Attachment to Resolution No. 6/06/2009/RN

Brief Assessment of the Situation of NG2 S.A. in the 2008 Financial Year

/Accepted by the Supervisory Board of NG2 S.A. on 15 June 2009/

Pursuant to Chapter III Section 1 (1) of the Good Practices of WSE-Listed Companies, the Supervisory Board of NG2 S.A. submits a brief assessment of the Company's situation, including the evaluation of the risk management and internal control systems in the Company. That assessment was made on the basis of documents provided by the Management Board, discussions held during meetings of the Supervisory Board attended by the Management Board, as well as by reliance on financial statements and business reports of the Management Board subject to audit by the Statutory Auditor.

1. Implementation of the Corporate Strategy and Mission

The strategy of triple brand diversification was consistently pursued throughout 2008, whereupon NG2 S.A. now manages three autonomous distribution channels in Poland: chain of CCC official stores – the best recognizable footwear stores brand in the target segment of average-income customers, the own chain of QUAZI boutiques which as positioned higher and the chain of BOTI stores – the offer for the least affluent customers. As the outcome of the adopted strategy of organic development, at 31 December 2008 NG2 S.A. operated the network of 571 retail outlets, including 403 own outlets, namely 228 CCC official stores in Poland, 33 QUAZI boutiques and 142 BOTI own stores. The very dynamic development of the BOTI chain merits special attention. During 2008, 76 own stores were added to the chain.
The sale area in own stores grew to 94,000 m² (i.e. by 32%).
The effectiveness of the current strategy is confirmed by the financial performance of the Company. The Company focused on increasing the share of own stores in its revenue, at the cost of franchising stores. Under that strategy, the Company strengthened its market position in 2008 by occupying new attractive locations in shopping centres and by expansion in those regions where its presence was weaker. The strengthening of its market position also consisted in the delivery of advertising campaigns in the media, sports sponsorship, unifying the internal arrangement and outside advertising in the retail outlets.

2. Financial Highlights

In 2008, NG2 S.A. earned sales revenue of PLN 748,113,000, i.e., 41% more than in the corresponding period of the previous year. The share of retail sales in total sales was PLN 576,642,000 (77.1%), wholesale was PLN 156,550,000 (20.9%) and other sales – PLN 14,921,000 (2%). The intensive expansion and development of own retail outlets allowed the Company to generate high profitability and growth rate of its revenue.

Operating expenses grew by 37.1% during the financial year under consideration, when compared to the preceding period. Since revenue grew faster than expenses, the sales result generated by the Company in 2008 was 66% better than in 2007.

The gross earnings in 2008 were of PLN 370,918,000 were subject to the income tax of PLN 21,228,000. Consequently, the net profit for 2008 was PLN 88,072,000 which means that it grew by 137.8% on 2007.

The improvement of financial performance was reflected in the growth of profitability ratios:

- ROA from 12.57% to 18.62%;
- ROE from 21.99% to 34.33%.

The Company's balance sheet in 2008 totalled PLN 472,922,000. The balance sheet total grew by 60.4% on the previous year. On the side of assets, that growth was mainly stimulated by the dynamic increase in current assets (68.16%), including inventories (116.43%). The increase in inventories is the effect of development of the sales network, the development of the retail chain in particular. The development of the sales network with investments on opening new retail outlets is also reflected in the increase of fixed assets (46.82%). On the side of liabilities, material items include the growth of liabilities by 71.3%, including current liabilities by PLN 77,446,000, concurrent liabilities by PLN 12,618,000. The increase in liabilities was caused by the growing share of loan capital in funding of the operations of NG2 S.A. The quick ratio grew when compared to the last year's figure. The increase in inventories during 2008 let to the reduction of the current ratio when compared to its figure for 2007.

The Supervisory Board finds that the overall situation of the Company in 2008 was very good. The Company achieved revenue and profits in line with its expectations. In the judgment of the Supervisory Board, thanks to the existing strategy, reasonable cost policy, financial security based on loan agreements, combined with the high profitability and high growth dynamics, the Company does not need to fear any slowdown of its development despite the market downturn.

3. Evaluation of the Market Risk Management System at the Company in 2008

The Supervisory Board reviewed the risk management system of NG2 S.A. as detailed in the Management Board's report on capital operations of NG2 S.A. in 2008, in section with description of material risk factors and threats and identification of the degree of the Issuer's exposure to them.

The main types of market risk to which the Company is exposed include:

- Risk of exchange rate fluctuations;
- Risk of interest rate movements;
- General economic situation in Poland and worldwide;
- Seasonability of sales and weather conditions;
- Location of retail outlets; and
- Fashion trends and failed collections.

The management of market risk, financial liquidity and credit risk exposure of the Company and the compliance with policies endorsed in that respect are the responsibility of the Management Board. The Supervisory Board finds that the Company has analysed foreign currency markets on the ongoing basis, actively managed its financial liquidity which is understood as the ability of timely repayment of liabilities and raising funding for its daily operations and investment needs, which satisfies the relevant functional requirements.

4. Evaluation of the Internal Control System

The Company operates a multi-level system of internal control which is supposed to counteract efficiently and to eliminate quickly any irregularities. The internal control system covers all areas and organisational units of the Company. At the same time, they maintained in full the requirement of self-control by employees and functional control exercised at all levels of management as a part of their coordination and oversight duties which satisfy the relevant functional requirements.

Polkowice, 15.06.2009