are stated at costs (purchase price) less accumulated impairment losses.

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

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Notes to condensed interim consolidated financial statements (cont.)

2. Segment reporting

Primary reporting format – business segments

9 months ended 30 September 2008	<u>Fashion & Beauty</u> thousand PLN	<u>Media & Entertainment</u> thousand PLN	<u>Other</u> thousand PLN	<u>Not allocated</u> thousand PLN	<u>Total Group</u> thousand PLN
Sales*	490 104	953 775	-	-	1 443 879
Profit from operating activities	24 587	14 305	4 040	-	42 932
Finance costs - net					(16 059)
Share of profit in associates	8 831	838	-	-	9 669
Profit before income tax					36 542
Income tax					(7 831)
Net profit					28 711
Total assets	779 938	950 912	68 303	143 258	1 942 411
Total liabilities	(454 389)	(696 201)	(312 064)	(33 295)	(1 495 949)
Other segment information					
Investment expenditures	61 368	99 042	5 942	-	166 352
Amortisation/depreciation of property, plant and equipment and intangible assets	16 928	34 793	422	-	52 143
Impairment charges	556	322	-	-	878
Employee option incentive scheme	-	-	10 887	-	10 887

Other* represents the results of NFI EMPiK Media & Fashion S.A. and EMF Investment Project Sp. z o.o., as well as consolidation adjustments.

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

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Notes to condensed interim consolidated financial statements (cont.)

Segments include mainly property, plant and equipment, intangible assets, investments in associated companies, inventories, trade receivables and other receivables, derivative instruments considered to be a hedge for future commercial transactions, cash and cash equivalents. They do not, however, cover deferred income tax, receivables for the Sephora option, the Zara put option, receivables for the Dior option and financial assets at fair value through profit or loss.

Segments liabilities comprise operating liabilities (including derivative instruments considered to be a hedge for future commercial transactions). They do not cover tax items nor borrowings.

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

Condensed interim consolidated financial statements

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Notes to condensed interim consolidated financial statements (cont.)

2. Segment reporting (cont.)

From Q3 2008 on, activities of the NFI EMF Group on the Russian market fulfilled the criteria for their recognition as a separate activity segment, geographical segment considered by the Group to be of small importance. The amounts relating to activities in individual geographical segments in 2008 are as follows:

Secondary reporting format- geographical areas

9 months ended 30 September 2008	<u>Poland</u> thousand PLN	<u>Russia</u> thousand PLN	<u>Ukraine</u> thousand PLN	<u>Czech Republic and Slovakia</u> thousand PLN	<u>Germany</u> thousand PLN	<u>Other</u> thousand PLN	<u>Not allocated</u> thousand PLN	<u>Total Group</u> thousand PLN
Sales	1 139 453	159 811	75 691	36 289	27 175	5 460		1 443 879
Total assets	1 438 065	104 853	82 959	32 725	102 059	38 492	143 258	1 942 411
Investment expenditures	113 416	36 675	11 239	408	1 297	3 317		166 352

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Notes to condensed interim consolidated financial statements (cont.)

2. Segment reporting (cont.)

9 months ended 30 September 2007	<u>Fashion & Beauty</u> thousand PLN	<u>Media & Entertainment</u> thousand PLN	<u>Other</u> thousand PLN	<u>Not allocated</u> thousand PLN	<u>Group</u> thousand PLN
Sales	207 957	745 334	-	-	953 291
Profit/loss from operating activities	9 497	17 829	(6 717)	-	20 609
Finance costs - net					(5 139)
Share of profit in associates	3 692	-	-	-	3 692
Profit before income tax					19 162
Income tax					(4 960)
Net profit					14 202
Total assets*	660 327	804 256	73 904	124 911	1 663 398
Total liabilities*	(431 187)	(375 390)	(152 449)	(289 204)	(1 248 230)
Other segment information					
Investment expenditures	(41 547)	(87 758)	(1 426)	-	(130 731)
Amortisation/depreciation of property, plant and equipment and intangible assets	5 957	25 809	262	-	32 028
Impairment charges	292	-	-	-	292
Employee option incentive scheme	-	-	4 178	-	4 178

* as at 31 December 2007

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Notes to condensed interim consolidated financial statements (cont.)

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Notes to condensed interim consolidated financial statements (cont.)

3. Employee compensation and benefit expenses

9 months ended 30 September 2008	2008	2007
	thousand PLN	thousand PLN
Wages and salaries	216 752	143 607
Share options granted	10 887	4 178
Social charges	30 208	22 834
Termination benefits (severance payments)	130	28
Other benefits	2 453	2 197
	260 430	172 844

Wages and salaries include revenues from the employee option incentive scheme amounting to PLN 10 887 thousand (2007: PLN 4 178 thousand).

Share based incentive scheme

Options for shares are granted to selected members of the Management Board and employees significant for the Group. Rights to acquire shares are granted within the framework of three programs:

- incentive scheme concerning acquisition of series B ordinary shares based on the subscription warrants of D and E series, implemented on 23 November 2005 for Maciej Dyjas the President of the Management Board;
- incentive scheme concerning acquisition of series D ordinary shares based on the subscription warrants of I, J, K series, implemented on 13 July 2007 for Jacek Bagiński the Member of the Management Board;
- incentive scheme concerning acquisition of series C ordinary based on the subscription warrants of D1, E1, F, G, H series, implemented on 21 November 2007 for the President of the Management Board;
- incentive scheme concerning acquisition of series E ordinary based on the subscription warrants of M, N series, implemented on 15 January 2008 for Ms Ewa Podgórska the Member of the Management Board;
- incentive scheme concerning acquisition of series E ordinary based on the subscription warrants of M series, implemented on 24 April 2008 for Mr Eyal Lahav the President of the Management Board of EMPIK Sp. z o.o. – subsidiary of NFI EMF;
- incentive scheme concerning acquisition of series E ordinary based on the subscription warrants of L series, implemented on 20 May 2008 for Mr Dariusz Stolarczyk the Member of the Management Board;
- incentive scheme concerning acquisition of series E ordinary based on the subscription warrants of L series, implemented on 20 May 2008 for Mr Kjell Berggren the Member of the Management Board.

The Group does not have the legal or customary obligation to redeem or settle the option in cash.

The price of exercising granted options totals:

- nominal share price i.e. PLN 0.1 (not in thousands) with relation to warrants of series A, B, C, C1, D, D1, E, E1, F, G, H granted to Mr Maciej Dyjas;
- series D ordinary shares issue price, i.e. PLN 14 (not in thousands) with a nominal value of PLN 0.1 per share (not in thousands) with relation to warrants of series I, J, K granted to Mr Jacek Bagiński;
- nominal ordinary share price i.e. PLN 0.1 (not in thousands) with relation to warrants of series M, N granted to Ms Ewa Podgórska;
- the market price of shares of NFI EMF during the period of three months ended 31 December 2007 in the case of series L warrants giving the right to subscribe to series E ordinary shares granted to Mr Dariusz Stolarczyk and Mr Kjell Berggren;

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Notes to condensed interim consolidated financial statements (cont.)

- the issue price of series E ordinary shares, equal to PLN 14 (not in PLN thousand), with the nominal value of PLN 0.1 per share (not in PLN thousand) in the case of series M warrants granted to Mr Eyal Lahav.

3. Employee compensation and benefit expenses (cont.)

Options are exercised subject to:

- exercising subscription warrants of series D, D1, F, G, H, I, J, K, L depends on whether the option holder would still render services for the benefit of the Company at the warrant's exercise date;
- subscription warrants of E, E1 series are exercised in the given year in the number given in relation to the calculation based on the achievement of a higher return on earnings (ROE) by the Group. EMF shall issue 37 500 shares for each 1% growth in ROE.

Changes in the number of the existing share options and in the average respective price are as follows (not in thousands):

	2008		2007	
	Average exercise price per 1 share (PLN)	Options	Average exercise price per 1 share (PLN)	Options
As at 1 January	3.97	3 231 973	0.10	939 348
Granted	14.12	500 000	4.69	2 725 000
Exercised	1.33	(568 163)	0.10	(432 375)
As at 30 June/31 December	5.72	3 163 810	3.97	3 231 973

As at 30 September 2008 out of the total number of 3 163 810 issued options 125 000 were exercisable. Options exercised in 2008 resulted in the issue of 568 163 shares (432 375 in year 2007) at a price of PLN 0.10 each (in 2007 – PLN 0.10 each). The average weighted price as at the exercise date was PLN 1.33 (in 2007 – PLN 0.10) for each share.

The expiry dates of rights to shares and exercise prices of the issued options as at the end of the year are as follows:

Rights expiry date	Exercise price per 1 share (PLN))	Shares	
		30 September 2008	31 December 2007
31 January 2008	0.10	-	275 000
31 January 2009	0.10	275 000	275 000
31 May 2009	14.00	125 000	-
30 June 2009	0.10	159 723	206 973
31 January 2010	0.10	275 000	275 000
31 January 2011	0.10	275 000	275 000
31 December 2011	14.00	900 000	900 000
31 December 2011	0.10	60 000	-

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

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Notes to condensed interim consolidated financial statements (cont.)

31 December 2011	22.18	160 000	-
31 January 2012	0.10	275 000	275 000
30 June 2012	0.10	<u>659 087</u>	<u>750 000</u>
		<u>3 101 575</u>	<u>3 231 973</u>

Weighted average fair value of options granted to Ms Ewa Podgórska as part of incentive scheme during the period, based on the Monte Carlo valuation model, amounted to PLN 15.78 per share (in 2007 no options were granted). The more significant input data for the model were: the weighted average price of one share of PLN 16.00 (in 2007 no options were granted) as at the date of granting of the option, the execution price presented above, volatility of rates of return from shares amounting to 56% (in 2007 no options were granted), dividend rate in the amount of PLN 0.25 - PLN 0.66 (in 2007 no options were granted) and annual risk-free interest rate in the amount of zero-coupon yield curve as at the date of granting. The expected volatility of NFI Empik Media & Fashion S.A. shares was determined based on the historical share price volatility for the period from 1 January 2006 to 15 January 2008.

3. Employee compensation and benefit expenses (cont.)

Weighted average fair value of options granted to Mr Eyal Lahar as part of incentive scheme during the period, based on the Monte Carlo valuation model, amounted to PLN 7.01 per share (in 2007 no options were granted). The more significant input data for the model were: the weighted average price of one share of PLN 19.51 as at the date of granting of the option, the price of execution presented above, volatility of rates of return from shares amounting to 44.0%, dividend rate in the amount of PLN 0.25- PLN 0.66 and annual risk-free interest rate in the amount of zero-coupon yield curve as at the date of granting. The expected volatility of shares of NFI Empik Media & Fashion S.A. has been determined on the basis of the historical share volatility during the period from 24 March 2007 to 24 April 2008.

Weighted average fair value of options granted to Mr Dariusz Stolarczyk and Mr Kjell Berggren as part of incentive scheme during the period, based on the Monte Carlo valuation model, amounted to PLN 3.91 per share (in 2007 no options were granted). The more significant input data for the model were: the weighted average price of one share of PLN 19.51 as at the date of granting of the option, the price of execution presented above, volatility of rates of return from shares amounting to 51.7%, dividend rate in the amount of PLN 0.25 – PLN 0.66 and annual risk-free interest rate in the amount of zero-coupon yield curve as at the date of granting. The expected volatility of NFI Empik Media & Fashion S.A. shares was determined based on the historical share price volatility for the period from 1 November 2004 to 20 May 2008.

4. Building costs and other operating costs

In building and other operating costs, the leasing costs equal:

9 months ended 30 September 2008	2008	2007
	thousand PLN	thousand PLN
Operating lease rentals expenses – plant and equipment – other operating costs	3 047	2 050
Operating lease rentals expenses payable to third party – buildings expenses	135 131	69 831
Operating lease rentals expenses payable to related party – building expenses	8 436	8 062

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

Condensed interim consolidated financial statements

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Notes to condensed interim consolidated financial statements (cont.)

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

Other operating costs include: communication costs, IT costs, legal and professional advisory costs, travel and representation, office supplies and stationary, staff training, taxes and fees (including non-deductible VAT), receivable write-downs and bank charges, management fees charged by EMPiK Centrum Investments S.A., Eastbridge B.V./S.a.r.l. and EBG Sp. z o.o.

5. Other operational gains- net

9 months ended 30 September 2008	2008	2007
	thousand PLN	thousand PLN
(Loss)/ Gain on valuation of derivative financial instruments - Sephora option *	(2 495)	4 797
Gain on valuation of derivative financial instruments - Zara option**	17 426	7 686
Gain on valuation of derivative financial instruments - EPCD	772	
Dividend received	9 339	3 600
Loss on sale of shares in Coffeeheaven	-	(6 676)
Damages for termination of agreement***	6 174	-
Other	18 592	11 239
Total other operational gains – net	49 808	20 646
Dividend received		

* loss on Sephora financial instrument as at 30 September 2008 includes the loss on valuation of financial instrument in the amount of PLN 2,237 thousand and translation losses on valuation in the amount of PLN 258 thousand.

** loss on Zara financial instrument as at 30 September 2008 includes the loss on valuation of financial instrument in the amount of PLN 16,210 thousand and translation losses on valuation in the amount of PLN 1,216 thousand.

*** damages revenue (EUR 1.8 million) should be analysed in connection with costs related to that revenue (EUR 0.9 million), which are recognised in other operating costs

6. Finance costs

9 months ended 30 September 2008	2008	2007
	thousand PLN	thousand PLN
Interest expenses:		

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

- bonds	(11 373)	(1 785)
- bank borrowings	(11 572)	(2 998)
- financial lease	(1 949)	(1 950)
Gain/(Loss) on valuation of put option	3 172	(621)
Other, including currency translation losses	2 772	-
Total finance costs	(18 950)	(7 354)

7. Earnings per share

Basic earnings 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 effect caused by the Group management remuneration program (see note 3) was taken into account for the calculation of earnings per share, resulting in a difference in the ratio calculation of PLN 0.01.

9 months ended 30 September 2008	2008	2007
	thousand PLN	thousand PLN
Net profit attributable to shareholders (in thousand PLN)	28 520	16 558
Net profit from conting operations attributable to shareholders (in thousand PLN)	28 520	16 558
Weighted average number of shares - basic	102 972 098	102 586 645
Weighted average number of shares - diluted	103 835 285	102 745 944
Basic earnings per share attributable to shareholders	0.28	0.16
Diluted earnings per share	0.27	0.16

7. Earnings per share (cont.)

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Dilutive share options granted to the Group's management constitute dilutive ordinary shares.

8. Derivative financial instruments

As at	30 September 2008		31 December 2007	
	Assets	Liabilities	Assets	Liabilities
	thousand PLN	thousand PLN	thousand PLN	thousand PLN
Long-term derivative financial instruments				
Zara put option	41 162	-	24 948	-
EPCD put option	772	-	-	-
	41 934	-	24 948	-
Short-term derivative financial instruments				
Forward currency contracts- cash flow hedges	-	3 256	-	4 216
	-	3 256	-	4 216
Total derivative financial instruments	41 934	3 256	24 948	4 216

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

Put option for shares in Zara Polska Sp. z o.o. reflects the fair value assigned to put option resulting from an agreement entered into by and between NFI EMPiK Media & Fashion S.A. and Inditex S.A. on the sale of shares in Zara Polska Sp. z o.o. (Young Fashion Sp. z o.o.). The fair value of the instrument is established either as its potential execution price, i.e. EUR 8 million or current market value of 20% stake in Zara Polska Sp. z o.o. by discounting the value of EBIDTA until the end of 30 September 2008 with a discount rate of 10.44%. In the reporting period, the fair value gain amounted to PLN 16 210 thousand (in 2007: PLN 7078 thousand) and was recognised in "other operational gains- net".

9. Shareholders

As at 30 September 2008 the key shareholders of NFI Empik Media & Fashion S.A. were:

	<u>Number of shares (votes)</u>	<u>Direct shareholding</u>
As at 30 September 2008		
Empik Centrum Investments S.A.	61 794 435	59.90%
Flime Investments S.A.	3 082 674	2.99%

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

9. Shareholders (cont.)

Flime Investment S.A. is related party of Eastbridge B.V./S.a.r.l and EMPiK Centrum Investments S.A. The Company is controlled by EMPiK Centrum Investments S.A. (with its registered office in Luxembourg) which holds 59.90% of shares in NFI EMPiK Media & Fashion S.A. The ultimate parent company publishing financial statements is Eastbridge B.V./S.a.r.l. (a company incorporated in the Netherlands with the principal place of business in Luxembourg). The ultimate controlling party of Eastbridge B.V./S.a.r.l. is Mr Yaron Bruckner.

As at 30 September 2008 the total number of shares of the Fund equalled 103 154 808.

10. Share capital

	<u>Number of shares (not in thousands)</u>	<u>Ordinary shares</u>	<u>Surplus on the sale of shares above the par value</u>	<u>Total</u>
		<u>thousand PLN</u>	<u>thousand PLN</u>	<u>thousand PLN</u>
As at 1 January 2007	102 154 270	10 215	276 363	286 578
Issue of shares - employee option incentive scheme	432 375	43	-	43
Employee shares exercised	-	-	2 726	2 726
As at 1 January 2008	102 586 645	10 258	279 089	289 347
Issue of shares - employee option incentive scheme	568 163	57	1 738	1 795
Employee shares exercised	-	-	6 477	6 477
As at 30 September 2008	103 154 808	10 315	287 304	297 619

The nominal value of one share is PLN 0.10 (not in thousands). The share capital of NFI EMF is 315 480.80 (not in thousands) and is divided into 101 893 645 ordinary A series shares, 981 163 ordinary B series shares, 125 000 ordinary C series shares and 155 00 ordinary E series shares.

During the nine months of 2008, the nominal share capital was increased by PLN 57 thousand by means of the issue of 568 163 shares of PLN 0.10 each.

Shares held by the Management Board

As at 30 September 2008, Mr. Maciej Dyjas, President of the Management Board, held by means of its subsidiary Jonquille Investments Limited 856 163 shares, i.e. 0.83% of share capital of NFI Empik Media & Fashion S.A. In addition, Ms. Ewa Podgórska took up in the reporting period 30 000 shares of NFI Empik Media & Fashion S.A., equivalent of 0.03% of share capital of NFI EMF.

Conditional increase in share capital

On 10 September 2008, the Company received an order of the District Court for the Capital City of Warsaw, Twelfth Commercial Division of the National Court Register, issued on 3 September 2008 on the following changes made by the registration court to the Register of Entrepreneurs:

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

1. implementing a change in nominal value of conditional increase in share capital. The share capital has been conditionally increased by no more than 50 000 PLN by way of issue of no more than 500 000 Series F bearer ordinary shares with a nominal value of PLN 0.10 per share. Following the registration of the change, the extent of the conditional increase of the share capital amounts to PLN 366 383.70.

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

10. Share capital (cont.)

2. implementing a change to the Company's Articles of Association adopted by the Extraordinary General Meeting with resolution no. 4 of 14 July 2008. This change related to Art. 8a, and the adoption of a unified text of the Company's Articles of Association.

11. Borrowings

As at	30 September 2008	31 December 2007
	thousand PLN	thousand PLN
Long-term borrowings		
Financial lease liabilities	19 384	23 846
Bank loans	102 939	25 000
Mid-term debt securities	194 300	15 000
Other	127	327
	316 750	64 173
Current borrowings		
Bank loans	99 758	109 915
Financial lease liabilities	4 504	4 626
Bonds	64 876	71 941
Current account overdraft	79 625	1 612
Other	180	-
	248 943	188 094
Total borrowings	565 693	252 267

Bonds and mid-term notes

	Effective interest rate	Repayable	30 September 2008	31 December 2007
			thousand PLN	thousand PLN
Mid-term debt securities	6M WIBOR + margin	2012	194 300	15 000
Bonds	WIBOR + margin	2008-2009	64 876	71 941
			259 176	86 941

The Group's liabilities under issued bonds and mid-term notes as at 30 September 2008 are as follows:

1) Coupon bonds with a total nominal value of PLN 3.9 million. The bonds interest rate was set at the level of WIBOR 3M + margin. The bonds shall be subject to a one-off redemption at their nominal value with accrued interest on 10 December 2008.

2) Interest-free discount bonds with a total nominal value of PLN 28.1 million. The level of the bond discount was set at the level of WIBOR 12M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 10 December 2008.

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

Condensed interim consolidated financial statements

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Notes to condensed interim consolidated financial statements (cont.)

3) Interest-free discount bonds with a total nominal value of PLN 17.2 million. The level of the bond discount was set at the level of WIBOR + margin. Rolled bonds with maturity of 2 months. The next maturity date is 4 December 2008.

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

11. Borrowings (cont.)

4) 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 with accrued interest on 20 March 2012. Interest shall be paid every 6 months.

5) Coupon bonds with a total nominal value of PLN 7.8 million. The level of the bond discount was set at the level of WIBOR 6M + margin. The bonds shall be subject to a one-off redemption at their nominal value on 1 July 2012. Interest shall be paid every 6 months.

6) Coupon bonds with a total nominal value of PLN 20 million. The level of the bond discount 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.

7) 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 with accrued interest on 29 September 2012. Interest shall be paid every 6 months.

None of the issued bonds is secured.

Bank loans

	Effective tax rate	Repayable	30 September 2008	31 December 2007
			thousand PLN	thousand PLN
Bank loan of 10 mln EUR	EURIBOR 1M + bank margin	30 April 2012	34 232	35 978
Bank loan of 7 mln EUR	EURIBOR + bank margin	3 January 2011	23 858	25 074
Bank loan of 25 mln PLN	WIBOR 1M + bank margin	17 September 2009	25 000	40 000
Bank loan of 30 mln PLN	WIBOR 3M+ bank margin	31 December 2011	30 000	30 281
Bank loan of 1 mln EUR	EURIBOR + bank margin	8 August 2009	3 528	3 528
Bank loan of 2 mln USD	LIBOR + bank margin	14 November 2008	4 731	-
Bank loan of 180 mln RUB	MIBOR + bank margin	5 February 2009	16 868	-
Bank loan of 93 mln RUB	MIBOR + bank margin	16 June 2009	8 715	-
Bank loan of 2 mln EUR	EURIBOR + bank margin	19 June 2009	7	-
Bank loan of 0,25 mln EUR	EURIBOR + bank margin	15 August 2009	1 343	-
Bank loan of 22,5 mln PLN	WIBOR 1M + bank margin	30 June 2014	20 510	-
Bank loan of 1,5 mln EUR	EURIBOR + bank margin	21 June 2009	5 112	-
Bank loan of 4 mln EUR	EURIBOR + bank margin	undetermined	11 247	-
Bank loan of 2 mln EUR	EURIBOR + bank margin	15 September 2009	6 817	-
Bank loan of 0,75 mln EUR	EURIBOR + bank margin	undetermined	2 206	-

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Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

Bank loan of 2,5 mln EUR	EURIBOR + bank margin	15 August 2010	8 523	-
			<hr/>	<hr/>
			202 697	134 915
			<hr/>	<hr/>

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

11. Borrowings (cont.)

Credit facility of EUR 10 million

In 2008, an annex to the agreement came into force, pursuant to which the deadline for the repayment of the loan has been extended to 30 April 2012. The borrowing is secured on receivables from a put option for 24% of shares in Sephora Polska Sp. z o.o.

Credit facility of EUR 7 million

In January 2006, NFI EMF obtained a EUR 7 million credit facility 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 is secured by shares in Zara Polska Sp. z o.o.

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 is to be repaid by the Group until 17 September 2009. The credit facility is secured by guarantees granted by two NFI Empik Media & Fashion S.A. Group companies.

Credit facility of PLN 30 million

As at 30 September 2008, Smyk Sp. z o.o. had a credit liability amounting to PLN 30 million. Credit interest equals WIBOR 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.

Credit facility of PLN 22.5 million

On 12 June 2008, Amersport Sp. z o.o., Optimum Sport Sp. z o.o. and Poland 1 Development Sp. z o.o. signed an investment credit agreement with PEKAO S.A. amounting to 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 12 June 2009.

Credit facility of PLN 150 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 major part of credit will be used to finance the development of the Group distribution network as well as logistic and IT infrastructure. Credit shall be repaid in 20 equal instalments starting from 30 September 2010 until 30 June 2015. As at 30 September 2008, the Company did not use any funds available under this credit agreements.

Other credit facilities

Other credit facilities in the amount of PLN 69 million have been incurred by Maratex Group and Spile Max AG. The repayment dates for such credit facilities do not exceed 12 months from the balance sheet date, with the credit facilities being secured by the inventory of Maratex Ltd. Group and inventory of Spile Max AG respectively.

12. Contingent liabilities and liabilities

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.

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Notes to condensed interim consolidated financial statements (cont.)

2. NFI Empik Media & Fashion Group has also some contingent liabilities arising from the bank guarantees and other guarantees granted by NFI Empik Media & Fashion S.A. upon request of Group's subsidiaries in order to secure rents and trade liabilities of the subsidiaries and other issues arising in the usual course of business. No material liabilities are expected to arise on this account.

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

Condensed interim consolidated financial statements

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Notes to condensed interim consolidated financial statements (cont.)

12. Contingent liabilities and liabilities (cont.)

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% 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 thousand 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 20 000 000. No material liabilities are expected to arise on this account.
4. Under the agreement with Sephora S.A., EMPiK Sp. z o.o. undertakes to indemnify Sephora S.A. for any tax consequences resulting from the agreement, or in the case that any of the lease agreements with respect to the retail stores transferred is terminated prematurely due to actions solely attributable to EMPiK Sp. z o.o. or DTC Real Estate S.A., a related party. Sephora S.A. may seek indemnification from EMPiK Centrum Investments S.A., a shareholder of the Company, up to a maximum amount of EUR 4.5 million if EMPiK Sp. z o.o. is unable to pay such indemnities.
5. On 26 June 2007, NFI Empik Media & Fashion S.A. granted a guarantee to ABN AMRO Bank (Polska) S.A. up to the maximum amount of PLN 36 million due to the extension of a PLN 30 million line of credit. Furthermore, as at 30 September 2008 the liabilities under the guarantees granted by the Fund on account of the liabilities of its subsidiaries, mainly towards their suppliers and lessors, amounted to PLN 73 398 thousand (EUR 23 002 thousand), PLN 237 thousand (USD 100 thousand) and PLN 500 thousand.

13. Related party transactions

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

Eastbridge BV/S.a.r.l. together with its subsidiaries, Flime Investments S.A. and Empik Centrum Investments S.A. (both incorporated in Luxembourg) hold 62.85% of NFI EMPiK Media & Fashion S.A.'s shares.

Eastbridge B.V./S.a.r.l. i Empik Centrum Investments SA and its subsidiaries are considered related parties for the purpose of the consolidated financial statements.

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

As at	30 September 2008	31 December 2007
	thousand PLN	thousand PLN
Receivables from Eastbridge group	473	411
Receivables from other Eastbridge companies	707	2 136
	1 180	2 547
Payables for Eastbridge group	83	83
Payables for other Eastbridge companies	425	219
	508	302

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

Condensed interim consolidated financial statements

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Notes to condensed interim consolidated financial statements (cont.)

14. Business combinations

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

On 3 January 2008, NFI EMF purchased 2.47% of shares in the share capital of Learning Systems Poland Sp. z o.o., for the purchase price of PLN 1 894 thousand. As a result of the transaction, the NFI EMF Group's holding in the share capital of that company increased to 73.97%. The following goodwill arose from that transaction:

	<u>thousand PLN</u>
Consideration paid	
- cash payment	1 894
Total consideration paid	<u>1 894</u>
Fair value of the net liabilities acquired (2.47%)	<u>251</u>
Company goodwill	<u>1 643</u>

The above transaction did not impact Group's income statement.

Acquisition of LuxPol Invest S. a r.l.

On 14 February 2008, NFI Empik Media & Fashion SA took up 75% of shares (i.e. 375 shares with a nominal value of EUR 100 each, with each share giving right to one vote at the general meeting of shareholders) in LuxPol Invest S.a.r.l., a company incorporated under the laws of Luxembourg ("LuxPol"). The shares were acquired directly in relation with the establishment of LuxPol and were taken up by NFI Empik Media & Fashion S.A. for their nominal value, i.e. EUR 37 500. The purpose of LuxPol is to invest in cosmetics sector in Poland, Czech Republic, Slovakia and other countries of the region.

Subsequently, on 12 March 2008 LuxPol purchased 50 shares (with a nominal value of PLN 1 000 per share, with each share giving right to one vote at the general meeting of shareholders) in EPCD Sp. z o.o., a company incorporated under the laws of Poland. The total purchase price for 100% of shares in EPCD Sp. z o.o. paid by LuxPol amounted to EUR 15 838.37. On 19 March 2008, NFI Empik Media & Fashion S.A. purchased one share in EPCD Sp. z o.o. for the nominal value.

which was afterwards sent on 24 April 2008 to LuxPol without the result on this transaction.

On 19 March 2008, EPCD Sp. z o.o. purchased 100% of share capital of EPCD Cz & SK s.r.o., a company incorporated under the laws of Czech Republic, amounting to CZK 200 000. The total purchase price amounted to EUR 11 500. EPCD Sp. z o.o. and EPCD Cz & SK s.r.o. did not conduct operating activities as at the date of their purchase by LuxPol. The objective of this acquisition was to acquire business entities which will carry out an investment agreement described in this paragraph under their structures.

Subsequently, on 24 April 2008, LuxPol and related company of Perfums Christian Dior S.A. entered into an agreement pursuant to which EPCD Sp. z o.o. and its subsidiary EPCD Cz & SK s.r.o. will distribute luxury perfumes and cosmetics on the Polish, Czech and Slovak markets. Additionally, pursuant to that agreement 20% of shares in EPCD Sp. z o.o. were sold to the affiliate of Perfums Christian Dior S.A.

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Condensed interim consolidated financial statements

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Notes to condensed interim consolidated financial statements (cont.)

The transaction resulted in goodwill of PLN 1 418 thousand.

Consideration paid for EPCD Sp. z o.o. and EPCD CZ&SK s.r.o.

- cash payment	1 428
- costs directly related to the acquisition	<u>1 064</u>
Total consideration paid	<u>2 492</u>

Fair value the acquired net assets (75%)

Company goodwill	<u>1 074</u>
	<u>1 418</u>

The above goodwill includes intellectual capital and experience of Perfums Christian Dior S.A., which according to NFI EMF Group contributes to an increase in Dior business on the Polish, Slovak and Czech market.

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

14. Business combinations (cont.)

Between the establishment date of LuxPol and 30 September 2008, revenues taken into account in the Group results, generated by acquired companies: LuxPol, EPCD Sp. z o.o. and EPCD Cz & SK s.r.o. amounted PLN 22 033 thousand. These figures were calculated with the application of the accounting principles adopted by the Group

Acquisition of Ultimate Fashion International Sp. z o.o.

NFI Empik Media & Fashion S.A. acquired 100% of shares, i.e. 100 shares with a nominal value of PLN 500 per share, with each share giving the right to one vote at the general meeting of shareholders, in Ultimate Fashion International Sp. z o.o., a company incorporated under the laws of Poland. The shares were acquired directly in relation with the establishment of Ultimate Fashion International Sp. z o.o. and were taken up by NFI EMF for their nominal value, i.e. PLN 50 000 for all shares. The acquisition was financed out of NFI EMF's own funds. The purpose of Ultimate Fashion International Sp. z o.o. is to conduct wholesale trade in clothes, footwear and other selected products.

During the period from the establishment of the company to 30 September 2008, the revenues recognised in the results of the Group and generated by the company amounted to PLN 420 thousand.

Establishment of Kids International Sp. o.o. and Smyk Cocuc Giyim Oyuncak ve Aksesuarlari Ticaret Limited Şirketi

During the first half of 2008, Smyk Sp. z o.o., a subsidiary of NFI Empik Media & Fashion S.A., established 2 subsidiaries: Kids International Sp. z o.o. and Smyk Children Toys Clothing and Accessories LLC (Smyk Cocuc Giyim Oyuncak ve Aksesuarlari Ticaret Limited Şirketi) in order to prepare the expansion of Smyk chain on the Turkish market. The total value of taken up shares of the above entities amounted to PLN 225 thousand.

The above transaction did not impact the interim financial statements for the period of six months ended 30 June 2008 since the data for the subsidiaries was fully exempt from consolidation.

Acquisition of Amersport Sp. z o.o., Soul Sp. z o.o., PolAnd 1 Sp. z o.o.

On 25 April 2008, Optimum Sport Sp. z o.o., a subsidiary of NFI Empik Media & Fashion S.A., entered into a conditional agreement for purchase of 100% of shares in Amersport Sp. z o.o., PolAnd 1 Sp. z o.o. and Soul Sp. z o.o. (the "Amersport companies"), companies dealing in the distribution of clothes and sports footwear. The companies hold licenses for the Polish, Czech, Slovak, Byelorussian and Ukrainian markets. The closing of the transaction depended on the fulfillment of several conditions precedent. The final agreement for the transfer of shares in Amersport Sp. z o.o., PolAnd 1 Sp. z o.o. and Soul Sp. z o.o. was signed on 2 June 2008 and as the result of its signing, Optimum Sport Sp. z o.o. and PolAnd 1 Development Sp. z o.o., another subsidiary of NFI Empik Media & Fashion S.A., took up shares with a total value of PLN 50 330 thousand. The total purchase price may be adjusted until 30 November 2008 on the basis of the agreed parameters of working capital. Until that date, a part of payment for the acquired shares in the amount of PLN 4 585 thousand shall be kept in escrow account held by Optimum Sport Sp. z o.o.

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Notes to condensed interim consolidated financial statements (cont.)

14. Business combinations (cont.)

Details of the net liabilities acquired and goodwill are presented in the table below:

	<u>thousand PLN</u>
Consideration paid	
- cash payment	43 648
- payment kept in escrow account	4 850
- costs directly related to the acquisition	<u>2 067</u>
Total consideration paid	<u>50 565</u>
Fair value the acquired net assets (100%)	<u>12 028</u>
Company goodwill	<u>38 537</u>

The above goodwill arises from the position gained by the Amersport Companies, which distribute Converse, Caterpillar, Merrell, CAT and AND1 brands, on the Central and Eastern Europe distribution markets, their industry experience, access to suppliers and development potential, which can generate profit in the future on the basis of the NFI EMF Group business model, which cannot be recognised separately as an intangible asset.

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

	<u>Fair value</u> <u>thousand PLN</u>
Cash and cash equivalents	4 176
Intangible assets	34
Non-current assets	5 478
Deferred income tax	620
Inventories	10 126
Receivables	7 123
Liabilities	<u>(15 529)</u>
Total net assets acquired	<u>12 028</u>
Minority Interests (0%)	<u>-</u>
Net assets acquired	<u>12 028</u>

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

	<u>thousand PLN</u>
Purchase consideration settled in cash	(43 648)
Cash and cash equivalents in acquired subsidiary (including current account overdraft)	<u>332</u>
Cash outflow on acquisition	<u>(43 316)</u>

During the period from 2 June to 30 September 2008, the revenues generated by acquired Amersport Companies and recognised in the results of the Group amounted to PLN 23 003 thousand, while the net profit amounted to PLN 4 883 thousand. The above amounts have been calculated in accordance with the accounting policies adopted by the Group.

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Notes to condensed interim consolidated financial statements (cont.)

Acquisition of additional shares in Bukva Closed Joint Stock Company

On 27 May 2008, EMPiK Sp. z o.o., a subsidiary of NFI EMF, finalised the purchase of shares in Magalla Holdings Limited, with its registered office in Cyprus, from minority shareholders, i.e. purchased the remaining 21% of

14. Business combinations (cont.)

shares. Magalla Holdings Limited is a special purpose vehicle which owns, through investment company Buk Investment LLC, 100% of shares in Bukva Closed Joint Stock Company, which operates a network of bookstores.

As a result of the transactions, EMPiK purchased from the previous minority shareholders, i.e. Teroba Trading Limited and Davidson Distribution LLC, a total of 600 shares with a nominal value of EUR 1.71 (one euro seventy-one cents) each. The total cost of acquisition amounted to USD 2 350 thousand. The purchase of the above shares in Magalla Holdings Limited was financed out of EMPiK's own funds.

Details of the net liabilities acquired and goodwill are presented in the table below:

	<u>thousand PLN</u>	<u>thousand UAH</u>
Consideration paid		
- cash payment	5 159	
- costs directly related to the acquisition	<u>239</u>	
Total consideration paid	<u>5 398</u>	
Fair value of the net liabilities acquired (21%)	1 901	
Company goodwill	<u>3 497</u>	<u>9 216</u>

The acquisition of additional shares in Bukva Closed Joint Stock Company does not influence the consolidated income statement of the Group.

Acquisition of additional shares in Paritet Servis-Retail

On 11 June 2008, Smyk Sp. z o.o., a subsidiary of NFI EMF, purchased, from a subsidiary of Mr Kirill Lewin, 15% of shares in the share capital of Madras Enterprise Limited ("Madras"), with its registered office in Cyprus, for the price of USD 2 400 thousand. Madras holds 100% of shares in Paritet Servis-Retail, which operates two stores offering baby and mother products in Ukraine. As a result of the transaction, the Group's holding in the share capital of Paritet Servis-Retail increased by 15%, from 65% to 80%.

Details of the net liabilities acquired and goodwill are presented in the table below:

	<u>tys. PLN</u>	<u>tys. UAH</u>
Consideration paid		
- cash payment	5 293	
- costs directly related to the acquisition	<u>24</u>	
Total consideration paid	<u>5 317</u>	
Fair value of the net liabilities acquired (15%)	2 052	
Company goodwill	<u>3 265</u>	<u>7 808</u>

The acquisition of additional shares in Madras does not influence the consolidated income statement of the Group.

The acquisition of Maratex Limited

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Notes to condensed interim consolidated financial statements (cont.)

On 28 September 2007, the Group purchased 794 690 shares in Maratex Limited with its registered seat in Cyprus ("Maratex") with a par value of CYP 0.01 per share, amounting to 43.3% of shares in the share capital and giving the right to 51% in the total number of votes. NFI EMF acquired the said shares through the purchase of 550 594 newly issued shares in the increased share capital of Maratex and through the purchase of existing shares from two existing shareholders: 128 472 shares were acquired from Mint Capital II LP and 115 624 shares from another shareholder being a natural person. The total consideration paid for the shares amounted to EUR 15 788 413.

14. Business combinations (cont.)

Furthermore, NFI EMF shall acquire one share in the share capital of Maratex for an amount not lower than EUR 1 071 250 (liability arising from the adjustment of the purchase price). The amount was taken into account in the estimation of the company's goodwill created as a result of the acquisition.

Maratex Ltd. Group operates, through its subsidiaries, a chain of 100 fashion stores, situated in Russia, Kazakhstan and Ukraine. The stores operate under franchise agreements signed with the owners of several European brands.

As at 31 December 2007, the cost of acquisition and fair value are accounted for provisionally, in accordance with Section 62 of IFRS 3. The acquisition will be finally accounted for in the third quarter of 2008.

As at 30 September 2008, the acquisition of Maratex Ltd Group was finally settled. The following assets and liabilities were created due to the acquisition settlement:

	<u>Fair value before change</u> thousand PLN	<u>Fair value after change</u> thousand PLN	<u>difference</u>
Cash and cash equivalents	39 318	41 464	2 146
Intangible assets	658	694	36
Property, plant and equipment	23 962	25 878	1 916
Inventories	33 072	36 995	3 923
Receivables and other assets	23 897	30 155	6 258
Long-term credit facilities and loans	(1 229)	(2 126)	(897)
Provisions	(44 219)	(51 265)	(7 046)
Short-term credit facilities and loans	(16 955)	(17 879)	(924)
Trade and other payables	(54 917)	(85 448)	(30 531)
Total net assets	<u>3 587</u>	<u>(21 533)</u>	<u>(25 120)</u>
Minority interests (0%)	-	-	-
Net assets/liabilities acquired	<u>3 587</u>	<u>(21 533)</u>	<u>(25 120)</u>

The adjustments to the acquisition-date fair value of the net assets of Maratex Ltd. Group resulted from the following events:

1. The net assets denominated in EUR have been converted at the average exchange rate at the National Bank of Poland as at the acquisition date, i.e. 29 August 2007. In the financial statements as at 31 December 2007, the net assets were recognised at the average exchange rate at the National Bank of Poland as at the end of 2007. The adjustments to cash, intangible assets, receivables and other assets, trade liabilities and other current

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Notes to condensed interim consolidated financial statements (cont.)

liabilities and credit facilities and loans resulted only from the use of a different exchange rate for the conversion of the net assets.

2. The adjustments to non-current assets and inventory resulted from the change in exchange rate (as discussed above) as well as the adjustment to write-downs of such assets.
3. The adjustments to non-current assets and inventory resulted from the change in exchange rate (as discussed above) as well as the adjustment to write-downs of such assets.
4. The adjustments to provisions resulted from the change in exchange rate (as discussed above) as well as the adjustment to provisions, as described in item 1.1 of these financial statements.

As a result of the acquisition, the following information was presented concerning acquired net liabilities and the company goodwill:

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Notes to condensed interim consolidated financial statements (cont.)

14. Business combinations (cont.)

	<u>thousand PLN</u>	<u>thousand EUR</u>
Consideration paid		
- cash payment	59 641	
- costs directly related to the acquisition	5 588	
- cost of acquisition adjustment liability		
- put option liabilities	<u>193 647</u>	
Total consideration paid	<u>258 876</u>	
Fair value of the acquired net assets (100%)	<u>(21 533)</u>	
Company goodwill	<u>280 409</u>	<u>74 231</u>

The changes resulting from the changes in the balance-sheet data of Maratex Ltd were presented in the comparable data of the items presented in the balance-sheet of NFI EMF Group prepared as at 30 September 2008.

As a result of the acquisition, the following information was presented concerning acquired net liabilities and the company goodwill:

	<u>thousand PLN</u>	<u>thousand EUR</u>
Consideration paid		
- cash payment	59 641	
- costs directly related to the acquisition	5 588	
- cost of acquisition adjustment liability		
- put option liabilities	<u>193 647</u>	
Total consideration paid	<u>258 876</u>	
Fair value of the acquired net assets (100%)	<u>(21 533)</u>	
Company goodwill	<u>280 409</u>	<u>74 231</u>

Due to the adjustment to the value of net assets by PLN 25 120 thousand and the adjustment to the cost of acquisition by PLN 3 073 thousand, resulting from incurring additional costs related to the acquisition of Maratex Group in the amount of PLN 761 thousand, and the lack of cost of acquisition adjustment liability, goodwill increased by PLN 22 047 thousand.

The value of the company goodwill results from significant position of Maratex on the Russian, Ukrainian and Kazakhstan markets, its access to suppliers and development potential, which can generate profit in the future on the basis of the Empik business model, which cannot be recognised separately as an intangible assets.

Fair value of the acquired net liabilities is equal to their carrying amount.

	<u>thousand PLN</u>
Purchase consideration settled in cash	(59 641)
Cash and cash equivalents in subsidiary acquired	<u>41 464</u>
Cash outflow on acquisition	(18 177)

The final settlement of the acquisition of Maratex shares does not influence consolidated income statement of the Group.

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

Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

14. Business combinations (cont.)

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, running a network of specialist shops for children in Germany. This transaction was finalised on 12 September this year. 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. Total purchase price amounted to EUR 12 358.7 thousand and included EUR 2 500 thousand as a conditional payment to be finally settled following the end of 2008, being the basis for the calculation of the conditional payment. Furthermore, NFI EMF incurred direct costs of merger amounting to PLN 3 871 thousand.

NFI EMF recognises shares acquired as a long-term investment. Below is presented estimated information on acquired net liabilities and goodwill:

	<u>thousand PLN</u>
Consideration paid	
- cash payment	41 834
- costs directly related to the acquisition	4 144
Total consideration paid	<u>45 978</u>
Fair value of the net liabilities acquired (15%)	<u>(4 882)</u>
Company goodwill	<u>50 860</u>

The above goodwill results from the 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 settlement of the acquisition price and determination of fair values was not completed and was roughly estimated, pursuant to IFRS 3 Par. 62, because the work on the conversion of books of Spiele Max AG to IFRS was not accomplished as at the date of the present financial statements.

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

	<u>Fair value</u> <u>thousand PLN</u>
Cash and cash equivalents	5 928
Property, plant and equipment	13 217
Intangible assets	574
Inventories	56 676
Receivables	3 566
Payables	(84 842)
Total net assets	<u>(4 882)</u>
Net assets acquired	<u>(4 882)</u>

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

thousand PLN

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Condensed interim consolidated financial statements

for the period of three months ended 30 September 2008

Notes to condensed interim consolidated financial statements (cont.)

Purchase consideration settled in cash	(41 834)
Cash and cash equivalents in subsidiary acquired	<u>2 042</u>
Cash outflow on acquisition	(39 792)

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Notes to condensed interim consolidated financial statements (cont.)

14. Business combinations (cont.)

In the period between 2 and 30 September 2008, revenues disclosed in the Group results, generated by the acquired Spiele Max AG Group amounted to PLN 19 353 thousand. In September 2008, Spiele Max AG generated a net loss of PLN 856 thousand. These figures were calculated with the application of the accounting principles adopted by the Group.

15. Post balance sheet events

The Management Board of NFI Empik Media & Fashion S.A. increased a total amount of the bond program to total amount of PLN 300 million. On 13 October 2008, the Company signed relevant annexes to the agency, dealer and sale guarantee agreement with BRE Bank S.A. concluded on 5 December 2007.

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Additional information

The 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 INFORMATION	thousand PLN		thousand EUR	
	9 months ended 30 September 2008	9 months ended 30 September 2008	9 months ended 30 September 2008	9 months ended 30 September 2008
I. Net sales	1 443 879	953 291	421 605	248 813
II. Operating gain (loss) from continuing operations	42 932	20 609	12 536	5 379
III. Gain (loss) before income tax	36 542	19 162	10 670	5 001
IV. Net gain (loss)	28 711	14 202	8 383	3 707
V. Cash generated from/(used in) operating activities	(146 321)	(26 711)	(42 725)	(6 972)
VI. Net cash generated from/(used in) investing activities	(255 960)	(112 541)	(74 739)	(29 374)
VII. Net cash from financing activities	199 522	93 602	58 259	24 431
VIII. Total net cash flows	(202 759)	(45 650)	(59 205)	(11 915)
IX. Total assets	1 942 411	833 855	569 906	232 920
X. Liabilities and provisions for liabilities	1 495 949	482 748	438 914	134 846
XI. Non current liabilities	575 587	74 912	168 878	20 925
XII. Current liabilities	920 362	407 836	270 036	113 921
XIII. Equity	446 462	340 888	130 993	95 220
XIV. Share capital	297 619	289 347	87 322	80 823
XV. Number of shares	103 154 808	102 586 645	103 154 808	102 586 645
XVI. Basic earnings per share (in PLN/EUR)	0.2783	0.1384	0.0813	0.0361
XVII. Diluted earnings per share (in PLN/EUR)				
XVIII. Book value per share (in PLN/EUR)	4.33	3.32	1.27	0.93
XIX. Diluted book value per share (in PLN/EUR)				
XX. Dividend per share (in PLN/EUR)				