



ANNUAL MANAGEMENT REPORT ON THE OPERATIONS OF NG2  
S.A. GROUP  
FOR 01.01.2009 - 31.12.2009

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**1.****1. General information**

<b>Name of the Parent:</b>	NG2 Spółka Akcyjna
<b>Registered office of the Parent:</b>	Polkowice
<b>Address:</b>	ul. Strefowa 6, 59-101 Polkowice
<b>Telephone:</b>	+42 (076) 845 84 00
<b>Telefax:</b>	+42 (076) 845 84 31
<b>Electronic mail:</b>	<a href="mailto:ng2@ng2.pl">ng2@ng2.pl</a>
<b>Website:</b>	<a href="http://www.ng2.pl">www.ng2.pl</a>
<b>Registration:</b>	District Court for Wrocław –Fabryczna in Wrocław, 9 <sup>th</sup> Commercial Division of the National Court Register.
<b>KRS (National Court Register) No.:</b>	0000211692
<b>Regon (Statistical number):</b>	390716905
<b>NIP (Tax identification number):</b>	692-22-00-609
<b>Scope of activity:</b>	The Group's core activities are, pursuant to the European Classification of Activity, wholesale and retail trade of clothing and footwear (ECA 5142).

NG2 S.A. has been listed on Giełda Papierów Wartościowych S.A. (Warsaw Stock Exchange) in Warsaw since 2004.

**2. Overview of basic economic and financial measures, set forth in the annual financial statements, in particular description of factors and events, including those of extraordinary nature, having a significant impact on the Issuer's activity, profits made and losses incurred during the financial year, along with the description of development prospects of the Issuer's activity at least for a period of the next financial year.**

As at 31 December 2009 the sales network of NG2 S.A. Group comprised 692 stores, which included:

- 254 CCC outlets (as at 31.12.2008 – 228 outlets),
- 51 QUAZI boutiques (33 – as at 31.12.2008)
- 213 BOTI own stores (142– as at 31.12.2008)
- 136 franchised stores – 72 CCC outlets and 64 BOTI stores (as at 31.12.2008 – 95 CCC and 73 BOTI).
- 38 CCC outlets in the Czech Republic (as at 31.12.2008 – 25 outlets).

The retail space in our own stores located in Poland and the Czech Republic increased to 128,100 m<sup>2</sup> (102,400 m<sup>2</sup> as at 31.12.2008), i.e. by 25.1%.

Basic measures and economic and financial indicators are set forth in tables below.

**Table 1. Basic economic and financial measures of NG2 S.A. Group**

Measure	(in thousands PLN)	(in thousands PLN)	change in %
net sales revenue	922 408	754 281	22,29
gross profit on sales	481 202	405 339	18,72
operating profit (EBIT)	108 159	131 916	-18,01
gross profit	99 677	122 201	-18,43
net profit	83 603	102 463	-18,41
equity	340 209	295 157	15,26
liabilities and provisions	210 916	196 440	7,37
non-current liabilities and non-current provisions, of which:	81 361	13 823	488,59
-non-current bank loans and credit facilities*	80 000	12 500	540,00
current liabilities and current provisions, of which:	129 555	182 617	-26,06
current bank loans and credit facilities*	39 986	95 901	-58,30
Total assets	551 125	491 597	12,11
tangible assets	209 908	184 506	13,77
current assets	341 217	307 091	11,11
inventories	242 693	230 471	5,30
current receivables	37 629	61 262	-38,58

\*detailed information on loans taken out are presented in note 15 of the financial statements

In 2009 NG2 S.A. Group reached PLN 922,408,000 PLN of sales revenues. which is 22.29 % more than in the parallel period of the previous year. Revenue from retail sales reached PLN 801,639,000 against PLN 612,276,000 in 2008 (increase of 30.93%). In the same period revenue from franchise sale and other sale (wholesale) reached PLN 120,769,000 PLN, which means a decrease of 14.95% over the previous year. Change of revenue sources structure is in conformity with the strategy of the Group's development. In the future we expect further growth of share of retail sale in the total amount of revenues.

Lower dynamics of gross profit from sales (18.72% year over year), compared to sale revenues, is a consequence of weakening of PLN towards USD and EUR. In 2009 72% of purchased goods (in value terms) were imported. Despite the fact of renegotiating the price of delivery, the gross margin on sales in 2009 was about 1.5 % lower than in 2008 (52.2% 2009, 53.7% - 2008).

Within the described period of time, selling and administrative costs increased by 36.41% compared to the prior year. Increased retail space lease and remuneration expenses were the key components accounting for the increase in selling costs. Increase in the encumbrances arising from the abovementioned reasons results from development of sales structure (greater number of employees, growth of retail space) and additionally, when it comes to lease expenses, from weakening of PLN towards EUR (most of the rents are expressed in EUR). The ratio of selling and administrative

expenses to sales revenue increased to 0.41 (0.36 – in 2008) and still remains on the level characteristic of the companies operating in the retail sales sector.

Decrease in margin and the described increase in selling costs entailed a decrease in operating profit by 18.01% (year over year).

The balance sheet of NG2 S.A. Group as at 31 December 2009 reached, both in assets and equity and liabilities, the amount of PLN 551,125,000. Balance sheet total increased by 12.11% as against 31 December 2008.

This increase in the non-current assets was due mainly to the dynamic growth of property, plant and equipment (14.35%) related to development of sales network. Material changes in current assets include an increase in cash and cash equivalents up to PLN 60,895,000 (15,358,000 at the end of 2008) and a decrease in receivables by PLN 23,633,000

Material changes in liabilities were caused by the growth of liabilities arising from non-current loans up to the amount of PLN 80,000,000 (PLN 12,500,000 – 31.12.2008) while there was a decrease in liabilities arising from current loans to the amount of PLN 39,986,000 (PLN 95,901,000 – 31.12.2008). Increase in 'trade and other payables' to PLN 81,297,000 – 31.12.2009, (PLN 73,217,000 - 31.12.2008) is caused mainly by the growth of trade liabilities connected with the scale of activity.

Changes in financing structure have positively influenced liquidity measures.

**Table 2. Profitability ratios**

Measure	2009 (%)	2008 (%)	change in %
gross profit margin on sales	52,17	53,74	-2,92
operating profitability (EBIT margin)	11,73	17,49	-32,93
gross profitability	10,81	16,20	-33,27
net profitability	9,06	13,58	-33,28
asset profitability (ROA)	15,17	20,84	-27,21
equity profitability (ROE)	24,57	34,71	-29,21

Definitions:

- gross profit margin on sales** – the ratio of gross profit on sales to revenue on sales,
- operating profitability (EBIT margin)** – the ratio of operating profit to revenue on sales,
- gross profitability** – the ratio of gross profit to revenue on sales,
- net profitability** – the ratio of net profit to revenue on sales,
- assets profitability (ROA)** – the ratio of net profit to assets,
- equity profitability (ROE)** – the ratio of net profit to equity,

During the reporting period there was a decrease in profitability ratios.

**Table 3. Liquidity measures**

Measure	2009	2008	change in %
current liquidity ratio	2,63	1,68	56,55
quick liquidity ratio	0,76	0,42	80,95
Days inventory ratio	196	185	5,95
Days receivables ratio	20	30	-33,33
Days liabilities ratio	36	31	-16,13

Definitions:

- current liquidity ratio** – the ratio of total current assets to current liabilities and current provisions,

- b) **quick liquidity ratio** – the ratio of total current assets less inventory to current liabilities and current provisions,
- c) **Days inventory ratio** – the ratio of average amount of inventory to cost of goods multiplied by number of days in a particular period,
- d) **days receivables ratio** – the ratio of average trade and other receivables to revenue on sale multiplied by the number of days in a particular period,
- e) **days liability ratio** – the ratio of average trade payables to the cost of goods multiplied by the number of days in a particular period,

**Table 4. Debt and gearing ratios**

Measure	2009 (%)	2008 (%)	change in %
share of own funds in financing current assets (%)	99,70	96,11	3,74
equity to non-current assets ratio	162,08	159,97	1,32
debt ratio	38,27	39,96	-4,23
long-term debt ratio	14,76	2,81	425,27
short-term debt ratio	23,51	37,15	-36,72
debt to equity ratio	62,00	66,55	-6,84

Definitions:

- a) **share of own funds in financing current assets** – the ratio of equity to current assets,
- b) **equity to non-current assets ratio** – the ratio of equity to non-current assets,
- c) **debt ratio** – the ratio of total liabilities and provisions to assets,
- d) **long-term and short-term debt ratio** – the ratio of long-term and short-term liabilities, as well as long-term and short-term provisions, respectively, to balance sheet total
- e) **liabilities towards equity ratio** – the ratio of total liabilities and provisions at the end of the period to equity.

The Management Board of NG2 S.A. highly values Company's ability to meet the liabilities incurred.

### 3. Description of essential risk and threats factors and defining to what extent the Companies of the Group are exposed to them.

In the opinion of the Management Board of the Parent, activity of Companies of NG2 S.A. Group is exposed to the following external factors:

- Exchange rate fluctuations. Considering the fact that the Companies of NG2 S.A Group receive almost all of their revenue in PLN, while most of the expenses incurred are in foreign currencies, the exchange rates of USD and EUR (actually almost the entire import of the Group is denominated in those currencies as well as substantial percentage of lease expenses) will exert an influence on expenses structure, potential change of supply sources and recognition of translation differences through profit or loss. Since from last year the main supply market for NG2 S.A. Group is the Chinese market, the exchange rate of the Chinese currency against major world currencies remains crucial. Its appreciation may worsen the conditions at which goods are imported. Some of the expenses caused by fluctuations of exchange rates may be passed on to consumers.
- Interest rate fluctuations. NG2 S.A. Group is exposed to the risk of interest rate volatility in relation to concluded credit facility agreements. The credit facilities are charged variable interest based on WIBOR. Increased interest rates will affect the amount of interest paid by the Parent on credit facilities.
- Credit risk The risk is related to uncertainty whether the receivables will be settled and when. Wholesale activities of NG2 S.A. Group include sales with deferred term of payment, which means that the Group is exposed to the risk of financing recipients. In order to keep the position of the leader on the footwear market, NG2 S.A. Group uses trade crediting, which additionally enhances the value of the Company from the perspective of wholesale contracting parties.

- The overall economic situation in Poland. The major part of NG2 S.A. Group revenue is generated in Poland, which is why purchasing power of domestic customers as well as their willingness to consumption is essential for the Group. Worsening of economic situation in Poland may have an adverse influence on performance and financial situation of the Issuer, and the whole Group in consequence.
- The overall economic situation in the Czech Republic. Some part of NG2 S.A. Group revenue is generated in the Czech Republic, which is why purchasing power of Czech customers as well as their willingness to consumption is important. Worsening of economic situation may have an adverse influence on performance and financial situation of the subsidiary and the whole Group.
- Seasonality of sales and weather conditions. Sales and inventories are dependent on the seasonality of demand (peak of demand occurs in spring and autumn). Disturbance of weather conditions can result in postponing shopping decisions by the customers or shortening the season of the greatest sale. The solution which enables NG2 S.A. Group to lower its susceptibility to seasonal and weather factors is possessing own production capacity. The Group is able to suit the production quickly and deliver to the stores the goods that meet the customers expectations and are convergent with current weather conditions.
- Points of sale location. Strengthening of the market position due to dynamic development of outlets may entail the risk of wrong store location, as well as with the limited number of new attractive locations.
- Fashion trends and unsuccessful collections. NG2 S.A. Group is exposed to the risk connected with unsuccessful footwear collections. The solution allowing limitation of that risk is long-term market experience of the Parent, constant observation of European and global fashion trends (participation in international shoes fairs in i.a. Milan, Riva del Garda, Dusseldorf).

The Management Board of NG2 S.A. Group informs that, within the reporting period, none of the factors or non-standard events exerting influence on the activity of the Group have occurred.

**4. Indication of pending court proceedings, arbitrary proceedings before competent authority or public administration proceedings.** The Companies of NG2 S.A. Group are not a party to any court proceedings with the disputable object exceeding 10% of the Group equity.

**5. Information on basic products, goods or services, along with quantitative and estimative description, share of each products, goods and services (if they are material) or their groups in the total sale of the Group, as well as changes within this scope during the financial year.**

The business activity of the Companies of NG2 S.A. Group encompasses the following basic areas:

- retail and wholesale of footwear within own franchise distribution network,
- import of goods form Asia and Europe,
- retail and wholesale of accessories and small clothing accessories,
- lease of retail space.

Sales structure of NG2 S.A. Group according to value and volume is presented in the following tables.

**Table 5. Sales structure of NG2 S.A.**

CATEGORY	2009		2008	
	thousands PLN	% share	thousands PLN	% share
Footwear	879 987	95,4	735 928	97,6



Other	42 421	4,6	18 353	2,4
<b>Total</b>	<b>922 408</b>	<b>100,0</b>	<b>754 281</b>	<b>100,0</b>

The "Other" item includes i.a. revenues from sale of bags, components used in footwear production, accessories and small clothing accessories and from re-invoiced expenses of premises lease.

**Table 6. Volume and value of sales of footwear in NG2 S.A. Group.**

CATEGORY	2009		2008	
	Volume in thousands pcs.	Value in thousands PLN	Volume in thousands pcs.	Value in thousands PLN
Footwear for women	8 599	575 056	7 686	473 270
% share	55,77	65,35	54,6	64,3
Footwear for men	2 576	172 941	2 717	158 688
% share	16,70	19,65	19,3	21,6
Footwear for children	4 245	131 990	3 677	103 991
% share	27,53	15,00	26,1	14,1
<b>Total</b>	<b>15 420</b>	<b>879 987</b>	<b>14 079</b>	<b>735 928</b>
% share	100,0	100,0	100,0	100,0

Footwear for women, which constitutes 65.35% of the footwear sales value in 2009, is dominant in the structure of sales of NG2 S.A. Group. In the reporting period, NG2 S.A. Group sold more than 15m pairs of shoes.

**6. Information on markets, broken down into domestic and foreign markets and information on sources of supply with materials, goods and services, along with defining the dependence on one or more recipients and suppliers.**

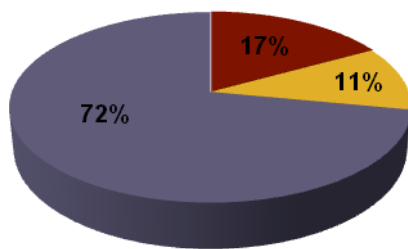
In 2009 the share of retail sale in the total sales was 86.91% (81.17% in 2008). Development of own points of sales is an essential factor improving the profitability of business activity because of acquiring a higher margin on the retail trade. In the case of franchise stores a lower wholesale margin is executed by the Parent. Sales structure of NG2 S.A Group is presented in table 7.

**Table 7. Sales structure of NG2 S.A. Group according to distribution channels.**

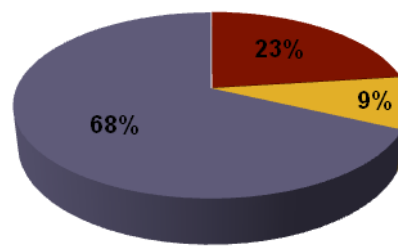
CATEGORY	2009		2008	
	thousands PLN	% share	thousands PLN	% share
Retail sale	801 639	86,91	612 276	81,17
Franchise sale and other	120 769	13,09	142 005	18,83
<b>Total</b>	<b>922 408</b>	<b>100,0</b>	<b>754 281</b>	<b>100,0</b>

**Drawing 1 Main sources of supply of goods of NG2 S.A. Group (in value).**

**Struktura terytorialna zakupów w 2009**



**Struktura terytorialna zakupów w 2008**



■ produkcja własna  
■ inni dostawcy krajowi  
■ import

Legend:

Sales by geographical region in 2009

Sales by geographical region in 2008

Own production

Other domestic suppliers

Import

Sources of supply of NG2 S.A. Group are: domestic suppliers, own factory and import. Supply structure (domestic, import) remains at a fixed level. Depending on the economic conditions the Group is able to change the foreign source of supply quickly. Footwear imported from China comes from dozens of manufacturers.

**7. Information on concluded agreements essential for the Group's activity, including agreements between shareholders (partners) known to the Issuer, insurance agreements, co-operations and collaborations.**

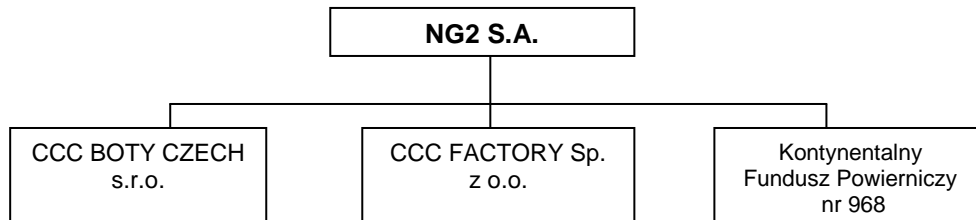
On 10.03.2009 NG2 S.A. together with Bank Handlowy S.A. concluded a cooperation agreement on the sale of bonds by the Issuer, according to which Bank Handlowy holds the position of Agent, Paying Agent, Dealer and Depository. Bond Issue Programme, specified in the agreement, provides for multiple issue of Issuer's bonds, with maturity period from 1 to 5 years. Maximum value of the Programme is PLN 100,000,000. The agreement has been concluded for the period of 5 years or to the date of complete buyout of all bonds issued within the Programme, whichever of the dates comes

first. Expenses arising from the concluded agreement, with which the Issuer is charged, do not differ from market conditions of that type of agreements.

On 23 December 2009 NG2 S.A. entered into an agreement with Polska Agencja Rozwoju Przedsiębiorczości (PARP) on funding under action 4.4. New investments of high innovative potential of priority axis 4 *Investments in innovative undertakings Innovative Economy Operational Program for 2007-2013*. The subject-matter of the agreement is granting the Issuer the funding for the carrying out of the "Implementation of Innovative Technology of Shoes Storing and Distribution" project. The value of the agreement, i.e. the amount of funding from PARP is PLN 38,800,000 which constitutes 40% of the total amount of expenses qualified to be covered by the funding. Pursuant to the provisions of the agreement, period of eligibility for the expenses of the Project begins on 01.10.2009 and ends on 30.09.2011. Provisions of agreement with PARP are in compliance with the standards binding for this type of agreements.

**8. Information on organizational and capital connections of the Issuer with other entities and specifying its main domestic and foreign investments (securities, financial instruments, intangible assets and real estate), including capital investments made outside the group of affiliated entities along with the description of methods of financing them.**

NG2 S.A. is the Parent in the NG2 Group. The organizational structure of NG2 S.A. Group is as follows:



In the first half year of 2007 the Company acquired a tangible asset (air plane) worth of PLN 10,728,000. Pursuant to appropriate agreements, Kontynentalny Fundusz Powierniczy (Continental Trust Fund) with a registered seat in the USA was set up, to the benefit of which the abovementioned tangible asset was transferred constituting its sole property.

NG2 S.A. became the Fund Beneficiary by acquiring 100% of rights to the property placed in the Fund. Pursuant to relevant agreements any rights to dispose of the property of the Fund are on the Beneficiary, which is confirmed by the certificate received by the Company.

The Management Board of NG2 S.A. knows of no encumbrances established on the Fund's property. Kontynentalny Fundusz Powierniczy does not prepare financial statements, as it is not required by the law of the USA. The Trustee will, at each request of the Beneficiary, provide a written confirmation of what type of property was transferred for administration. Property valuation will be made according to International Accounting Standards (IAS).

**Table 8. Affiliated entities as at 31.12.2009.**

Subsidiaries of NG2 S.A.	Participation in share capital of the subsidiary (%)	Nominal value of shares
CCC Factory Sp. .z o.o.	100	15 036 000 PLN
CCC Boty Czech s.r.o.	100	75 000 000 CZK
Kontynentalny Fundusz Powierniczy nr 968	100	10 USD

**9. Information on material transactions concluded by the Issuer or its subsidiary with affiliated entities on the terms and conditions other than market terms and conditions, along with their amounts and information defining the character of the transactions.**

According to the Issuer's knowledge such abovementioned transactions were not concluded.

**10. Information on agreements, concluded and terminated within the given financial year, on loans and receivables, providing at least their amount, type and interest rate, currencies and maturity period.**

In the reporting period, NG2 S.A. executed the following agreements on loans and borrowings in the PLN currency:

- working capital facility in ING Bank Śląski S.A. in the amount of PLN 50,000,000 with interest calculated based on WIBOR + bank margin, with the expiry date 29.01.2012.
- revolving credit and overdraft facility in Bank Handlowy S.A., with interest calculated based on WIBOR + bank margin

The objects of the revolving credit agreement is granting a credit for a period from 10.03.2009 to 9.03.2011. The amount of the credit is:

- 1/ PLN 60,000,000 in the period from 10.03.2009 to 30.09.2009,
- 2/ PLN 55,000,000 in the period from 1.10.2009 to 31.12.2009,
- 3/ PLN 50,000,000 in the period from 1.01.2010 to 31.03.2010,
- 4/ PLN 45,000,000 in the period from 1.04.2010 to 30.06.2010,
- 5/ PLN 40,000,000 in the period from 1.07.2010 to 30.09.2010,
- 6/ PLN 35,000,000 in the period from 1.10.2010 to 31.12.2010,
- 7/ PLN 30,000,000 in the period from 1.01.2011 to 9.03.2011.

The objects of the overdraft facility agreement is granting a credit for a period from 10.03.2009 to 9.03.2010. The amount of the credit is:

- 1/ PLN 30,000,000 in the period from 10.03.2009 to 31.05.2009,
- 2/ PLN 40,000,000 in the period from 1.06.2009 to 31.08.2009,
- 3/ PLN 30,000,000 in the period from 1.09.2009 to 30.11.2009,
- 4/ PLN 40,000,000 in the period from 1.12.2009 to 26.02.2010,
- 5/ PLN 30,000,000 in the period from 27.02.2010 to 9.03.2010.

In the current financial year, CCC Factory Sp. z o.o. executed:

- an overdraft facility agreement with Bank Handlowy S.A. with a limit of PLN 5,000,000. The overdraft facility is charged interest based on WIBOR + bank margin and expiry date is 7.05.2010.
  - a borrowing agreement of PLN 8,500,000 with MGC Inwest Sp. z o.o., which was repaid on 3.11.2009. The interest of PLN 117,710 was repaid on 5.11.2009.
- Information on borrowings granted in the given year, taking into account in particular borrowings granted to the Issuer's related entities, with provision of at least the amount, type and amount of interest rate, currency and due date thereof.**

*During the reporting period CCC Factory Sp. z o.o. granted a borrowing of PLN 8,500,000 to Cuprum Arena MGC Inwest Sp. z o.o. Sp. Komandytowa, which was repaid on 2 November 2009. Interest of PLN 126,090 was paid on 3 November 2009.*

**12. Information on furnished and received sureties and guarantees in the given accounting year, taking into account in particular sureties and guarantees granted to the Issuer's related entities.**

On 31 March 2009 NG2 S.A. concluded a mandate contract with Bank Zachodni WBK SA on granting a limit on bank guarantees. The Bank undertook to furnish payment guarantee in PLN and/or EUR, with term of validity of up to 1 year, from the date of signing the contract to 31 March 2010. The limit amount was:

- PLN 10,000,000 for guarantees furnished in PLN, and
- EUR 4,240,000 for guarantees furnished in EUR.

After 31 March 2010 the limit will correspond to the sum of non-expired guarantees furnished as part of this limit. The remaining terms of the concluded contract are not different from market terms applied in the case of such contracts.

In addition, NG2 S.A. made a surety for a loan granted to an entity related to CCC Factory Sp. z o.o. via Bank Handlowy S.A. The terms of the loan are described in 10.

**13. Explanations of differences between the financial results disclosed in the annual report and the previously published result forecasts for the given year.**

No forecasts for results for 2009 were published.

**14. Rating, with justification, as to the management of financial resources, taking into account in particular the capacity of repaying the incurred liabilities, and determination of possible threats and actions which the Group undertook or intends to undertake in order to counteract such threats.**

The NG2 S.A. Management Board gives a high rating of the capacity of NG2 S.A. Group to repay the incurred liabilities. According to the Management Board, the achieved cash flow level and the achieved financial results will allow maintaining the liquidity ratios at a level enabling proper operation of the Group Companies. In addition, in order to counteract possible threats the Group is continually diversifying the sources of working capital.

**15. Rating of the capacity to accomplish contemplated projects, including equity investments, in comparison with the amount of the possessed funds, taking into account possible changes in the structure of financing this activity.**

NG2 S.A. Group intends to finance investment undertakings with own funds and foreign capital (increasing the value of foreign debt). The Issuer's Management Board believes that no major threats currently occur which could negatively affect the accomplishment of contemplated projects in the future. At the current level of the achieved results, the Group has the possibility to use the effect of financial leverage in a broader scope.

**16. Evaluation of the factors and unusual events affecting the result on activity for the accounting year, with determination of the extent to which those factors or unusual events affect the achieved result.**

No unusual events affecting the result on activity occurred in the period covered by the report.

**17. Changes in the basic principles of managing the Issuer's enterprise and its group.**

No changes in the basic principles of managing the enterprise and group were introduced in the period covered by the report.

**18. Any and all contracts concluded by the Issuer and management persons, providing for compensation in the case they resign or are released from the held position without an important reason or if their dismissal or release is due to the combination of the Issuer by acquisition.**

Members of the Management Board are employed on the employment contract basis governed by the Labour Code.

**19. Value of remunerations, prizes or benefits, including those arising from motivational or bonus schemes based on the Issuer's equity, including schemes based on bonds with pre-emptive rights, substitute, subscription warrants (in cash, kind or any other form), paid out, due or potentially due to each of the Issuer's managing and supervising persons in the issuer's enterprise.**

Remunerations of the Issuer's managing and supervising persons received between 1 January and 31 December 2009 and between 1 January and 31 December 2008 are presented in the tables below.

**Table 9. Remunerations of managing persons**

Position/function Full name	gross amount (in PLN) 2009	gross amount (in PLN) 2008
President of the Management Board - Dariusz Milek	487,500	264,744
Vice-President of the Management Board - Lech Chudy	384,800	223,856
Vice-President of the Management Board - Mariusz	384,800	223,479
Vice-President of the Management Board - Piotr	384,800	9,691
<b>Total</b>	<b>1,641,900</b>	<b>721,770</b>

\* Mr Piotr Nowjalis has held the function of Vice-President since 16 December 2008

**Table 10. Remunerations of supervising persons**

Position/function Full name	gross amount (in PLN) 2009	gross amount (in PLN) 2008
Chairman of SB – Henryk Chojnacki	24,000	24,000
Member – Rafał Chwast	18,000	17,523
Member – Wojciech Fenrich*	9,143	-
Member – Martyna Kupiecka	18,000	18,000
Member – Paweł Tamborski	18,000	18,000
Member – Marek Wiza**	8,929	18,000
Member – Włodzimierz Olszewski	-	472
<b>Total</b>	<b>96,072</b>	<b>95,995</b>

\* Mr Wojciech Fenrich has held the function of Member of the Supervisory Board since 29 June 2009

\*\* Mr Marek Wiza held the function of Member of the Supervisory Board until 29 June 2009

The managing and supervising persons do not receive remuneration other than the one indicated above in virtue of the functions held in NG2 S.A. Group companies.

After the balance sheet day the Company concluded a contract with Mr Rafał Chwast on provision of consulting services as to the IT organisation. The contract was concluded for a definite term from 1 January 2010 to 31 December 2010. For the performance of the contract the monthly remuneration amounting to PLN 11,000 net, increased by VAT, was established.

#### **20. Determination of the total quantity and nominal value of all Issuer's shares and shares in Issuer's related entities held by managing and supervising persons (separately for each person).**

The Issuer's share capital comprises 38,400,000 shares:

- 6,650,000 shares privileged as to voting – one share carries 2 votes;
- 31,750,000 ordinary bearer shares.

The nominal value of 1 share is PLN 0.1 .

The above mentioned structure takes into account the annulment of the privilege of 50,000 shares conducted on 5 February 2010 at a shareholder's request.

As at the day of preparing the report for 2009, the following quantities of shares of NG2 S.A. were held by the Issuer's managing and supervising persons:

**Table 11. Quantity and nominal value of shares held by members of the Management Board**

Position/function Full name	Shares held as at the date of submitting report	Nominal value in thousand PLN
President of the Management Board – Dariusz Miłek	4,750,000	475.00
Vice-President of the Management Board – Lech Chudy*	220,000	22.00
Vice-President of the Management Board – Mariusz Gnych	120,000	12.00
Member of the Supervisory Board - Wojciech Fenrich**	16,500	1.65

\* Mr Lech Chudy held the function of Vice-President of the Management Board until 28 February 2010

\*\* Mr Wojciech Fenrich has held the function of Member of the Supervisory Board since 29 June 2009

To the Issuer's knowledge, the President and the members of the Supervisory Board, apart from Mr Wojciech Fenrich, do not hold the Company's shares.

**21. Information on contracts known to the Issuer (including also those concluded after the balance sheet day), as a result of which changes in the proportions of the shares held by the existing shareholders and bondholders might occur in the future.**

To the Issuer's knowledge, as of the day of submitting this report there were no contracts which might result in a change in the proportions of the shares held by the existing shareholders in the future. Information on the control system of employee share schemes.

Currently there are no employee share schemes in NG2 S.A. Group, however, on 12 November 2009 a resolution was adopted at the Extraordinary General Shareholder Meeting of NG2 S.A. as to changes in the Company statutes which enable one or more share issues as part of increasing the target capital. The aim of this increase is to grant the rights to subscribe shares of E series (shares of a new issue) to the holders of subscription warrants, subscribed by the existing and future Members of the Management Board and the Company management staff. This right will be possible to be exercised if the total consolidated net profit of the Group for the years 2010, 2011 and 2012 amounts to at least PLN 450,000,000 (CR 50/2009).

**22. Important events of significant influence on the activity and financial results of the group in the accounting year or whose influence is possible in the following years.**

The Issuer believes that the following are the primary factors which will affect the results of the NG2 S.A. Group achieved in the near future:

- amount of achieved sales volume and achieved margins,
- further dynamic growth of the NG2 Group commercial chain,
- prevailing weather conditions,
- exchange rates.

**23. Description of the structure of primary equity deposits or primary equity investments made as part of the Issuer's group in a given accounting year.**

No significant equity deposits (investments) were made in the reporting period.

**24. Description of the organisation of the Issuer's group with indication of entities subject to consolidation and description of changes in the organisation of the Issuer's group with provision of the reasons.**

NG2 S.A. is the Parent in the NG2 S.A. Group. The following table presents the subsidiaries of NG2 S.A.

**Table 12. Subsidiaries as of 31 December 2009**

Subsidiaries of NG2 S.A.	Registered office/Country	Share in the entity's capital %	Consolidation method
CCC Factory Sp. z o.o.	Polkowice, Poland	100	full
CCC Boty Czech s.r.o.	Prague, Czech Republic	100	full
Kontynentalny Fundusz Powierniczy nr 968	USA	100	-

No changes in the basic principles of managing the enterprise and group were introduced *in the period covered by the report*.

**25. Characteristics of policy as to the directions of the Issuer's capital group development.**

The NG2 Capital Group strategy assumes further dynamic growth and increasing the market share by the organic growth of the sales network. The increase in the number of own outlets is currently the primary component of the Group's strategy.

**26. Description of significant off-balance sheet items on the subjective, objective and valuable basis.**

<b>OFF-BALANCE SHEET ITEMS OF NG2 S.A. CAPITAL GROUP</b> (in thousand PLN)	<b>as at 2009-12-31</b>	<b>as at 2008-12-31</b>
<b>I. RECEIVABLES</b>	<b>40,450</b>	<b>25,650</b>
<b>1. Other receivables</b>	<b>40,450</b>	<b>25,650</b>
1.1. From other entities (in virtue of)	40,450	25,650
- received guarantees and sureties	40,450	25,650
<b>II. LIABILITIES</b>	<b>59,768</b>	<b>40,042</b>
<b>2. Other liabilities</b>	<b>59,768</b>	<b>40,042</b>
2.1. For other entities (in virtue of)	59,768	40,042
- customs bonds	22,500	8,500
- other guarantees	30,268	24,312
- furnished insurances	7,000	7,230
<b>Total off-balance sheet items</b>	<b>100,218</b>	<b>65,692</b>

Customs bonds constitute a security for repayment of customs receivables in relation with the Company's maintaining bonded warehouses. The other guarantees constitute a security with the concluded premises lease contracts. The furnished insurances are related to the Paylink loan facility activated in Bank Handlowy in favour of franchise customers.

**27. Information on the Issuer's contract with the entity authorised to audit financial statements.**

On 8 June 2009 the Parent concluded a contract with PricewaterhouseCoopers Sp. z o.o. on performing a review of the annual separate and consolidated financial reports for the first half of 2009, an audit of the annual separate and consolidated financial reports prepared as at 31 December 2009. The net remuneration amount arising from the contract with the entity authorised to audit and review financial reports for the services referred to above is PLN 122,000 (including: PLN 52,000 – for the review of financial reports, PLN 70,000 – for the audit of financial reports).

In the preceding accounting year the entity auditing financial reports for year 2008 (contract of 19 May 2008) was BDO Numerica S.A. (currently BDO Numerica International Auditors & Consultants Sp. z o.o.)

The net remuneration amount for the performance of the yearly separate and consolidated financial statements for the first half of 2008, the audit of the annual separate and consolidated financial statements prepared as at 31 December 2008 by BDO Numerica S.A. was PLN 165,000 (including: PLN 76,000 – for the review of financial statements, PLN 89,000 – for the audit of financial statements).

**28. Information on major achievements in the field of research and development.**

On 7 February 2009 the Parent was granted a protection right for the utility model of cardboard container for keeping footwear, issued by the Office for Harmonization in the Internal Market. The only holder of the right is the Parent. The innovative structural solution of the container is precisely adjusted to the needs of the automatic footwear storing.

Moreover, the Issuer is planning to open a R&D department, where R&D works would be conducted with the aim of developing new comprehensive concepts of logistic services, new technologies of storing and distribution of footwear by means of logistic processes simulations and adjusting the new technologies of performing the logistic services to the needs of the footwear industry.

The abovementioned actions are conducted within the framework of 'Implementation of innovative technology into storing and distribution of footwear', co-financed from the European Union funds, which is referred to in Item 7 of this statement.



**29. Information on applying of the rules of corporate governance.**

The statement on application of the rules of corporate governance was included in the appendix which is an integrated part of the annual report of the Company.

**30. Information on acquiring treasury shares (stocks), in particular the aim of their acquisition, their number and face value, indicating which part of the share capital they represent, the acquisition price and sales price of those shares (stocks) in the event of their disposal.**

Within the reporting period NG2 S.A. Group has not acquired any treasury stocks.

**31. Information on the branches (plants) owned by the entity.**

On 7 October 2009 the Management Board of NG2 S.A. passed a resolution on establishing a Company's branch with the registered office in Chróstrnik. Management of the trademarks, which constitute the Issuer's property lies with the branch within the scope of its activity.

**32. Information on financial instruments.**

Companies of the Group, within the reporting period, have not concluded any agreements whose subject-matter was financial instruments.

The description of the accounting policy regarding the financial instruments was included in item 2.15 of the consolidated financial statements of NG2 S.A. Group for the period of 01.01.2009- 31.12.2009.

<b>SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD</b>		
Dariusz Miłek	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Piotr Nowjalis	Vice-President of the Management Board	

*Polkowice, 29 April 2010*

**33. Statement of the Management Board of NG2 S.A. Group**

According to §92 of the Ordinance of the Minister of Finance of 19 February 2009 on the current and periodic information submitted by issuers of securities and conditions for regarding information required by the law of a non-member state as equivalent, the Management Board of NG2 S.A. represents that:

- to its best knowledge, the annual condensed financial statements of NG2 S.A. Group and the comparable data were prepared according to current accounting regulations, presenting a true and fair view of the assets, financial standing and financial result of NG2 S.A. Group.
- the annual statements of NG2 S.A. Group present a true view of development, achievements and standing of NG2 S.A. Group, including a description of the basic risks and threats.- the entity entitled to audit financial statements inspecting annual condensed financial statements of NG2 S.A. Group was chosen according to the regulations of the law. The entity and auditors inspecting annual condensed financial statements of the Group fulfilled requirements for making unbiased and independent opinion about the examined condensed financial statements in accordance with appropriate regulations and occupational standards.

<b>SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD</b>		
Dariusz Miłek	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Piotr Nowjalis	Vice-President of the Management Board	

*Polkowice, 29 April 2009*