

(Current report No. 21/2010)

18.05.2010 /The Issuer/

The opinion of the Supervisory Board of the NG2 S.A. on annual statements and the situation of the Company in the 2010.

Legal basis.

Other regulations

The Management of the NG2 S.A. with accordance to "Best Practices in Companies listed on the Warsaw Stock Exchange (WSE)" publishes statements of the Supervisory Board of the NG2 S.A. accepted on its meeting dated 17th May 2010.

Signatures:

1. *Mariusz Gnych – Vice-President*
2. *Piotr Nowjalis – Vice-President*

Report
of 17 May 2010
of the Supervisory Board of NG2 S.A.
on the Results of Evaluation of Individual and Consolidated Financial Statements
for the 2009 Financial Year, the Management Board's Report on Business Activities of
NG2 S.A. and the NG2 Group
and the Management Board's Proposal as to the Division of Profit
for the Period from 1 January 2009 to 31 December 2009

This report was made pursuant to Article 382 paragraph 3 and 395 paragraph 2 of the Commercial Companies Code, paragraph 16 article 2 item 2 of the Articles of Association of S.A. and the Good Practices of WSE-Listed Companies – Attachment to the Resolution No. 12/1170/2007 of the Stock Exchange Council of 4 July 2007.

The Company's report was prepared by reliance on:

- 1) Financial statements of NG2 S.A. and the Management Board's Report on Business Activities of the Company for 2009;
- 2) Financial statements of NG2 Group and the Management Board's Report on Business Activities of the NG2 Group for 2009;
- 3) Audit opinions and audit reports regarding the individual and consolidated financial statements of the Company for 2009 made by statutory auditors – PricewaterhouseCoopers Sp. z o.o., Warsaw, Al. Armii Ludowej 14, represented by the following auditor:
- Marcin Sawicki, nr ewid. 11393;
- 4) Management Board's proposal as to the division of profit for 2009.

The Supervisory Board read the audit opinion and audit report regarding both individual and consolidated financial statements, and also carried out the business and financial analysis of the Company's operations. Statutory auditors representing PricewaterhouseCoopers Sp. z o.o. issued a positive opinion on the 2009 financial statements submitted to them, finding them prepared in conformity, in all material aspects, with the principles of accounting defined in the International Accounting Standards, the International

Financial Reporting Standards and associated interpretations, on the basis of correct books of account.

The form and contents of the statements are consistent with the applicable regulations and give a fair and true view of all information of material importance for assessment of net assets and financial situation of NG2 S.A. and the NG2 Group as at 31 December 2009.

The Management Board's Report on Business Activities of NG2 S.A. in 2009 and the Report on Business Activities of the NG2 Group should be deemed complete. Those reports give a clear picture of the whole year of operations of both the Company and the NG2 Group. Those reports were made in conformity with the books and documents of the Company and the facts, and contain necessary synthetic information about the functioning of NG2 S.A. and the Group.

During the financial period from 1 January 2009 to 31 December 2009, NG2 S.A. recorded the growth in sales revenue by 20,5%. Profitability measured by net profit was 8% and was lower by 4 percentage points from that obtained in the previous year. Significant impact on the profitability of the Company's change was the weakening national currency, which resulted in higher acquisition costs of goods sold in 2009 compared to the previous year.

In addition, over the period of sales and administration costs increased by 34.3% compared to last year. The largest proportion of the increase cost of sales had increased the cost of rental of commercial space and the cost of wages. Increasing the burden in this regard due to the development of sales network and in addition, where rental costs, the weakening of the zloty against the euro (the majority of rents expressed in Euros). Cost of sales and management to sales increased to 0.38 and remains at the level typical for companies operating in the retail sector. Declining sales and rising costs caused a decline in operating profit by 20, 89% and amounted to 94,126,000 PLN.

In the end of year assets of the Company amounted to 536,231,000 PLN. During the year, total assets increased by 63,465,000 PLN i.e. 13,42%. This increase was caused mainly by an increase in fixed assets, term investments and stocks. This increase was funded from own resources, an increase in long-term loans amounting to 67,500,000 PLN. and the state of trade commitments amounting to 23,119,000 PLN.

In its summary of the previous year, the Supervisory Board found that trade and marketing efforts made by NG2 S.A. produced good business results which lead to the

strengthening of the position of the Company and the entire Group in the financial and business markets, and to the growth in value of its assets.

The Company has consistently pursued its strategy of expansion and development of its own stores which – combined with the high profitability and high growth rate of revenue – assure the stability of the Company in the period of economic slowdown.

For the sake of ensuring the further stable development of the Company, the Supervisory Board finds that the adopted directions of development are suitable and have been successively pursued by the Management Board.

The business and financial results generated and presented in the statements and reports, and their analysis by the Supervisory Board support a positive assessment of the operations of the Company during 2009 and permit a very good assessment of work of its Management Board.

Following the analysis of 2009 statements, reports and results of NG2 S.A. and the NG2 Group, the Supervisory Board, acting in the spirit of the Good Practices of WSE-Listed Companies, makes a positive assessment of the Company's operations in 2009 and its financial situation in the period from 1 January 2009 to 31 December 2009.

The Supervisory Board believes that there is no threat to the going concern of either NG2 S.A. or the Group, and that efforts made by them can guarantee the continued development of the Company in the future.

The Supervisory Board accepts the proposal, as put forward by the Management Board, concerning the division of 2009 profit, and the individual and consolidated financial statements for 2009, and applies to the General Meeting for approval of the aforementioned documents.

In view of the foregoing, after making its assessment during the meeting, the Supervisory Board decides to propose that the Ordinary General Meeting should pass the following resolutions:

1. To approve the annual financial statements and the Management Board's Report on Business Activities of NG2;
2. To approve the financial statements and the Management Board's Report on Business Activities of the NG2 Group for the 2009 financial year;
3. To divide the profit generated in 2009;

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4. To discharge the Management Board of the Company from fulfilment of its duties in 2009.

Chairperson of Supervisory Board

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(Henryk Chojnacki)

Report
of 17 May 2010
on Activities of the Supervisory Board of NG2 S.A.
and Assessment of its Work
for the Period from 1 January 2009 to 31 December 2009

Pursuant to the provisions of the Commercial Companies Code and the Articles of Association of NG2 S.A., the Supervisory Board hereby submits to the General Meeting of Shareholders its report on activities with evaluation of its work for the period from 1 January 2009 to 31 December 2009.

Until 29 June 2009, the following five members served on the Supervisory Board:

name and surname	function	the period of function in 2009
Henryk Chojnacki	Chairperson of Supervisory Board	01.01.2009 – 31.12.2009
Martyna Kupiecka	Member of Supervisory Board	01.01.2009 – 31.12.2009
Paweł Tamborski	Member of Supervisory Board	01.01.2009 – 31.12.2009
Rafał Chwast	Member of Supervisory Board	01.01.2009 – 31.12.2009
Marek Wiza	Member of Supervisory Board	01.01.2009 – 29.06.2009

On 29th June 2009, the Board of Directors has been informed by the existing Supervisory Board Member Mr. Mark Wiza to forego applying for selection for the next term. New Supervisory Board member is Mr. Wojciech Fenrich. (Repertory A No 3321/2009).

As at 31st December 2009, the composition of the Supervisory Board appointed the new term of office on the 29th June 2009 was as follows:

imię i nazwisko	funkcja	okres sprawowania funkcji w 2009 r.
Henryk Chojnacki	Chairperson of Supervisory Board	01.01.2009 – 31.12.2009
Martyna Kupiecka	Member of Supervisory Board	01.01.2009 – 31.12.2009
Paweł Tamborski	Member of Supervisory Board	01.01.2009 – 31.12.2009

Rafał Chwast	Member of Supervisory Board	01.01.2009 – 31.12.2009
Wojciech Fenrich	Member of Supervisory Board	29.06.2009 – 31.12.2009

The Supervisory Board of NG2 SA is a permanent supervisory over operations of NG2 S.A., in all areas of its business. The Supervisory Board consists of five to seven members appointed by the Shareholders. The Supervisory Board members are appointed for a common term, which lasts two years. The Supervisory Board operates under the laws generally applicable. The Supervisory Board should exercise constant supervision over the activities of the Company and carry out its tasks based on the specific powers which are conferred on the Supervisory Board of the Company's Statute, Rules and Resolutions of the Supervisory Board General Meeting including Good Practices of Public Companies.

The Supervisory Board performs its functions in convened meetings of the Supervisory Board. The Council shall meet as needed, not less than three times a year. Its deliberations shall be convened by the Chairman of the Board.

During 2009, the Supervisory Board held three meetings in the registered office of the Company:

- 25 February 2009
- 15 June 2009
- 9 November 2009

And adopted fifteen resolutions during all meetings and two resolutions in writing to vote (between meetings).

The supervisory and control functions mostly entailed analysing the current business and financial performance of the Company and its periodical financial statements, as well as reading periodical submissions from the Management Board of the Company regarding its ongoing and planned operations.

Its meetings concerned the following issues:

1. Analysis and supervision of the Company's operations;
2. Analysis of trade and marketing activities pursued by the Company;
3. Financial security of the Company and its financial liquidity;
4. Risk policy and key areas of threats;



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5. Selection of statutory auditor to audit financial statements of the Company and the Management Board's report for 2009;
6. review the project management of trademarks;
7. consult with the investment project of construction logistics and warehouse center with the help of funds from EU structural programs
8. Acceptance of the financial statements of NG2 S.A. Management Board's report on business activities of the Company in 2008;
9. Acceptance of the consolidated financial statements of the NG2 Group and the Management Board's report on business activities of the Group in 2008;
10. Acceptance of the Supervisory Board's report on its activities during 2008;
11. Acceptance of the Supervisory Board's report regarding the results of evaluation of the financial statements and the Management Board's proposal as to the division of profit for 2008;
12. Issue of its opinion on the Management Board's proposal as to the division of profit for 2008;
13. Acceptance of motions for discharging the members of the Management Board from fulfilment of their duties in 2008;
14. The assumptions for the incentive program for the Board and management;
15. Recommendations as to draft resolutions put forward to the Extraordinary and Ordinary GMs;
16. approval of amendments to the Organizational Rules of the Company and the Board's Rules

On 1 December 2009, the Supervisory Board of NG2 SA passed a resolution to instruct the Supervisory Board of NG2 tasks of the audit committee, to which the following tasks:

- monitoring of the financial reporting process,
- monitoring the effectiveness of internal control systems, internal audit and risk management,
- monitor the performance of auditing activities,
- monitoring duties of an auditor and the entity authorized to audit financial statements, including the provision of services referred to in Art.48 (2) of the Act of 7 May



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2009 on statutory auditors and their self-government, entities authorized to audit financial statements and public supervision,

- withdraw from the entity authorized to audit financial statements of written information on important matters relating to the operations audit, including in particular the significant internal control irregularities in the unit for the financial reporting process.

Before that date, all functions are by the Supervisory Board as a whole. No divisional committees did not affect adversely the functioning of the Supervisory Board and the Company.

The activity of the Supervisory Board was not limited to formal meetings only. The Members of the Supervisory Board supported the Management Board of the Company by attending a number of working meetings and consultations.

This report illustrates the main directions of the Supervisory Board in fiscal year 2009.

The Supervisory Board proceeded in compliance with the Good Practices of WSE-Listed Companies and the principles of corporate governance, and exercised permanent supervision over operations of the Company and the work of the Management Board.

The Supervisory Board assessed its own work. Based on that assessment, the Supervisory Board finds that all duties set forth in the Articles and codes have been fulfilled. The Supervisory Board believes that their fulfilment was in conformity with all formal and legal requirements and its work contributed to the increase of the Company's worth and inspired shareholders' confidence. In addition, at its meetings, the Board analyses the then-current situation of the Company and supported the Management Board in its daily operations. In view of the foregoing, the Supervisory Board positively assessed its activities during 2009.

Chairman of Supervisory Board

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(Henryk Chojnacki)

Brief Assessment of the Situation of NG2 S.A. in the 2009 Financial Year

/Accepted by the Supervisory Board of NG2 S.A. on 17 May 2010/

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

NG2 SA Poland directs the three distribution channels: 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.

NG2 SA despite the economic slowdown caused by global financial crisis has consistently pursued a strategy adopted in the framework of this strategy, the Company in 2009, successfully invested in the development of own retail outlets, leading a very reasonable cost policies, and carefully using bank debt. The company increased net sales by opening new stores in locations subject to severe selection and taking a further franchise stores. As the outcome of the adopted strategy of organic development, at 31 December 2009 NG2 S.A. operated the network of 692 retail outlets, including 556 own outlets, namely 254 CCC official stores in Poland and 38 stores in Czech Republic, 51 QUAZI boutiques and 213 BOTI own stores. NG2 strategy involves further dynamic growth and increasing market share through organic growth sales chain. The increase in the number of its outlets is now a major element of the strategy of NG2 S.A. The fastest growing chain of BOTI. In 2009 growth 71 own shops. CCC's own chain of stores increased by 26 shops, while about 18 Quazi boutiques. The sale area in own stores grew to 128,100 m² (i.e. by 25,1%).

In the years 2010-2012 company wants to use to increase market share owned. Further expansion of retail chains CCC QUAZI BOTI and assumes an increase in market share over 20% and strengthen the leading position in the industry. In 2010 it is planned to open 30 stores in Poland, CCC, 38 shops and 10 BOTI CCC stores in the Czech Republic. The planned total number of openings in 2010 is to be at least 78 outlets. As part of this strategy, the company wants to use the opportunity to increase the distance to the competition and increase market share. The strengthening of its market position was also carried out publicity campaigns in the media, sports sponsorship, harmonizing the internal arrangement and external advertising in the retail outlets.

2. Financial Highlights

During the reporting period of NG2 SA sold over 15 million pairs of shoes. The Company's sales structure dominates sales of shoes, representing 64 and 8% of sales of footwear in 2009.

In 2009, NG2 S.A. earned sales revenue of PLN 883,865,000 i.e., 20,5% more than in the corresponding period of the previous year. The share of retail sales in total sales was PLN 749,115,000 (84.8%), wholesale and franchise was PLN 134,450,000 (15.2%). The expansion and development of own retail outlets is an important factor which enhance the profitability of economic activities due to the acquisition of higher margin retail sales. In the case of franchise stores NG2 SA realizes a lower margin wholesale.

Profitability measured by net profit was 8% and was lower by 4 percentage points from that obtained in the previous year. Significant impact on the profitability of the Company's change was the weakening national currency, which resulted in higher acquisition costs of goods sold in 2009 compared to the previous year.

In addition, over the period of sales and administration costs increased by 34.3% compared to last year. The largest proportion of the increase cost of sales had increased the cost of rental of commercial space and the cost of wages. Increasing the burden in this regard due to the development of sales network and in addition, where rental costs, the weakening of the zloty against the euro (the majority of rents expressed in Euros). Cost of sales and management to sales increased to 0.38 and remains at the level typical for companies operating in the retail sector. Declining sales and rising costs caused a decline in operating profit by 20, 89% and amounted to 94,126,000 PLN.

In the end of year assets of the Company amounted to 536,231,000 PLN. During the year, total assets increased by 63,465,000 PLN i.e. 13, 42%. This increase was caused mainly by an increase in fixed assets, term investments and stocks. This increase was funded from own resources, an increase in long-term loans amounting to 67,500,000 PLN. and the state of trade commitments amounting to 23,119,000 PLN.

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 2009

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 2009, 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, 17.05.2010