

Dear All,

For the NG2 Capital Group, the past year will go down as the year of record-breaking turnover and a significant improvement in its financial performance. The consolidated revenue from sales has increased, for the first time in the NG2 Group's history, by more than a billion zlotys, and was reported at PLN 1,028,559,000. Operating profits rose by 19.38 per cent, from PLN 108,159,000 in 2009 to PLN 129,119,000, while consolidated net profits increased to a record-breaking level of PLN 117,856,000, which represented an improvement of 40.97 per cent over the last year.

In 2010, the NG2 Group continued to increase its share on the retail market. The retail space in its own shops located in Poland and the Czech Republic increased to 139,300 sq. m, i.e. by 8.7 per cent and included: 318 CCC salons in Poland and the Czech Republic, 213 BOTI stores and 49 Quazi boutiques. The combined holdings of the NG2 Group as on 31 December 2010 are 580 own locations and 123 franchise stores.

I am happy to say that the equity market appreciated the company's results and strategies. Over the course of the year, the price of the NG2 shares increased by 34.8 per cent, compared to the WIG increase in that period of 16.5 per cent. Investors appreciated the consistent and reasonable strategy, strong financial performance and very good prospects for the NG2 Group. We have received praise for our highly rational cost management policy and prudent use of debt facilities. This is due to the fact that the organic growth strategy selected by the Management Board of NG2 was related to low financing costs and today it is bringing in benefits in the form of high shareholders' equity and very minor bank indebtedment.

Despite the great feedback that we received throughout the year 2010, I could not declare that the expectations of the Management Board have been met or that we found the financial performance to be satisfying. Above all, it is difficult to apply the same assessment criteria to evaluate the entire last year. The first half-year was, after all, a difficult business test for the entire retail sector. The long winter and unfavourable weather conditions in the spring are just the top of the long list of problems faced by manufacturers and sellers of apparel and footwear in the past year. The June flooding also translated to a loss of interest in shopping among consumers. If we add the Smolensk plane crash and its direct bearing on the loss of business activity in April, which is typically the busiest shopping month of the spring, to the description of the first half-year of 2010, you will have a complete view of the situation in the first six months of 2010. All of these events translated to a drop in the number of visitors to shopping centres and our stores, and, consequently, to a deterioration of the sales efficiency parameters, i.e. the volume of sales per square metres and the volume of sales in comparable stores, i.e. stores existing prior to 1 January 2009.

However, the second half of 2010 gave us reasons to be satisfied. The growing number of customers, also per square metre, and the high sales margin have allowed us to generate high profitability throughout the year 2010 and look forward to the future.



Our last year's results by no means indicate that we can now be complacent. We maintain our strategic plans for the coming years. They envision attempts to increase the market share of NG2 in the Polish footwear market to 20 per cent by 2013. Although the Polish footwear market remains the core of the company's vital interests, the Management Board of NG2 decided in 2010 to open up to the possibility of partnering with franchisees in Eastern Europe. We opened our first Russian franchise in March, and the next 6-7 franchises are to open by the end of the year.

I would like to give thanks from the bottom of my heart to all of you who have contributed to the growth of the NG2 Group in 2010, that is our employees involved in the implementation of our growth strategy, our customers, suppliers and business partners. I would also like to thank capital market participants for their confidence and faith in our strategy.

We would also like to assure our shareholders that in the coming years, we will maintain our policy of sharing our profits in the form of regular dividend payments.

Respectfully,

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