

(Current report No. 25/2011)

16.05.2011 /The Issuer/

The opinion of the Supervisory Board of the NG2 S.A. on annual statements and the situation of the Company in the 2011.

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 16 May 2011.

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

**Report of the Supervisory Board of NG2 S.A.
of 16 May 2011
on the results of the evaluation of the individual and consolidated financial statements
for the financial year 2010, the Management Board report on the operations of NG2 S.A.
and the NG2 S.A. Group and the Management Board's request regarding the distribution of
profits
for the period from 1 January 2010 to 31 December 2010**

This report was prepared on the basis of Article 382.3 and 395.2 of the Commercial Companies Code, Article 16.2.2 of the Statute of NG2 S.A. and the Best Practice for WSE-Listed Companies - appendix to Resolution 17/1249/2010 of the Supervisory Board of the Stock Exchange of 19 May 2010.

The Company's report was prepared on the basis of:

- 1) the financial statements of NG2 S.A. and the Management Board report on the Company's operations for the year 2010,
- 2) the financial statements of the NG2 S.A. Group and the Management Board report on the NG2 S.A. Group's operations for the year 2010,
- 3) opinions and reports from the audit of the individual and consolidated financial statements of the Company for 2010, prepared by the auditors representing PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw at Al. Armii Ludowej 14, entered on the list of entities authorised to audit financial statements under number 144; Key Auditor: Marcin Sawicki, ref. number 11393
- 4) Management Board proposals with regard to the distribution of profits for 2010.

The Supervisory Board has reviewed the auditor's opinion and report on the audit of both the individual and the consolidated financial statements and conducted an analysis of the economic and financial standing of the Company. The auditors acting on behalf of PricewaterhouseCoopers Sp. z o.o. issued a favourable opinion on the provided financial statements for 2010, stating that they had been prepared, in all material respects, in accordance with the accounting principles stemming from the International Accounting Standards, International Financial Reporting Standards and the associated interpretations of these standards, and on the basis of duly kept accounting records.

The statements comply, in form and in content, with the applicable laws and present a fair and true view of the information material for the assessment of the assets and financial standing of NG2 S.A. and the NG2 S.A. Group as on 31 December 2010.

The report of the NG2 S.A. Management Board on the Company's operations in 2010 and the

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report on the operations of the NG2 S.A. Group should be deemed complete. The reports are a fair and true presentation of the entire year of operations of the Company and the NG2 S.A. Group. The reports were prepared in accordance with the Company's records and documents and with the factual status. They contain necessary synthetic information about the functioning of NG2 S.A. and of the Capital Group.

In the reporting period from 1 January 2010 to 31 December 2010, NG2 S.A.'s revenue from sales amounted to PLN 998,665,000 and increased by 13.0 per cent. The increase was generated by growing consumer demand and the newly-opened stores. The cost of operating activity in the period in question was PLN 882,766,000, increasing by PLN 91,919,000 compared to the previous period. A smaller increase in operating costs compared to revenue from sales is a consequence of, primarily, a drop in the US dollar exchange rate compared to the previous year, which resulted in higher retail sales margins. Furthermore, in the period in question, the cost of sales and management and administration increased by PLN 54,395,000 (+16.02 per cent) compared to the previous year. The ratio of the cost of sales and management to revenue from sales increased to 0.39 and remains typical for companies operating in the retail sector. The higher margin growth dynamic compared to the dynamic of the cost of sales and management caused an increase in operating profits of 21.47 per cent, which amounted to PLN 114,339,000.

Profitability measured by net profit was reported at 9 per cent, i.e. higher by one percentage point than that recorded in the previous year. At the end of the financial year, the Company's assets amounted to PLN 639,381,000. In the period of one year, the balance sheet sum increased by PLN 103,150,000, i.e. 19.2 per cent. The increase and the disbursed dividend of PLN 38,400,000 were financed primarily from the net profit (of PLN 85,892,000) and the increase in the amount of short-term liabilities (by PLN 28,314,000) and long-term liabilities (by PLN 23,986,000).

Summing up the previous year, the Supervisory Board concluded that the operations conducted by NG2 S.A. brought very good business results and helped strengthen the position of the Company and the Group as a whole on the financial and economic market, and brought along an increase in the value of assets.

The Company has been consistently implementing its strategy of growth and development of its own stores, which, combined with the high profitability and the high revenue growth dynamic, ensures stability in its operations.

With a view to ensuring continued stable growth of the Company, the Supervisory Board states that the adopted growth directions are appropriate and that they are consistently implemented by the Management Board.

The economic and financial performance presented in the statements, as well as its analysis by the Supervisory Board, allows the Board to give a favourable assessment of the Company's operations in 2010 and to assess the work of its Management Board very positively.

Upon analysing the provided statements and results of NG2 S.A. and the NG2 S.A. Group in

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2010, acting in line with the Best Practice for WSE-Listed Companies, the Supervisory Board gives a favourable assessment of the Company's operations in 2010 and the Company's financial standing in the period from 1 January 2010 to 31 December 2010.

The Supervisory Board feels that there are no threats to the continued operation of NG2 S.A. or the Capital Group and that the activities performed are a guarantee of continued future growth of the Company.

The Supervisory Board approved the 2010 profit distribution proposal put forward by the Management Board of NG2 S.A. and the individual and consolidated financial statements for 2010 and requests that the General Meeting approve the above documents.

In view of the foregoing, the Supervisory Board, upon making the assessment during its meeting, proposes that the Ordinary General Meeting of Shareholders adopt the following resolutions:

1. approval of the annual financial statements and the Management Board report on the operations of the Management Board of NG2 for the financial year 2010,
2. approval of the financial statements and the Management Board report on the operations of the NG2 Group for the financial year 2010,
3. decision to cover losses from previous years,
4. decision to distribute the profits generated for 2010,
5. decision to discharge the Company's Management Board from liability for the performance of its duties in 2010.

Chairman of the Supervisory Board

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(Henryk Chojnacki)

**Report on the Activities of the Supervisory Board of NG2 S.A.
together with an evaluation of its work
for the period from 1 January 2010 to 31 December 2010
/approved by the Supervisory Board of NG2 S.A. on 16 May 2011/**

Pursuant to the provisions of the Commercial Companies Code and the Statute of NG2 S.A., the Supervisory Board provides the General Meeting of Shareholders with a report on its activities together with an evaluation of its work for the period from 1 January 2010 to 31 December 2010.

As on 1 December 2010, the Supervisory Board appointed for a new term on 29 June 2009 was composed as follows:

Name and surname	Position	Period of service in 2010
Henryk Chojnacki	Chairman	1 Jan 2010 – 31 Dec 2010
Martyna Kupiecka	Member	1 Jan 2010 – 31 Dec 2010
Paweł Tamborski	Member	1 Jan 2010 – 31 Dec 2010
Rafał Chwast	Member	1 Jan 2010 – 31 Dec 2010
Wojciech Fenrich	Member	1 Jan 2010 – 31 Dec 2010

The Supervisory Board of NG2 S.A. is a permanent supervisory body of NG2 S.A. with its registered office in Polkowice in all areas of the Company's activity. The Supervisory Board is composed of at least five and no more than seven members, appointed by the General Meeting of Shareholders. Supervisory Board Members are appointed for a joint term of two years. The Supervisory Board operates in accordance with mandatory laws. The Supervisory Board oversees the Company's activities and performs its duties on the basis of specific authorisations granted to it by the Company's Statute, the Supervisory Board Regulations and the Resolutions of the General Meeting, taking into account Best Practice for Listed Companies.

The Board performed its duties at Board meetings. The Supervisory Board meets as necessary but no less than three times per financial year. Its meetings are convened by the Chairman of the Supervisory Board.

In the reporting period in question, the Supervisory Board of NG2 S.A. held three meetings at the Company's offices:

- on 22 February 2010
- on 17 May 2010
- 22 November 2010

and adopted 16 resolutions during all three meetings, and 2 resolutions by circulation (between meetings).

The supervision and monitoring duties involved primarily an analysis of the Company's current business and financial results and periodical financial statements, as well as reviewing periodical communications from the Company's Management Board regarding current and future operations.

The meetings concerned the following issues:

- 1) analysis of and supervision over the Company's operations,
- 2) analysis of the Company's business, marketing and sponsorship efforts,
- 3) the Company's financial security and financial liquidity,
- 4) risk policy and key threat areas,
- 5) approval of the 2010 financial plan,
- 6) appointment of an auditor to audit the Company's individual financial statements and the NG2 S.A. Group's consolidated financial statements for the year 2010,
- 7) approval of the Incentive Scheme Regulations together with the List of Persons Eligible for the Incentive Scheme, and adoption of amendments to the Regulations,
- 8) systematic review of the progress of work on the implementation of an investment project involving the construction of a logistic and warehousing centre, with the support of EU structural funding,
- 9) review of the progress of work on the implementation of an Integrated IT System at NG2 S.A.
- 10) appointment of the Management Board of NG2 S.A. for another term,
- 11) adoption of the financial statements of NG2 S.A. and the Management Board report on the Company's operations for the year 2009,
- 12) adoption of the consolidated financial statements of the NG2 S.A. Group and of the Management Board report on the Group's operations for the year 2009,
- 13) adoption of the report on the activities of the Supervisory Board in 2009,
- 14) adoption of the Supervisory Board's report on the results of the evaluation of the financial statements and the Management Board's request regarding the distribution of profits for 2009,
- 15) giving an opinion on the Management Board's request regarding the distribution of profits for 2009,
- 16) adoption of motions with regard to discharging Management Board members from liability for the performance of their duties for 2009,
- 17) recommending draft resolutions to the Extraordinary General Meeting of Shareholders and the Ordinary General Meeting of Shareholders,
- 18) approval of the Company's new Organisational By-laws and adoption of amendments to the Regulations.

As part of its activities, the Supervisory Board of NG2 S.A. performs the duties of an audit committee, which duties include:

- monitoring the financial reporting process,
- monitoring the efficiency of internal audit and risk management systems,
- monitoring financial review procedures,
- monitoring the liabilities of an auditor and an entity authorised to audit financial statements, in this case, provision of the services referred to in Article 48.2 of the Act on auditors and their governing bodies, entities authorised to audit financial statements and on public supervision of 7 May 2009
- receiving written communications from the entity authorised to audit financial statements concerning material issues regarding financial review, in particular, information on significant irregularities of an entity's internal audit system with regard to the financial reporting procedures.

The absence of separate committees does not affect the operations of the Supervisory Board or of the Company.

Supervisory Board members have participated in board meetings and numerous meetings and consultations devoted to the Company's day-to-day activity, for instance meetings with project managers, the auditor, and supported the Company's Management Board.

This report outlines the key directions of the Supervisory Board's activities in the financial year 2010.

The Supervisory Board operated in line with the Best Practice for WSE-Listed Companies and corporate governance principles and exercised consistent supervision over the activities of the Company and the work of the Management Board.

The Supervisory Board has evaluated its own operations. On the basis of the evaluation, the Supervisory Board concludes that all of its duties set out in the statute and the code have been performed. All of the supervisory board members have exercised due diligence in the performance of their board duties, diligently applying their best knowledge and experience in running and supervising commercial law companies.

The Supervisory Board believes that it has performed these duties in accordance with all applicable formal and legal requirements and that its work contributed to increasing the company's value and helped strengthen shareholder confidence. Furthermore, at its meetings, the Supervisory Board carried out ongoing assessments of the Company's standing and supported the Management Board in its operations. Therefore, the Supervisory Board has a favourable assessment of its 2010 activities and requests that its members be discharged from liability for the performance of their duties in the financial year 2010.

Chairman of the Supervisory Board

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(Henryk Chojnacki)

Brief evaluation of the standing of NG2 S.A. for the financial year 2010

Taking into account an evaluation of the Company's internal audit system and of the material risk management system

/approved by the Supervisory Board of NG2 S.A. on 16 May 2011/

Pursuant to Chapter III par. 1.1) of the "Best Practice for WSE-Listed Companies", the Supervisory Board of NG2 S.A. provides a brief evaluation of the Company's standing, taking into account an evaluation of the Company's risk management system and internal audit system. The evaluation was prepared on the basis of the documents provided by the Management Board, the discussions conducted at Supervisory Board meetings in which the Management Board participated, and taking into account financial statements and Management Board reports on the Company's operations, and on the basis of findings from the examination of the Company's accounting records by the Auditor.

1. Implementation of the Company's strategy and mission

NG2 S.A. continued its growth on the retail market. As on 31 December 2010, its sales network comprised 703 locations, which included: 273 CCC retail salons, 49 QUAZI boutiques, 213 BOTI own stores, 45 CCC retail salons in the Czech Republic and 123 franchise stores (61 CCC salons and 62 BOTI stores). The retail space in its own shops located in Poland and the Czech Republic increased to 139,300 sq. m, i.e. grew by 8.7 per cent. It is expected that in 2011, the retail space will increase by 14,000 sq. m (10 per cent). The strategy envisions continued dynamic growth and increasing the market share through organic growth of the sales network. The growth will be effected through consistent increases of the sales network and opening new locations, carefully selected in terms of expected profitability and return. As part of the strategy, in 2010, the Company made consistent investments into expanding its retail stores, while maintaining a very reasonable cost management policy and making careful use of bank debt. The Company increased its retail network by adding new stores in convenient locations and changed the formats of the stores being opened. The Company took measures to increase the retail space of the CCC stores, where the average size to date was 329 sq. m, while prime locations are to be as large as 500 sq. m. QUAZI boutiques, with an average size of 146 sq. m, are to have a retail space of no more than 100-120 sq. m, while BOTI stores with an average size of 129 sq. m are expected to have a retail space of 150-200 sq. m. The Company maintains its strategic plans for the coming years. It envisions attempts to increase the market share of NG2 in the Polish footwear market to 20 per cent by 2013. As part of the strategy, the Company intends to take the opportunity to increase the advantage over its competitors and increase

its market share. The efforts taken towards strengthening its market standing included advertising campaigns in the media and sports sponsorships.

The Company's strategy for the coming years envisions increasing the share in the Polish footwear market, together with a modification thereof and exploration of its growth potential beyond Poland. In 2010, the Management Board decided to open up to potential partnerships with franchisees in Eastern Europe. Growth in this area will involve obtaining franchisees in Eastern Europe, mainly in Russia and Ukraine. The Company opened its first Russian franchise in March, and the next 6-7 franchises are expected to open by the end of the year.

2. The Company's key results

In the reporting period in question, NG2 S.A. sold more than 16,685,000,000 pairs of shoes with a value of PLN 936,807,000. In the Company's sales structure, the main product sold is women's footwear, which accounts for 64.6 per cent of the value of footwear sales in 2010.

In 2010, NG2 S.A. generated a revenue from sales of PLN 998,665,000, i.e. 13.03 per cent higher than in the corresponding period of the previous year. The share of retail sales in overall sales amounted to PLN 854,408,000 (85.6 per cent), while franchise sales and other (wholesale) amounted to PLN 144,257,000 (14.4 per cent). Increasing the market share and developing retail salons are important factors in improving business profitability due to the higher retail margin it offers. In the case of franchises, NG2 S.A. generates a lower wholesale margin.

The dynamic of gross earnings from sales (up by 17.95), higher than in the case of revenue from sales, is a result of the extent of operations and increasing the share of retail sales in overall revenue.

Furthermore, in the period in question, the cost of sales and management and administration increased by PLN 54,395,000 (+16.02 per cent) compared to the previous year. The ratio of the cost of sales and management to revenue from sales increased to 0.39 and remains typical for companies operating in the retail sector. The higher margin growth dynamic compared to the dynamic of the cost of sales and management caused an increase in operating profits of 21.47 per cent, which amounted to PLN 114,339,000.

At the end of the financial year, the Company's assets amounted to PLN 639,381,000. During the year, the balance sheet sum increased by 19.24 per cent. The increase was caused primarily by the increase in the value of tangible assets of PLN 39,198,000 (26.58 per cent), which was related to the development of a new logistics centre and the expansion of the sales network.

The Supervisory Board finds that the Company's overall standing in 2010 was very good. The Supervisory Board concludes that the strategy applied thus far, the reasonable cost management policy, and the financial security in the form of loan agreements, will enable the Company to operate properly and implement its investment goals.

3. Evaluation of the market risk management system used by the Company in 2010

The Supervisory Board has reviewed the risk management system used by NG2 S.A., as set out in detail in the Management Board report on the operations of NG2 S.A. for the year 2010, specifically, the section that describes material risk factors and threats, specifying the Issuer's exposure thereto. The following risks were found to be of key importance:

- currency exchange rate risk,
- interest rate risk,
- credit risk,
- overall economic situation in Poland,
- seasonal nature of sales and weather conditions,
- store locations,
- fashion trends and failed collections.

The Management Board is responsible for managing capital risk in the Company and observing the policy adopted in this regard. The Company's objective in managing capital risk is to protect the Company's ability to continue its activity so that shareholder return and benefits for other stakeholders may be generated and so that the best possible capital structure may be maintained for the purpose of reducing its cost. The Company monitors capital levels using the debt ratio. The change in the ratio was in line with the Company's expectations.

The Supervisory Board, due to the fact that it performs the responsibilities of an Audit Committee, exercises day-to-day oversight over the Company's operations, also with regard to assessing the internal audit system and risk management system, and makes decisions that increase the likelihood of the Company being run effectively and efficiently to ensure that its strategic goals are achieved. The Supervisory Board finds that the Company keeps current currency exchange market analyses, actively manages its financial liquidity, construed as the ability to discharge its liabilities in a timely manner and to obtain funding for its day-to-day operations and investment needs, which meets the relevant functional needs.

4. Evaluation of the internal audit system.

The Company has in place a multi-level internal audit system, which makes it possible to effectively counteract and quickly eliminate any inaccuracies. The internal audit system covers all of the areas and organisational units of the Company. Furthermore, the Company introduced a global responsibility for its employees to conduct self-evaluations and for functional checks to be exercised by all levels of management as part of their coordination and supervision duties, which fulfils the relevant functional needs.

Polkowice, 16 May 2011