

## Letter of the President of the Management Board

Dear Shareholders, Clients, Employees

Last year was a very difficult one for many entrepreneurs. Global financial crisis spreading with a lightening speed caused enormous losses in the economy. Many financial institutions for decades remaining the symbols of a free-market economy have collapsed. Credit rationing lead to limited access to borrowing, and weakening of local currencies caused erosion of margin among importers.

Retail sector in Poland was also affected by the crisis. Drastic weakening of the Polish zloty resulted in decline of profitability and growth of retail space lease expenses. Nervous atmosphere was fuelled by the frequent reports about problems of other companies from the line of business. Fortunately, after not longer than a couple of months, it occurred that the fear for retail sector situation in Poland is exaggerated. Polish economy resisted recession and customers remained loyal to their favourite brands.

NG2 Group entered into this slowdown process very well prepared. In the previous years we invested successively in the development of our retail network by performing a rational cost policy and cautiously using loan facilities. We have chosen the strategy of organic development and we did not have to bear cost of any acquisitions. The assumed strategy now pays off with high equity and low level of banking liabilities.

We have grabbed our chance to outperform our competition and increase our share in the market. Sales revenue was PLN 883,565,000, which means an increase of 20.5% over 2008. Despite lower net profit than in the last year we continued to invest and in 2009 we opened 115 new points of sale, and hence the number of our outlets in Poland reached 518. The chain of CCC stores increased throughout the year by 26 stores, the chain of the BOTI shops by 71 stores and we have 18 new Quazi boutiques. The retail space in our stores increased up to 115,600 sq m i.e. by 23,0%.

We did not limit marketing and advertising expenses realizing what a unique opportunity to increase brand awareness among our clients we have. We tailored our offer of Quazi boutiques to the needs of our clients, changing both sources of supply and stores design as well as their space. This increased the customer's interest in the Quazi branded products. Moreover, advertising campaign was assisted by the image of one of the most popular models in the world – Anja Rubik.

The Management Bard of NG2 wants to dedicate the period of 2010-2012 to the further growth of market share. We expect that within three years we will be able to declare the participation of more than 20% in the Polish footwear industry. Due to the ever bigger saturation of the domestic market, the growth rate measured by the number of stores opened annually is expected to slightly slow down. Still, we intend to particularly carefully supervise the efficiency of our points of sale.



I would like to thank all who contributed to the development of NG2 Group in 2009 – our employees committed to accomplishment of our development vision, customers, suppliers and partners. I would also like to thank the participants of capital market for their confidence and belief put in our strategy. The rate of return from the investment in NG2 shares in the previous 16 months exceeded 56%. The investors appreciated conservative management, rational cost policy and clear, consistently introduced strategy of development. Furthermore, we would like to assure our Shareholders that during the following years we will maintain the policy of distributing the company's profit by regular dividend payments.

Yours faithfully,

The President of the Management Board of NG2 S.A.  
Dariusz Miłek