



INTERIM REPORT ON BUSINESS ACTIVITY OF
THE NG2 SA GROUP
AND THE NG2 SA
FOR 01.01.2010 – 30.06.2010

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1. Description of the organization Issuer's Group indicating the the units to be consolidated

At 30 June 2010 Group of Companies NG2, include:

- a) the parent company NG2 SA, based in Polkowice,
- b) subsidiaries:
 - CCC Factory Sp. z.o.o. established in Polkowice,
 - CCC Boty Czech sro, based in Prague, Czech Republic
 - Continental Trust Fund no. 968 in USA
 - NG2 Suisse S.a.r.l. headquartered in Zug, Switzerland

NG2 SA holds 100% equity participation in the above. entities and 100% of the total number of votes Companies.

Continental Trust Fund does not create financial reports because it is not required by U.S. law. However, as the Trustee, upon request of the Beneficiary confirms in writing what kind of property has been taken over the management. Valuation of assets will be made according to the laws in force in the country of the Beneficiary, in accordance with Polish regulations.

Table 1. The NG2 SA Group's related parties stated on 30.06.2010 r.

Subsidiaries of the NG2 S.A.	Head Office / Country	Share In equity %	Consolidation method
CCC Factory Sp. .z o.o.	Polkowice, Polska	100	Full
CCC Boty Czech s.r.o.	Praga, Czechy	100	Full
Continental Trust Fund no. 968	USA	100	-
NG2 Suisse S.a.r.l.	Zug, Szwajcaria	100	Full

2. Information concerning sale markets and information about sources of supply.

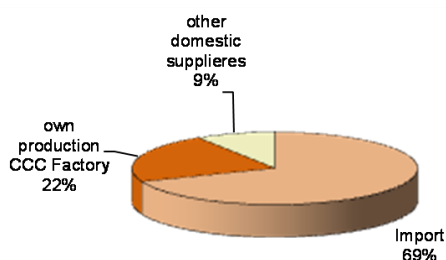
In the first half of the year 2010 participation of retail sales in sales in total was 88,9 % (82,7 % in the first 2009). Development of own sale's points is an extremely important factor to increase profitability with regard to higher margins acquired from retail sales. In case of franchising entities, the parent company realizes lower margin from wholesales. The sales structure of NG2 SA Group is presented in table 2.

Table 2. The sales structure of the NG2 SA Group related to channels of distribution.

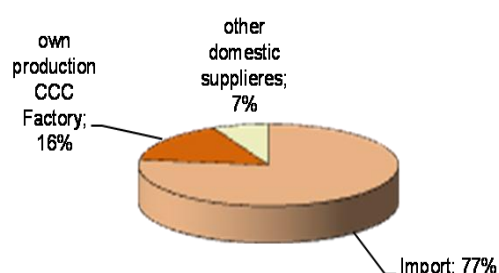
Category	I H 2010		I H 2009	
	000' PLN	share %	000' PLN	share %
Retail sales	391 427	88,9	349 204	82,7
Wholesales	48 837	11,1	72 934	17,3
Total	440 264	100,0	422 138	100,0

Figure 1 Main directions of product supply of the NG2 SA Group (in terms of value)

Territorial structure of purchase in 1H2010



Territorial structure of purchase in 1H2009



The sources of supply of the NG2 SA Group consists of domestic suppliers, own production (CCC Factory sp. z o. o.) and import. The Group has a possibility of quick changes in the foreign supply structure according to the economic situation. The import from China is diversified and consists of tens of suppliers but the main procurements are realized by one entity which performs as a export and import agency.

3. Overview of basic economic and financial figures disclosed in the interim financial statement with description of factors and events, including atypical ones, that significantly affect the issuer's business activity and profits generated by it or losses suffered during the current financial year, as well as an overview of prospects for development of the Issuer's business, at least during the incoming financial year

At 30 June 2010 sales network consisted of 706 outlets, specifically:

- 269 CCC official shops in Poland (at 30.06.2009 – 237 salonów),
- 49 boutiques QUAZI (41 – at 30.06.2009)
- 222 own BOTI (181 – at 30.06.2009)
- 127 shops in the franchise network – including 76 shops BOTI (at 30.06.2009 – 82 CCC i 76 BOTI).
- 40 shops in Czech Republic (at 30.06.2009 – 32 salony).

The sales space in own outlets located on the territory of Poland and Czech Republic increased by 134 900 m² (114 300 m² at 30.06.2009), this is 18,0%.

The growth of own outlets number is currently the main element of strategy of NG2 SA Group. During the first half of 2010 it grew by 24 own shops. The chain of CCC increased by 15 outlets, and BOTI by 9 own shops.

The Basic economic and financial figures are presented in the tables below

Table 3. Basic economic and financial figures for NG2 SA Group

Value	1H2010 '000 PLN	1H2009 '000 PLN	Change %
Net sale revenue	440 264	422 138	4,3%
Gross profit from sales	241 357	214 766	12,4%
Operating profit (EBIT)	47 825	46 738	2,3%
Gross profit	43 449	42 578	2,0%
Net profit	52 786	35 487	48,7%
Equity	358 361	292 022	22,7%
Liabilities and provisions:	240 016	264 670	-9,3%
Long-term liabilities and provisions	51 064	91 492	-44,2%
Short-term liabilities and provisions	188 952	173 178	9,1%
Fixed assets	249 056	195 461	27,4%
Current assets	349 321	361 231	-3,3%
Inventories	249 710	255 270	-2,2%
Short-term receivables	69 566	89 089	-21,9%

During the first half-year 2010 NG2 SA Group earned the sale revenue of PLN 440 264 000 PLN (4,3 % more than in the corresponding period of the previous year). The retail sales amounted 391 427 000 PLN in consideration of 349 204 000 PLN in the first half-year 2009 (increase 12,1 %). In the same term wholesales amounted by 48.837 000 PLN, that is decrease by 33,04 % in the corresponding period of the previous year. Changing the structure of sources of revenue from the sale is consistent with the development strategy of the Group.

Advantageous system of exchange rates and prices of other goods allowed to obtain higher margins across all distribution channels. Developing its own sales network enabled the continuation of the increase in retail sales in total sales. Above mentioned factors helped to achieve dynamic growth of the gross sales of 12.4% YoY. It should be noted that in this area during their establishments increased by 18.0% while the cost of sales were higher by 8.5% (YoY).

At the level of consolidated net profit for first half of 2010 also influenced the set up a subsidiary of NG2 Suisse Sarl. The report identified the consolidated operation has been the foundation assets of deferred tax 18 753 000 amounted PLN (asset relates to the marks made in kind to a subsidiary of NG2 Suisse). The impact on net income above operations during the reporting period is 18.604 000 PLN. This asset is valued at the end of the reporting periods. Exchange rate differences from the valuation are presented in the financial statement line item "Foreign currency translation".

The assets and liabilities balance at 30.06.2010 was closed at amount of 598 377 000 PLN. Total balance increased by 7,5% in relation to value from 30.06.2009 r.

On growth of assets had an impact on the increase of fixed assets by 27,4% YoY associated with the construction of a new logistics center and development of its own sales network, and assets of

deferred tax. On the liability has been reduced financing of NG2 SA from foreign capital by 9.3%, including a reduction in the value of bank loans to 43,594 000 PLN.

Table 2. Operating ratio

Value	I half 2010 (%)	I half 2009 (%)	change %
Gross profit margin on sales	54,82	50,88	7,7%
operating margin (EBIT margin)	10,86	11,07	-1,9%
Gross profitability	9,87	10,09	-2,2%
Net profitability	11,99	8,41	42,6%
return on assets (ROA)	8,82	6,37	38,5%
return on equity (ROE)	14,73	12,15	21,2%

Definitions:

- a) **Gross profit margin on sales** – gross profit on sales to sales ratio
- b) **operating margin (EBIT margin)**– ratio of operating profits to sales,
- c) **Gross profitability**- gross profit to sales revenue ratio,
- d) **Net profitability** – net profit to sales ratio,
- e) **return on assets (ROA)**– net profit of the assets ratio,
- f) **return on equity (ROE)**– ratio of net profit to the state's equity

Table 3. Liquidity ratios

Value	I half 2010 (%)	I half 2009 (%)	change %
Current ratio	1,85	2,09	-11,5
Quick liquidity ratio	0,53	0,61	-13,1
inventory turnover rate (days)	223	211	5,7
receivables turnover ratio (days)	22	32	-31,6
turnover rate commitments (days)	93	78	19,6

Definitions:

- a) **Current ratio** – the ratio of current assets to the value of total liabilities and short-term reserves,
- b) **Quick liquidity ratio** – the ratio of total current assets less inventories to current liabilities and short-term reserves,
- c) **inventory turnover rate (days)**– the ratio of the average level of inventories to the cost of goods sold and services multiplied by the number of days during,
- d) **receivables turnover ratio (days)**– the ratio of the average size of claims from Tit. Trade and other receivables to revenues from the sale multiplied by the number of days during,
- e) **turnover rate commitments (days)**– the ratio of average volume commitments Tit. Trade and other liabilities to the cost of goods sold and services multiplied by the number of days during

Table 4. Debt and financial assets

Value	I half 2010 (%)	I half 2009 (%)	change %
share of own resources in financing current assets (%)	102,59	80,84	26,9
coverage ratio of equity assets	143,89	149,40	-3,7
overall debt ratio	40,11	47,54	-15,6
long-term debt ratio	14,25	31,33	-54,5
short-term debt ratio	52,73	59,30	-11,1
ratio of liabilities to equity	66,98	90,63	-26,1

Definitions:

- a) **share of own resources in financing current assets (%)**—equity to assets ratio
- b) **coverage ratio of equity assets** —equity to fixed assets ratio,
- c) **overall debt ratio** – ratio of total liabilities and provisions for asset value,
- d) **short-term debt ratio** – the ratio of long-term liabilities, respectively, short-term and long-term and short-term reserves to equity,
- e) **ratio of liabilities to equity**—The ratio of total liabilities and reserves at the end of term of the value of equity.

Board of NG2 SA highly assessed the ability of the Company's compliance with the commitments entered into.

1. Descriptions of material risk factors and threats and the identification of the degree of the Issuer's exposure to them

In the opinion of the Management Board, NG2 SA Group is affected by the following:

1. Internal factors:

- Strengthening its own sales network. In 2010 NG2 SA plans to launch 30 own brand stores CCC in the country and the CCC in the Czech Republic. In addition, NG2 SA intends to launch its own 38 shops in the network BOTI.

2. Activities designed to increase visibility and brand value. Appropriate instruments of advertising and promotion, design showrooms and presence in prestigious locations, should affect the systematic improvement and strengthening brand image of the NG2 Group

3. External factors:

- Level of foreign exchange rates. Since virtually all revenue is earned by NG2 SA Group in PLN and the majority of costs are incurred in foreign currencies, the exchange rates of USD and EUR (virtually all of the Issuer's imports are denominated in those currencies, likewise a large share of the costs of space lease), they will affect the cost structure, the change of supply sources, if any, and the disclosure of foreign exchange differences in the profit and loss account. Since China is the main supply market for NG2 SA Group, the exchange rate of the Chinese currency to the main world currencies is also of importance. Its appreciation might deteriorate the conditions of import. Some costs caused by exchange rate fluctuations may be shifted onto consumers.

- Change of interest rates. NG2 S.A. is exposed to the risk of interest rate changes in connection with its loan facility agreements. Those facilities bear interest at a WIBOR-based floating interest rate. Any increase of interest rates will affect the amount of interest paid by NG2 S.A. under loan facilities.

- General economic situation in Poland. The prevailing share of revenue of NG2 S.A. is generated in Poland and, hence, the purchasing power of domestic consumers and their propensity to buy are material for the Company. Any deterioration of the economic situation at home might adversely affect the performance and financial standing of the Issuer.

- General economic situation in the Czech Republic. NG2 S.A. generates a portion of its revenue in the Czech Republic and, hence, the purchasing power of Czech consumers and their propensity to buy are important. Any deterioration of the economic situation there might adversely affect the performance and financial standing of the Issuer.

- Seasonality of sales and weather conditions. Sales and stock volumes depend on the seasonality of demand (peak demand is in spring and autumn). Unusual weather conditions might make customers postpone their purchase decisions or shorten the peak sales seasons. Own production capacities are the factor which allows to reduce the vulnerability of NG2 S.A. to seasonal and weather factors. The Issuer is able to adjust its production rapidly and to supply shops with goods that satisfy expectations and match weather conditions at a given time

- Location of retail outlets. The strengthening of the market position by a dynamic development of the retail chain might entail the risk of failed location of a shop as well as the limited number of attractive new locations.
- Fashion trends and failed collections. NG2 S.A. is exposed to the risk associated with unsuccessful footwear collections. The factor allowing for mitigation of that risk is the Issuer's extensive market experience, continuous observation of trends in the European and world fashion (participation in international footwear fashion fairs, e.g., in Milan, Garda, Düsseldorf).

2. Indicated factors which in the assessment of the Issuer had an influence on achieved financial results

In the opinion of the Issuer, basic factors which will have an influence on achieved financial results in the nearest future are:

- achieved level of sales and realized margin
- further dynamic development of the NG2 shop network
- weather conditions
- foreign rate exchange

3. 5. Identification of results of changes made in the structure of business entity and financial result after consolidation, takeovers and sales of the Group units, long-term investments, sharing, restructuring and abandoned activities.

On 30 April 2010 has set up a subsidiary company of NG2 Suisse Sarl headquartered in Zug, Switzerland. NG2 SA has 100% shares of NG2 Suisse Sarl, representing 100% of the votes at the General Meeting of Shareholders. The subscription of shares was effected by bringing the NG2 contribution in the form of an organized part of the company, in the Department of the Company, based in Chróstniku. The acquired assets are long-term investment. According to plan activities and functions carried out by a separate department will continue out of the Swiss company based on assets and contracts of the Department, a task founded Company will be e.g. management and administration of rights of protection to trade marks (RB 16/2010).

According to the District Court for Wrocław-Fabryczna, KRS Section IX of 30 June 2010, struck from the Register of Enterprises of the National Court Register a branch company under the name "NG2 Chróstniku Branch (" Branch "). Removal Unit is associated with the submission by the Company to a subsidiary of NG2 Suisse Sarl in Zug, Switzerland on 30 April 2010 (RB 34/2010).

4. Important information from the Issuer point of view for personnel, property, financial and financial result situation and their changes and also information which are significant for assessment of possibility of liabilities settlement.

Financial statement consist basic information which are important for the Group assessment. The Management Board claims that there is no risk in settling the Group liabilities.

5. The Management Board's attitude towards possibility of realizing previously announced forecasts for a given financial year according to the information presented in the interim report regarding to the forecasted figures.

Any financial forecasts had not been published for year 2010.

6. Indication of proceedings pending before courts, competent arbitration tribunals or public administration body.

The entities of NG2 S.A. Group are not a party to any legal proceedings where the value of a subject of litigation exceeds 10% of the Company's equity.

7. Information about the conclusion by the Issuer or its Subsidiary one or more transactions with related parties, if individually or collectively they are significant and have been included under other circumstances than market.

Not applicable.

8. Information about the award by the Issuer or its Subsidiary Guarantee or credit or loan guarantees granted.

During the reporting period the Issuer has granted the loan and guarantee limit for guarantees contracted by a subsidiary of CCC Boty s.r.o. The guarantee has given to the amount of 40,000 CZK. Deadline for repayment on 31 January 2011

9. Shareholders holding, directly or indirectly via subsidiaries, at least 5% of total number of votes at the General Meeting of the Issuer on the day of conveying the interim financial statement, and number of shares held by those entities, their percentage share in the share capital, number of votes attached to them and their percentage share in total number of votes at the General Meeting, as well indication changes in ownership structure of the Issuer's significant blocks of shares in the period from the last quarterly report announcement.

On the day of interim report announcement the list of shareholders holding more than 5% of total number of votes at the General Meeting of the Issuer is listed below in the table.

Shareholders	Shareholding	Percentage of share capital	Number of votes at the General Meeting	Percentage of votes at the General Meeting
Dariusz Miłek, w tym:	17 100 000	44,53	21 850 000	48,50
-directly,	4 750 000	12,37	9 500 000	21,09
- indirectly by a subsidiary <i>Luxprofi s.a.r.l.</i>	12 350 000	32,16	12 350 000	27,41
Leszek Gaczorek	4 010 000	10,44	5 760 000	12,79
ING OFE	2 477 486	6,45	2 477 486	5,50
PIONEER Investment Management	3 271 877	8,52	3 271 877	7,26

Mr Leszek Gaczorek at the date of the report S.A.-PS 2010 has had 4.010.000 shares NG2 S.A. (at the date of the report QSr- I/2010 - 4.200.000 shares NG2 S.A.). At 19.05.2010 as a result of a donation agreement has been disposed 190.000 shares NG2 S.A. (RB 24/2010) at the date of the report S.A.-PS 2010r. did not have information about other shareholders with the number of votes at the General Assembly of at least 5%.

Summary of number of shares of the issuer or the rights to them by managers and supervisors of the issuer at the date of semi-annual report, together with an indication of changes in ownership during the period of the prior quarterly report, separately for each person.

To the knowledge of Issuer the volume of shares held by the management and supervision personnel presents as follow::

Position / Function Name	Volume of shares held on the day of announcement of interim S.A.-PS 2010	Volume of share held on the day of the first announced Q Sr -I /2010
President of the Management Board – Dariusz Miłek*	4 750 000	4 750 000
Vice President of the Management Board Mariusz Gnych	120 000	120 000
Member of Supervisory Board – Wojciech Fenrich	0	16 500

* Mr Dariusz Miłek is also a parent entity in company named Luxprofi S.a.r.l., at the date of the report S.A.-PS 2010 has had 12.350.000 shares NG2 S.A. (at the date of the report QSr- I/2010 had 13.250.000 shares NG2 S.A.). Change in ownership took place through the sale of 900,000 shares held on 16-23.07.2010, which informs the issuer in the RB and RB 37/2010 38/2010.

Wojciech Fenrich sold:

- 815 shares of NG2 S.A. at 18.05 – 19.05.2010 (RB 25/2010),
- 1 805 shares of NG2 S.A. at 31.05 – 02.06.2010 (RB 27/2010),
- 4 891 shares of NG2 S.A. at 13.07 – 16.07.2010 (RB 35/2010),
- 8 989 shares of NG2 S.A. at 19.07.2010 (RB 36/2010).

10. Information concerning the issue, redemption and repayment of non equity securities

On 12/11/2009, at the Extraordinary General Meeting of Shareholders of NG2 SA has taken resolution i.a. on amendments to the statutes permitting the emission of one or more shares in the capital increase target. This is an opportunity issued a 10% capital ie 3,840,000 shares within three years (RB 50/2009).

11. Information on other important events.

During the reporting period started Incentive Programme at current and future members of the Board and management of the Company. Under the program, participants will be able to cover the shares of Series E (new issued shares). This right will be able to be made if the total consolidated net profit of NG2 SA for the years 2010, 2011, 2012, calculated excluding costs incurred in connection with the introduction of the Incentive Programme, will be not less than 450,000 PLN.

In the first half of 2010, the Company has begun construction of the Logistics Centre in Polkowice, the project "Implementation of innovative technologies for storage and distribution of footwear." The project is co-financed by EU funds from the European Regional Development Fund under the Innovative Economy Operational Programme 2007 - 2013 The total estimated investment cost is 124.0 mln PLN, including the expenditure is eligible 97.0 million PLN. The issuer of the financial support received in the Security Council informed 57/2009.

12. Significant events after balance sheet date.

On August 10, 2010 a resolution was passed on the increase of the share capital of CCC Boty Czech s.r.o to 60,000 thousand. CZK, the conversion of the debts of the company CCC Boty Czech sro to NG2

SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD		
Dariusz Milek	President of the Management Board	
Mariusz Gnych	Vice President of the Management Board	
Piotr Nowjalis	Vice President of the Management Board	

Polkowice, 25 August 2010