



(Current report No. 25/2012)

17.05.2012 /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 17 May 2012.

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

Report of the Supervisory Board of NG2 S.A. of 17th May 2012 of the assessment of the individual and consolidated financial statements, the report of the Management Board on the activities of NG2 S.A. and Capital Group NG2 S.A. as well as the motion of the Management Board concerning the distribution of profits for the period of 1st January 2011 to 31st December 2011.

1. Basis of the Report preparation.

Pursuant to Art. 382 § 3 and 395 § 2 of the Commercial Companies Code, § 16 paragraph 2, item 2 of the Articles of Association and Code of Best Practice for WSE Listed Companies - annex to Resolution No. 17/1249/2010 of the WSE Board dated on 19th May 2010, in order to prepare this report, the Supervisory Board has assessed and considered the following documents:

- 1) The financial statement of The Company NG2 S.A. and the Management Board's report of the Company's operations for the year 2011;
- 2) The financial statement of the Capital Group NG2 S.A. and the Management Board's report of the activities of the NG2 SA for the year 2011;
- 3) Review and report on the individual and consolidated financial statement of the Company for the year 2011, drawn up by the auditors from PricewaterhouseCoopers Ltd., based in Warsaw;
- 4) The proposals of the Management Board regarding the distribution of profit for the year 2011.

2. Analysis of financial statement and the Management Board's report on the activities of the Company in 2011.

The Supervisory Board took note of the opinion and report of auditors from the individual financial statement, as well as it analyzed the economic - financial functioning of the Company. The auditors acting on behalf of PricewaterhouseCoopers Ltd. issued a positive opinion of the submitted financial statement for the year 2011, stating that it was prepared in all crucial aspects, in accordance with accounting rules, arising from the International Accounting Standards, International Financial Reporting Standards and related interpretations in these standards and on the basis of properly kept accounts. The report is consistent in a form and content with the legal regulations and provides fairly and clearly all the information necessary to assess the financial and asset condition of NG2 S.A. on 31st December 2011.

In the reporting period from 1st January 2011 to 31st December 2011 NG2 S.A. Company's

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revenues sales for the first time in the history of NG2 exceeded over one billion PLN and amounted to 1.038.451 billion PLN. The operating profit grew from 114.339 million PLN in 2010 by 4.3% to the amount of 119.233 million PLN while the net profit increased to a peak level of 87.628 million PLN which meant the improvement of 2.0% comparing to the previous year. Revenues from retail sales amounted to 902.536 million PLN against 854.408 million PLN in 2010 (+5.63% year on year). In the same period, revenues of sales of franchise and other (wholesale) amounted to 135.915 million PLN (-5.78% year on year). The change of the structure of sources of sale revenues is consistent with the development strategy of the Company. In the future, a further increase of the share of retail sales in total sales is expected. Higher than the sales growth rate, the dynamics of sales gross profit (6.45% year on year) is a consequence of increased scale of operations and increasing the share of retail sales in total sales. During this period, the costs of sales and management increased by 25.707 million PLN (+6.53% year on year). The ratio of costs of sales and management to revenues from sales ratio increased to 0.40 (0.39 - 2010) and remains at a level typical for companies in the retail sector. The growth dynamics of costs of sales and management is maintained at a level similar to the dynamics of the gross margin for sales, resulted in the increase of the operating profit of 4.28% (year on year). The Balance of NG2 S.A. as of 31.12.2011 of the assets and liabilities amounted to 923.529 million PLN. Total assets increased by 44.44% compared to the value of 31.12.2010. This increase on the fixed assets was contributed largely by dynamic growth in tangible fixed assets of 96.252 million PLN (51.56% year on year) associated with the construction of a new logistics center and the development of sales network. Significant changes in current assets is the increase in stocks by 225.210 million PLN. Cash and cash equivalents decreased to 29.140 million PLN (71.243 million PLN at the end of the year 2010). On the liabilities side the significant change is the increase in liabilities arising from long-term loans to the amount of 214.835 million PLN (103.245 million PLN - 31.12.2010). Net financial debt due to bank loans rose by 197.682 million PLN (year on year). The increase of "commitment of supplies and services and other liabilities" 205.537 million PLN - 31.12.2011, (140.086 million PLN 31.12.2010) results primarily from an increase in trade payables related to the range of business.

The Report of the Management Board of NG2 S.A. concerning the activity in 2011 should be regarded as complete. This report includes the information on economic and financial situation of the Company and describes the major events having a significant impact on the Company's operations during the reporting period. This report was prepared in accordance with the books and documents of the Company and the actual situation, and provides essential synthetic information on the operation of NG2 S.A.

The Supervisory Board recognizes the described reports as correctly reflecting the actual situation and properly presenting the situation of the Company during the reporting period.

3. Analysis of the consolidated financial statement and the report of the Management Board on the activities of the Capital Group NG2 in 2011.

The Supervisory Board took note of the opinion and report of auditors from the individual financial statement, as well as it analyzed the economic - financial functioning of the Company. The auditors acting on behalf of PricewaterhouseCoopers Ltd. issued a positive opinion of the submitted financial statement for the year 2011, stating that it was prepared in all crucial aspects, in accordance with accounting rules, arising from the International Accounting Standards, International Financial Reporting Standards and related interpretations in these standards and on the basis of properly kept accounts. The report is consistent in a form and content with the legal regulations and provides fairly and clearly all the information necessary to assess the financial and asset condition of NG2 S.A. on 31st December 2011.

In the reporting period from 1st January 2011 to 31st December 2011 the sales revenues of the Capital Group NG2 SA exceeded one billion PLN and reached the amount of 1.091.260 billion PLN (+6.10% year on year). The operating profit grew from 129.119 million PLN in 2010 by 23.2% to the amount of 159.052 million PLN, while the net income rose to a record level of 122.776 million PLN, which meant the improvement of 4.2% comparing to the previous year. Revenues from retail sales amounted to 994.381 million PLN against 921.621 million PLN in 2010 (+7.89% year on year). In the same period, revenues of sales of franchise and other (wholesale) amounted to 96.879 million PLN (-9.41% year on year). The change of the structure of sources of sale revenues is consistent with the development strategy of the Company. In the future, a further increase of the share of retail sales in total sales is expected. Higher than the sales growth rate, the dynamics of sales gross profit (10.13% year on year) is a consequence of increased scale of operations and increasing the share of retail sales in total sales. During this period, the costs of sales and management increased by 26.790 million PLN (+6.36% year on year). The ratio of costs of sales and management to revenues from sales ratio increased to 0.41 and remains at a level typical for companies in the retail sector. The higher growth dynamics of costs of sales and management resulted in the increase of the operating profit by 23.18% (year on year). The Balance of the Capital Group NG2 S.A. as of 31.12.2011 of the assets and liabilities amounted to 965.613 million PLN. Total assets increased by 42.37% compared to the value of 31.12.2010. This increase on the fixed assets was contributed largely by dynamic growth in tangible fixed assets of 97.000 million PLN (40.27% year on year) connected with the construction of a new logistics center and the development of sales network. Significant changes in current assets is the increase in stocks by 232.369 million PLN. Cash and cash equivalents decreased to 34.926 million PLN (83.065 million PLN 31.12.2010). On the liabilities side the significant change is the increase in liabilities arising from long-term loans to the amount of 206.800 million PLN (103.245 million PLN - 31.12.2010). Net financial debt due to bank loans rose by 177.660

million PLN year on year. "The commitment of supplies and services and other liabilities " increased to the amount of 146.356 million PLN (86.770 million PLN 31.12.2010) results primarily from an increase in trade payables related to the range of business.

The Report of the Management Board of NG2 S.A. concerning the activity in 2011 should be regarded as complete. This report includes the information on economic and financial situation of the Company and describes the major events having a significant impact on the Company's operations during the reporting period. This report was prepared in accordance with the books and documents of the Company and the actual situation, and provides essential synthetic information on the operation of NG2 S.A.

The Supervisory Board recognizes the described reports as correctly reflecting the actual situation and properly presenting the situation of the Company during the reporting period.

4. Conclusions of the analysis of the reports and recommendations to the General Meeting

Summing up the previous year, the Supervisory Board concluded that the activity conducted by NG2 S.A. resulted in a very good economic results, which led to the strengthening of the position of the Company and the whole Group on the financial and economic market and to the increase of the assets value.

The company is consistently realizing the chosen strategy of expansion and development of own stores, which combined with high profitability and high dynamics growth of incomes provides the Company with stability. In 2011, The Company NG2 continued the expansion on the retail market by opening a total of 48 retail outlets: 29 CCC stores in Poland and 19 BOTI stores. The holdings of the Company NG2 on 31st December 2011 it is a total of 546 own outlets and 111 franchised ones in Poland and 5 franchise outlets in Russia. Sales area in its own stores increased to 135.1 thousand. m², i.e. by 8.0%.

Taking a further stable development of the Company into account, The Supervisory Board states that the agreed development directions are proper and are consecutively executed by the Management Board.

The realized economic - financial results presented in the reports and their analysis made by the Supervisory Board allow a positive judgment on the operation of the Company in 2011 and highly assess the work of the Management Board.

The Supervisory Board, after analyzing the submitted reports and results of NG2 S.A and Capital Group NG2S.A. in 2011, acting in accordance with the principles of Best Practice for WSE Listed Companies, presents a positive assessment of the Company's operations in 2011 and the financial situation of the Company for the period from 1st January 2011 to 31st December 2011.

In the opinion of the Supervisory Board there is not any threat to the continued operation of

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NG2 S.A. as well as for the Capital Group, and the actions having been taken are the guarantee of further development of the Company in the future.

The Supervisory Board approves, presented by the Management Board of NG2 S.A., a proposal for profit distribution for 2011 and the individual and consolidated financial statements for 2011 and proposes the General Meeting to approve these documents.

Therefore, the Supervisory Board after making the assessment at its meeting, decides to propose the General Meeting of the Shareholders to take the following resolutions:

1. approving the annual financial statement and the report of the Management Board on the activities of the Management Board of the Company NG2 for the working year 2011;
2. approving the financial statement and the report of the Management Board on the activities of Capital Group NG2 for the working year 2011;
3. making a profit distribution for the year 2011;
4. granting an exoneration of the Management Board of performing its duties in 2011.

Chairman of the Supervisory Board

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(Henryk Chojnacki)

Report of the activity of the Supervisory Board of NG2 S.A. together with the assessment of its work for the period of 1st January 2011 to 31st December 2011
/ Adopted by the Supervisory Board of NG2 S.A. on 17th May 2012 /

1. General Information

The Supervisory Board of NG2 S.A. realizing the corporate governance principles contained in the "Best Practices of WSE Listed Companies" provides the shareholders with the annual report and presents its own assessment of activities for the year 2011. This report describes the activities of the Supervisory Board for the period 01.01.2011 - 31.12.2011 according to the provisions of the Commercial Companies Code, the Articles of Association and Regulations of the Supervisory Board of NG2 S.A.

2. The composition of the Supervisory Board and the execution of duties:

Functioning rules of the Supervisory Board and the manner of operations is determined by the Company Statute and Regulations of the Supervisory Board of NG2 S.A.

On 1st January 2011, the Supervisory Board included as follows:

Name and surname	Function	Period of serving a function in 2011.
Henryk Chojnacki	A chairman	01.01.2011 – 31.12.2011
Martyna Kupiecka	A member	01.01.2011 - 31.12.2011
Pawel Tamborski	A member	01.01.2011 – 31.12.2011
Wojciech Fenrich	A member	01.01.2011 – 31.12.2011
Rafał Chwast	A member	01.01.2011 – 16.06.2011

On 16th June 2011, the General Meeting of Shareholders appointed the members of the Supervisory Board for another term (2011 - 2013) and adopted a resolution on the appointment of the Supervisory Board members. The Management Board of the Company and the Chairman of the Supervisory Board received the information from Mr. Rafał Chwast of his resignation from applying to be appointed for the next term. Other members of the Supervisory Board have agreed to candidate to the Supervisory Board for another term. The newly appointed Supervisory Board is as follows and in this composition it was

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working till 31st December 2011.

Name and surname	Function	Period of serving a function in 2011.
Henryk Chojnacki	A chairman	01.01.2011 – 31.12.2011
Martyna Kupiecka	A member	01.01.2011 - 31.12.2011
Pawel Tamborski	A member	01.01.2011 – 31.12.2011
Wojciech Fenrich	A member	01.01.2011 – 31.12.2011
Piotr Nadolski	A member	16.06.2011 – 31.12.2011

All members of the Supervisory Board made statements about meeting the independence criteria set out in the Best Practices of WSE Listed Companies and other legal regulations, and also gave information on the personal, actual and organizational relationships with the shareholders of NG2 S.A.

The Supervisory Board of NG2 S.A. is a fixed body of the supervision over the Company NG2 S.A. in Polkowice in all operation areas of the Company. The Supervisory Board consists of five to seven members appointed by the General Meeting of Shareholders. The Supervisory Board members are appointed for a common term, which lasts two years. The Board exercises a constant supervision over the Company and performs its tasks on the basis of specific powers which are conferred to the Supervisory Board by the Articles of Association, Regulations of the Supervisory Board and the Resolutions of the General Meeting with regard to Best Practices in Public Companies.

The Board supervised the activities of NG2 S.A. performing its functions at Board's meetings. The Board meets as needed, not less than three times a year. Its sessions are convened by the Chairman of the Supervisory Board. The meetings discussed in detail the proposals and documents submitted to the Board relating to the Company's activity. Members of the Supervisory Board attended the meetings and participated in several meetings and consultations related to the current Company's activity, supporting the Management Board. In the reporting period, the Supervisory Board of NG2 S.A. held three meetings at the headquarters of the Company: 28th February 2011, 16th May 2011, 19th September 2011, adopting nineteen resolutions during all meetings, including one in a current mode. Supervisory - control activities mainly covered analyzing the current economic - financial results of the Company and periodic financial statements, as well as familiarizing with the regular information of the Management Board as for the current and planned activities.

The theme of the meetings were the following:

- 1) analysis and monitoring the activities of the Company;
- 2) analysis of carried out commercial, marketing and sponsorship activities of the Company;

- 3) financial security and liquidity of the Company;
- 4) the risk policy and key risk areas;
- 5) approvals of the financial plan for 2011;
- 6) selecting an auditor to audit the individual financial statement of the Company as well as a consolidated financial statement of the Group NG2 S.A for the year 2011;
- 7) systematic finding of the progress of the investment project implementation of the construction of the warehouse and logistics center with the support of funds from EU structural programs;
- 8) getting familiar with the progress of the work on the implementation of the Integrated Information System of NG2 S.A.;
- 9) adopting the financial statement of the Company NG2 S.A. and the Management Board's report of the Company's operations for 2010;
- 10) The adoption of the consolidated financial statement of the Capital Group NG2 S.A. and the Management Board's report on the activities of the Capital Group for the year 2010;
- 11) The adoption of the report of the Supervisory Board on its activities in 2010;
- 12) The adoption of the report of the Supervisory Board on the evaluation of financial statement and the proposal of the Management Board concerning the profit distribution for the year 2010;
- 13) giving the opinion on the proposal of the Management Board concerning the profit distribution for the year 2010;
- 14) adopting the conclusions on the exoneration of the Management Board for 2010;
- 15) recommending the draft resolutions presented at the AGM;
- 16) approving the regulations of remuneration of members of the Supervisory Board;
- 17) approving a new Organizational Regulations of the Company and the adopting the amendments to the Regulations.

3. Performing the duties of the Audit Committee by the Supervisory Board.

The Supervisory Board of NG2 S.A., performing the duties of the audit committee made in 2011 the evaluation of significant risks and threats to which the Company is exposed. In assessing the risks associated with asset management, the Board made, in particular, the analysis of control of cash management and due amounts, control of foreign exchange risk management, credit risk and interest rate changes in relation to the signed credit agreements. The Board states that the Company properly protects the current assets of the Company. In assessing the operational risk associated with investments and management of subsidiaries of NG2 S.A., the Board made the analysis of the location of retail outlets, the dynamics of development of branch networks and their development costs and the efficiency of operating facilities. The Board stated that the implementation of the strategy chosen by the Company's organic

growth and carefully selected location facilities, strengthen the market position, reducing the risk of misguided location, but may face a limited number of new attractive locations. The effect on results of operations and financial condition of the Company may have the economic situation in the country, its deterioration may reduce the purchasing power of consumers and their tendency to consume. The sales and stock value is affected by seasonality of demand (the peak demand is in Spring and Autumn). Disturbances of weather conditions may result in postponement of purchase decisions by customers or shortening the season of the highest sales. The Board noted that the Company having their own generating capacity can rapidly adapt the range of products to prevailing conditions and thereby reduce the level of sensitivity of NG2 S.A. to seasonal factors and weather. The Board issued a positive opinion of the Management Board's decisions on investments in the Company's foreign subsidiaries and the way the NG2 exercises the supervision: ownership, corporate and operating supervision over subsidiaries of foreign companies. In addition, the Supervisory Board in assessing the internal control system made a positive opinion on the circulation of documents, invoices, and the way they are controlled and accepted, which allows the Company registering economic events, and provides security in this area. In carrying out financial audit activities, the Board got familiar with the financial reports for 2011 prepared by the Company, it analyzed the risks, and met with the auditor and the Management Board of the Company. The Supervisory Board of NG2 concluded that the financial reports prepared Company contain reliable information about the activities of the Company and were prepared in accordance with applicable requirements. The Board stated that in spite of many possible events negatively affecting the economy and the seasonality of demand, there are no important factors threatening the continuation of its activities both as an economic entity and as a public company.

4. Evaluation of the work of the Supervisory Board

This report illustrates the major directions of the Supervisory Board activities in a working year 2011. The Supervisory Board acts in accordance with the principles of Best Practice for WSE Listed Companies and exercised the permanent supervision over the Company's activities and the work of the Management Board.

The Supervisory Board assessed its own work. Based on this assessment, the Supervisory Board states that all the statutory and code obligations were made. All members of Board did all their best in performing their duties in the Board using its best knowledge, commitment and experience in conducting and supervising commercial companies.

The Supervisory Board believes that it performed in accordance with any formal – legal requirements and its work contributed to the growth of the company's value and contributed to increase the confidence of the shareholders. In addition, the Board during appointed meetings currently analyzed

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the situation of the Company and supported the Management Board in a current activity. Therefore, the Supervisory Board positively assesses its operations in 2011 and appeals to grant its members the exoneration of the management for performing their duties for the working financial year 2011.

Chairman of the Board

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(Henryk Chojnacki)

**The brief assessment of the Company NG2 S.A. for the working year 2011
Considering the assessment of the internal controls and risk management
system essential for the Company**

/ Approved by the Supervisory Board of NG2 S.A. on 17th May 2012 /

According to Chapter III, paragraph 1, section 1) "Best Practices of WSE Listed Companies", the Supervisory Board of NG2 S.A. submits a brief assessment of the Company including an evaluation of risk management and internal control system of the Company. This assessment was prepared on the basis of the documents submitted by the Board, discussions made at meetings of the Supervisory Board with the participation of the Management Board, and taking into account the financial statements and the reports of the Management Board on Company's operations and on the basis of the conclusions of the study of the books of the Company by the auditor.

1. Implementation of the strategy and mission of the Company

NG2 S.A. continued expansion in the retail market by opening a total number of 55 retail outlets: 36 CCC stores in Poland and the Czech Republic, 19 BOTI shops. The holdings of Group NG2 on 31st December 2011 refers to a total of 598 own outlets and 116 franchised ones. Sales area in its own stores increased to 151.5 thousand m², i.e. by 8.8%. The strategy assumes a continued dynamic growth and increase of the market share through organic growth of sales network. The development will be conducted by a consistent increase of the sales network and opening new stores, selected in terms of profitability and the expected rate of return. Under this strategy, the Company in 2011, successfully invested in the development of its own retail stores implementing a rational policy of costs. The company increased network of sales by opening new stores in attractive locations and changed the forms of opened stores. The company has taken steps towards increasing the area of CCC stores, which an average size has amounted to 329 m² so far, while the best locations are to have an area up to 500 m². QUAZI Boutiques of an average size 146 m², they are to have an area no larger than 100 to 120 m², while the shops BOTI of an average size 129 m² - are expected to be the size of 150 to 200 m². The company maintains strategic plans for the coming years that assume the increase of the market share of NG2 in the domestic footwear market to 20% by 2013. Under this strategy, the company wants to use the opportunity to increase the gap to the competition and increase the market share. The element of strengthening the market position was also conducting advertising campaigns in the media and sports sponsorship. Our strategy for the coming years is to increase the market share of the domestic footwear market with its

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subsequent modification and the potential for further development outside Poland. The company has begun its expansion in other countries of Central and Eastern Europe. In December 2011 a subsidiary in Slovakia was established, which primary business is the distribution of goods supplied by the NG2 S.A. on the territory of the Slovak Republic. In 2012 it is planned to run even 10 CCC stores on the Slovak market. The Management Board in 2011 decided to be open for the co-operation with franchisees in Eastern Europe. The development will be based on acquiring franchisees mainly in Russia, where the franchisees have opened 5 stores so far as well as on Latvia and Ukraine.

2. Basic results of the Company

In the reporting period NG2 S.A. sold more than 17 682 thousand pairs of shoes of a value of 969.767 million PLN. The Company's sales structure is dominated by women's footwear sale that accounts to 64, 1% of footwear sales in 2011. In 2011, the NG2 S.A. achieved sales revenue of 1.038.451 billion PLN. The revenues of retail sales amounted to 902.536 million PLN. In the same period, the revenues of franchise sales and other (wholesale) amounted to 135.915 million PLN. The change of the structure of sources of sale revenues is consistent with the development strategy of the Company. During this period, the costs of sales and management increased by 25.707 million PLN. The ratio of costs of sales and management to revenues from sales ratio increased to 0.40 and remains at a level typical for companies in the retail sector. The growth dynamics of costs of sales and management is maintained at a level similar to the dynamics of the gross margin for sales, resulted in the increase of the operating profit of 4.28% (year on year). The Balance of NG2 S.A. as of 31.12.2011 of the assets and liabilities amounted to 923.529 million PLN. Total assets increased by 44.44% compared to the value of 31.12.2010. This increase on the fixed assets was contributed largely by dynamic growth in tangible fixed assets of 96.252 million PLN (51.56% year on year) associated with the construction of a new logistics center and the development of sales network. Significant changes in current assets is the increase in stocks by 225.210 million PLN. Cash and cash equivalents decreased to 29.140 million PLN (71. 243 million PLN at the end of the year 2010). On the liabilities side the significant change is the increase in liabilities arising from long-term loans to the amount of 214.835 million PLN (103.245 million PLN - 31.12.2010). Net financial debt due to bank loans rose by 197. 682 million PLN year on year. The increase of "commitment of supplies and services and other liabilities "205.537 million PLN - 31.12.2011, (140.086 million PLN 31.12.2010) results primarily from an increase in trade payables related to the range of business.

The Supervisory Board states that the overall situation of the Company in 2011 was very good. According to the evaluation of the Supervisory Board the present chosen strategy, a rational policy of costs, financial security in the form of credit agreements will enable the Company the proper functioning and implementation of investment objectives.

3. Assessment of the market risk management system in the Company in 2011.

The Supervisory Board took notice of the risk management system in NG2 S.A., specifically described in the report of the Management Board on the activities of NG2 S.A. for the year 2011 in the section concerning the description of the significant risks and hazards, identifying the extent to which the Issuer is exposed. The main identified types of risks:

- The level of currency exchange rates,
- Change of interest rates,
- Credit risk,
- General economic situation in Poland,
- Seasonal sales and weather conditions,
- Locations of retail outlets
- Trends in fashion and misguided collections.

The Management Board is responsible for the risk management at the strategic level. The supervision over the financial reporting process is in the hands of the Vice President of the Management Board. The organization of the financial reporting process corresponds to the Chief Accountant of the Company, who simultaneously supervises the proper recording of the business transactions in the accounts of the Company. The way of documents workflow allows minimizing the potential risks associated with the recording of the normal business operations. The effectiveness of the risk management system is provided on the basis of the division of responsibilities related to the economic decision-making and their registration and the established scope of financial reporting used by the Company, including the internal budgeting system. Managing the risk management procedures is to identify and assess risk areas for all areas of activity of the Company and define the actions necessary to reduce these risks. The Company's aim in risk management is to protect the Company's ability to continue its operations, so that it can realize the return for shareholders and benefits for other interested parties as well as maintaining an optimal capital structure to reduce its cost. The Company monitors the capital using a debt ratio. The change of the ratio is consistent with the expectations of the Company.

The Supervisory Board exercising, in the full composition, the duties of the Audit Committee exercises the permanent supervision over the Company's activities also in the assessment of internal control system and risk management and makes decisions that affect increasing the likelihood of running the company's business in an effective and efficient way in order to achieve strategic objectives. The Supervisory Board states that the Company currently conducts the analysis on foreign exchange markets, actively manages financial liquidity defined as the ability to pay the obligations on time and raise funds to finance current operations and investment needs, which meets the necessary functional needs.

4. Evaluation of internal control system.

The Company has a multi-level system of internal control, which is designed to prevent effectively and eliminate quickly possible arising anomalies. The internal control system covers all areas and organizational units of the Company. At the same time, the obligation of self-control staff and functional control has been maintained in full, that is exercised by all levels of leadership in the coordination and oversight-coordination responsibilities, which meets the necessary functional needs. In the process of preparing financial statements of the Company one of the basic elements of control is the verification of the financial statements by an independent auditor. The tasks of the independent auditor include in particular: to review a half-year financial statement and the preliminary and major examinations of annual reports. To ensure the reliability of the accounts of the Company and the generation of the data for presentations, the Management Board adopted and approved to be used the Accounting Policy in accordance with International Financial Reporting Standards.

According to the Supervisory Board's evaluation, the system of internal control and risk management, financial reporting process functioning in NG2 as well as financial auditing activities are compliant with legal requirements and meet the necessary functional needs.

Polkowice, on 17.05.2012