NG2

New Gate Group

CONSOLIDATED FINANCIAL STATEMENTS

OF THE NG2 S.A. CAPITAL GROUP

FOR THE PERIOD FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

Table of Contents

Amounts are provided in PLN '000 unless stated otherwise

CONSOLIDATED GLOBAL INCOME STATEMENT

	Note number	period from 1 Jan 2010 to 31 Dec 2010	period from 1 Jan 2009 to 31 Dec 2009
Revenue from sale	5	1,028,559	922 408
Manufacturing cost of products, goods and services sold	6	(472,127)	(441 206)
Gross earnings from sale		556,432	481 202
Other operating revenue	20	9,955	11,840
Cost of sale	6	(406,234)	(361,448)
Cost of general management and administration	6	(14,744)	(13,133)
Other operating costs	20	(16,290)	(10,302)
Profit on operating activity		129,119	108,159
Financial revenue	20	473	859
Financial costs	20	(6,983)	(9,341)
Profit before tax		122,609	99,677
Income tax	21	(4,753)	(16,074)
Net profits		**117,856**	**83,603**
Other global income:			
Currency exchange differences from converting foreign units		(175)	(151)
Total global income		**117,681**	**83,452**
Earnings per share:			
basic and diluted	22	PLN 3.07	PLN 2.18

Due to the lack of minority shareholders, the net profit and global income is divided among the NG2 S.A. shareholders.

Amounts are provided in PLN '000 unless stated otherwise

CONSOLIDATED STATEMENT ON THE FINANCIAL STANDING

	Note number	As on 31 December 2010	As on 31 December 2009
Non-current assets			
Other intangible assets	8	882	1,073
Tangible fixed assets	7	240,894	202,591
Long-term receivables	9	114	174
Deferred tax assets	17	28,069	6,070
Total tangible assets		**269,959**	**209,908**
Current assets			
inventory	10	252,446	242,693
Trade receivables and other receivables	9	72,752	37,629
Cash and cash equivalents	11	83,065	60,895
Total current assets		**408,263**	**341,217**
Total assets		**678,222**	**551,125**
Shareholders' equity			
Share capital	12	3,840	3,840
Reserve capital from the sale of shares above their nominal value	12	74,586	74,586
Currency exchange on consolidation	12	(317)	(142)
Other capitals	12	3,358	
Retained earnings	12	341,381	261,925
Total shareholders' equity		**422,848**	**340,209**
Long-term liabilities			
Long-term loans and bank loans	15	103,245	80,000
Trade liabilities and other liabilities	13	86	89
Liabilities under retirement payments and service anniversary awards	19	1,482	901
Long-term provisions	18	193	155
Long-term liabilities under financial leasing	13	111	216
Total long-term liabilities		**105,117**	**81,361**
Short-term liabilities			
Trade liabilities and other liabilities	13	86 770	81,297
Income tax liabilities	13	5 833	6,536
Short-term liabilities under financial leasing	13	136	127
Short-term loans and bank loans	15	46 006	39,986
Short-term provisions	18	3 135	1,609
Subsidies received	27	8 377	-
Total short-term liabilities		**150 257**	**129,555**
Total liabilities		**678 222**	**551,125**

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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Reserve capital from the sale of shares above their nominal value	Other capitals	Retained earnings	Currency exchange differences on converting controlled entities	Total shareholders' equity
As on 1 January 2009	**3,840**	**74,586**	**-**	**217,755**	**9**	**296,190**
Error corrections				(1,033)		(1,033)
As on 1 January 2009	**3,840**	**74,586**	**-**	**216,722**	**9**	**295,157**
Results for the year				83,603	-	83,603
Other global income						
Currency exchange differences on conversion					(151)	(151)
Total global income	**-**	**-**	**-**	**83,603**	**(151)**	**83,452**
Transactions with owners						
Dividend disbursement				(38,400)		(38,400)
As on 31 December 2009	**3,840**	**74,586**	**-**	**261,925**	**(142)**	**340,209**

	Share capital	Reserve capital from the sale of shares above their nominal value	Other capitals	Retained earnings	Currency exchange differences on converting controlled entities	Total shareholders' equity
As on 1 January 2010	**3,840**	**74,586**	**-**	**261,925**	**(142)**	**340,209**
Results for the year				117,856		117,856
Other global income						
Currency exchange differences on conversion					(175)	(175)
Total global income	**-**	**-**	**-**	**117,856**	**(175)**	**117,681**
Transactions with owners						
Dividend disbursement				(38,400)		(38,400)
Employee stock option plan - value of the benefit			3,358			**3,358**
As on 31 December 2010	**3,840**	**74,586**	**3,358**	**341,381**	**(317)**	**422,848**

Amounts are provided in PLN '000 unless stated otherwise

CONSOLIDATED CASH FLOW STATEMENT

	period from 1 Jan 2010 to 31 Dec 2010	period from 1 Jan 2009 to 31 Dec 2009
Gross profit (loss):	122,609	99,677
Adjustments:	(33,407)	24,982
Depreciation	22,166	18,346
Interest and share in profits (dividends)	(680)	(1,460)
Currency exchange profit (loss)	(427)	478
Profit (loss) on investment activity	1,535	200
Cost of interest	4,979	7,247
Changes in provisions	2,145	(1,660)
Changes in inventory	(9,753)	(12,406)
Changes in receivables	(36,016)	24,251
Changes in short-term liabilities, other than loans and borrowings	5,204	9,816
Changes in prepayments and accruals	952	(273)
Income tax paid	(26,870)	(19,557)
Other adjustments	3,358	-
Net operating cash flow	**89,202**	**124,659**
Investment cash flow		
Interest received	680	1,460
Subsidies received	8,377	-
Proceeds from the sale of tangible assets	-	72
Proceeds from loans to third parties	10,000	8,500
Costs of loans to third parties	(10,000)	(8,500)
Purchase of intangible assets	(51)	(67)
Purchase of tangible assets	(60,586)	(46,303)
Net investment cash flow	**(51,580)**	**(44,838)**
Financial cash flow		
Proceeds from incurring loans	69,419	152,033
Dividends and other disbursements to owners	(38,400)	(38,400)
Repayment of loans and borrowings	(40,170)	(140,446)
Payment of liabilities under financial leasing agreements	(69)	(231)
Interest paid	(6,232)	(7,240)
Net financial cash flow	**(15,452)**	**(34,284)**
Total cash flow	**22,170**	**45,537**
Net increase (decrease) in cash and cash equivalents	22,170	45,537
Cash and cash equivalents at the beginning of the period	**60,895**	**15,358**
Cash and cash equivalents at the end of the period	**83,065**	**60,895**

I. NOTES

1. GENERAL INFORMATION

Name of the Dominant Entity: NG2 Spółka Akcyjna

Registered Office of the Dominant Entity: Polkowice

Address: ul. Strefowa 6, 59-101 Polkowice

Telephone: +48 (76) 845 84 00

Fax: +48 (76) 845 84 31

Email: ng2@ng2.pl

Website: www.ng2.pl

Registration: District Court for Wrocławia-Fabryczna in Wrocław, 9th Commercial Division of the National Court Register,

KRS Number: 0000211692

Regon (Statistical Number): 390716905

NIP (Tax Identification Number): 692-22-00-609

Corporate Purpose: The Group's primary corporate purpose according to the European Classification of Economic Activities is wholesale and retail trade of clothing and footwear (ECEA 51.42).

NG2 S.A. has been listed on Giełda Papierów Wartościowych S.A. in Warsaw (Warsaw Stock Exchange) since 2004.

2. ACCOUNTING PRINCIPLES APPLIED

The major accounting principles used in preparing these consolidated financial statements are set out below. The principles were continuously applied in all the years presented.

2.1. Basis for Preparation

The consolidated financial statements of the NG2 S.A. Capital Group (hereinafter, the "Group") were prepared in accordance with the International Financial Reporting Standards approved by the European Union (IFRS approved by the EU), with IFRIC Interpretations and with the Accounting Act to the extent that applies to companies preparing their financial reports in accordance with the IFRS. The consolidated financial statements were prepared in accordance with the historical cost principle, with changes stemming from the revaluation of land and buildings, to a fair value level through the profit and loss statement.
The preparation of financial statements in accordance with the IFRS requires the use of certain considerable accounting estimates. It also requires that the Management Board make its own assessment as part of applying the accounting principles adopted by the Group. Material estimates of the Management Board are set out in note 4.
These statements were prepared on the assumption that the business activity will continue for at least twelve months. There is no indication of circumstances that would signify serious threats to the Group's continuation of its business activity.

New standard or interpretation not applied earlier

IFRS 3 (Z) "Business Combinations"

The revised IFRS 3 was published by the International Accounting Standards Board on 10 January 2008 and applies prospectively to business combinations with an acquisition date falling in the reporting period starting on 1 July 2009 or thereafter. The revisions provide for the option to select to enter minority shares at their fair value or at their share in the fair value of identified net assets, a reassessment of the shares held to date in the acquired entity to fair value with a reference to the profit and loss statement, and additional guidelines for the application of the acquisition method, including the treatment of transaction costs as a cost of the period in which they were incurred.

The Group has been applying the revised IFRS 3 since 1 January 2010. The effect of this revision on the financial statements is not material.

IAS 27 (Z) "Consolidated and Individual Financial Statements"

The revised IAS 27 was published by the International Accounting Standards Board on 10 January 2008 and applies to year-long periods starting from 1 July 2009 or thereafter. The standard requires that the results of transactions with minority shareholders are entered directly in the equity, as long as the current dominant entity maintains control over the entity in question. The standard also provides more details on the method of accounting for losses of control over the subsidiary in question, i.e. requires that the remaining shares be reassessed at fair value and that the difference is recorded in the profit and loss statement.

The Group has been applying the revised IAS 27 since 1 January 2010. The revision has no effect on the Group's financial statements.

Revisions to IAS 39 "Financial Instruments: Recognition and Measurement" - "Eligible Hedged Items".

The amendment to IAS 39 "Eligible Hedged Items" was published by the International Accounting Standards Board on 31 July 2008 and applies to year-long periods starting from 1 July 2009 or thereafter.
The amendments explain the application, under special circumstances, of the principles specifying whether the hedged risk or a portion of cash flow meets the hedged items eligibility criteria. They also introduce provisions that prohibit listing inflation as a hedgeable component of a fixed-rate debt instrument. The amendments also prohibit including time value in unilaterally hedged risk, when options are treated as a hedging instrument.

The Group has been applying the amendment to IAS 39 since 1 January 2010. The revision has no effect on the Group's financial statements.

Improvements to IFRS 2009

On 16 April 2009, the International Accounting Standards Board published "Improvements to IFRS 2009", which amended 12 standards. The improvements contain amendments of the method of presentation, recording and valuation, as well as terminology and editorial changes. The majority of the amendments will apply to year-long periods starting from 1 January 2010.

The Group has been applying the improvements to IFRS in accordance with the transitional provisions. The revision has no effect on the Group's financial statements.

Improvements to IFRS 2008

In May 2009, the International Accounting Standards Board published "Improvements to IFRS 2008", which amended 20 standards, including IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the amendment to which applies to year-long periods starting from 1 July 2009 or thereafter. The Group did not apply the previously included amendments concerning discontinued operations.

The Group has been applying the improvements to IFRS 5 since 1 January 2010. The revision has no effect on the Group's financial statements.

Revisions to IFRS 2 "Share-Based Payment"

The revisions to IFRS 2 were published by the International Accounting Standards Board on 18 June 2009 and apply to year-long periods starting from 1 January 2010 or thereafter.
The revisions specify the definition of share-based payments settled in cash within the capital group. The revisions define in detail the scope of IFRS 2 and regulate the joint application of IFRS 2 and other standards. The revisions incorporate in the standard issues settled previously in IFRIC 8 and IFRIC 11.

The Group has been applying the revisions to IFRS 2 since 1 January 2010. The revision has no material effect on the Group's financial statements.

IFRIC 15 "Agreements on the Construction of Real Estate"

IFRIC 15 was issued by the IFRS Interpretations Committee on 3 July 2008 and applies to year-long periods starting from 1 January 2010 or thereafter. The interpretation sets out general guidelines for assessing construction services agreements to determine whether their effects should be reflected in financial statements under IAS 11 Construction Contracts or IAS 18 Revenue. In addition, IFRIC 15 specifies at what point revenue from completing a construction service should be recognised.

The Group has been applying IFRIC 15 since 1 January 2010. The Management Board believes that the revision has no material effect on the Group's financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 was issued by the IFRS Interpretations Committee on 3 July 2008 and applies to year-long periods starting from 1 July 2009 or thereafter. The interpretation contains general guidelines as to determining whether there is a currency risk with respect to the functional currency of a foreign unit and the presentation currency for the purposes of the consolidated financial statements of the dominant entity. Furthermore, IFRIC 16 explains which entity in the capital group may report a hedging instrument as part of security for net investments in a foreign entity, and in particular, whether the dominant entity maintaining a net investment in a foreign entity must also maintain a hedging instrument. IFRIC 16 also explains how an entity should define items subject to reclassification from shareholders' equity to the profit and loss statement for both the hedging instrument and the item being hedged, when the entity disposes of the investment.

The Group has been applying IFRIC 16 since 1 January 2010. The Management Board believes that the revision has no material effect on the Group's financial statements.

IFRIC 17 "Distributions of Non-Cash Items to Owners"

IFRIC 17 was issued by the IFRS Interpretations Committee on 27 November 2008 and applies to year-long periods starting from 1 November 2009 or thereafter. This interpretation contains guidelines as to the moment of recognising dividend, dividend valuation and the recognition of the difference between dividend value and the balance sheet value of the assets being distributed.

The Group has been applying IFRIC 17 since 1 January 2010. The Management Board believes that the revision has no material effect on the Group's financial statements.

IFRIC 18 "Transfers of Assets from Customers"

IFRIC 18 was issued by the IFRS Interpretations Committee on 29 January 2009 and applies to year-long periods starting from 1 November 2009 or thereafter. This interpretation contains guidelines with respect to recognising transfers of assets from customers, namely, situations in which the definition of assets is fulfilled, identification of separately identifiable services (services rendered in return for asset transfers), recognition of revenue and recognition of cash received from customers.

The Group has been applying IFRIC 18 since 1 January 2010. The Management Board believes that the revision has no material effect on the Group's financial statements.

Standards, changes and interpretations of existing standards that are not in effect yet and were not previously applied by the Group:

Amendment to IAS 32 "Classification of Rights Issues"

The revisions to IFRS 32 "Classification of Rights Issues" were published by the International Accounting Standards Board on 8 October 2009 and apply to year-long periods starting from 1 February 2010 or thereafter.
The changes concern accounting for rights issues (rights, options, warrants), denominated in a currency other than the issuer's functional currency. The changes require that, when meeting specific requirements, rights issues be classified under shareholders' equity regardless of the currency in which the price of the right is denominated.

The Group will apply the amendment to IAS 39 as of 1 January 2011. The Management Board estimates that the change will not affect the Group's financial statements.

Amendment to IAS "Related Party Disclosures"

The revisions to IAS 24 "Related Party Disclosures" were published by the International Accounting Standards Board on 4 November 2009 and apply to year-long periods starting from 1 January 2011 or thereafter.
The revisions simplify the requirements with respect to disclosures by parties related to public institutions and specify the definition of a related party.

The Group will apply the amendment to IAS 24 as of 1 January 2011. The Management Board estimates that the change will not affect the Group's financial statements materially.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was published by the International Accounting Standards Board on 12 November 2009 and applies to year-long periods starting from 1 January 2013 or thereafter.
The standard introduces a single model stipulating only two classification categories: amortised cost and fair value. The IFRS 9 approach is based on a business model applied by an entity to manage assets and on arbitrary properties of financial assets. IFRS 9 also requires the application of a single model of valuating the depreciation of assets.

The Group will apply IFRS 9 as of 1 January 2013. The Management Board estimates that the change will not affect the Group's financial statements materially.

As on the date of preparing these consolidated financial statements, IFRS 9 has not yet been approved by the European Union.

Amendment to IFRS 1 "First-Time Adoption of IFRS"

The amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters" was published by the International Accounting Standards Board on 28 January 2010 and applies to year-long periods starting from 1 July 2010 or thereafter.
The amendment introduces additional exemptions for first-time IFRS adopters with regard to disclosures required under the IFRS 7 amendments issued in March 2009 with respect to fair value and liquidity risk.

The Group will apply the amendment to IFRS 1 as of 1 January 2011. The Management Board estimates that the change will not affect the Group's financial statements materially.

Amendment to IFRS "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters"

The amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" was published by the International Accounting Standards Board in December 2010 and applies to year-long periods starting from 1 July 2010 or thereafter. The revision concerning severe hyperinflation creates an additional exclusion solely if an entity that was affected by severe hyperinflation resumes or undertakes to prepare its financial statements in accordance with the IFRS for the first time. The exclusion allows the entity to select the fair value of assets and liabilities and to use the fair value as the presumed cost of these assets and liabilities in the opening balance sheet in the first statement on the financial standing in accordance with the IFRS. The International Accounting Standards Board also amended IFRS 1 to exclude references to fixed date for one exception and one exclusion with reference to assets and financial liabilities. The first change requires that first-time IFRS adopters prospectively apply the requirements concerning removal from the IFRS balance sheet from the date of transition to IFRS and not from 1 January 2004. The second change concerns financial assets or liabilities reported at fair value at initial recognition when the fair value is determined using valuation methods due to the absence of an active market, and allows for the application of the guidelines prospectively, from the date of transition to the IFRS, rather than from 25 October 2002 or 1 January 2004. This means that first-time IFRS adopters do not have to determine the fair value of assets and financial liabilities prior to the date of transitioning to IFRS. IFRS 9 was also adjusted to these amendments.

The Group will apply the amendment to IFRS 1 as of 1 January 2012. The Management Board of the dominant entity believes that the change will not affect the Group's financial statements materially.
As on the date of preparing these consolidated financial statements, the amendment to IFRS 1 has not yet been approved by the European Union.

Improvements to IFRS 2010

On 6 May 2010, the International Accounting Standards Board published "Improvements to IFRS 2010", which amended 7 standards. The improvements contain amendments of the method of presentation, recording and valuation, as well as terminology and editorial changes. The majority of the amendments will apply to year-long periods starting from 1 January 2011.

The Group will apply the improvements to IFRS in accordance with the transitional provisions. The Management Board estimates that the change will not affect the Group's financial statements materially.
As on the date of preparing these consolidated financial statements, the Improvements to IFRS 2010 have not yet been approved by the European Union.

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"

The amendment to IFRIC 14 was issued by the IFRS Interpretations Committee on 26 November 2009 and applies to year-long periods starting from 1 January 2011 or thereafter. The interpretation contains guidelines with respect to recognising earlier payment of contributions to cover minimum funding requirements as assets in the paying entity.

The Group will apply the amendment to IFRIC 14 as of 1 January 2011. The Management Board estimates that the change will not affect the Group's financial statements materially.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 was issued by the IFRS Interpretations Committee on 26 November 2009 and applies to year-long periods starting from 1 July 2010 or thereafter. The interpretation explains the accounting principles applied in circumstances where, as a result of renegotiation by an entity of the terms of its indebtment, a liability is extinguished through an issue of equity instruments addressed to the creditor. The interpretation requires the assessment of equity instruments at fair value and recognising the profit or loss in the difference between the book value of a liability and the fair value of an equity instrument.

The Group will apply IFRIC19 as of 1 January 2011. The Management Board believes that the change will not affect the Group's financial statements materially.

Amendment to IFRS 7 "Transfers of Financial Assets"

The amendment to IFRS 7 "Transfers of Financial Assets" was published by the International Accounting Standards Board in October 2009 and applies to year-long periods starting from 1 July 2011 or thereafter. The amendments require disclosures of additional information on the risk stemming from transfers of financial assets. They contain a requirement to disclose, by asset classes, type, balance sheet value and description of the risk and benefits concerning financial assets transferred to another entity, but remaining on the entity's balance sheet. It is also obligatory to disclose information that enables a User to learn the amount of the potential related liability and the relationship between the financial asset and the relevant liability. If financial assets have been removed from the balance sheet but the entity is still exposed to a certain risk and may obtain certain benefits associated with the transferred asset, it is also required to disclose information that makes it possible to understand the consequences of such a risk.

The Group will apply the amendment to IFRS 7 as of 1 January 2012. The above amendments will have no effect on the Group's financial statements.
As on the date of preparing these consolidated financial statements, the amendment to IFRS 7 has not yet been approved by the European Union.

Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"

The amendment to IFRS 2 was published by the International Accounting Standards Board in December 2010 and apply to year-long periods starting from 1 January 2012 or thereafter.
The changes concern the valuation of deferred tax liabilities and assets on investment property assessed at fair value under IAS 40 "Investment Property" and introduce a refutable presumption that the value of investment property may be fully recovered through sale. This presumption may be refuted if an investment property is maintained in a business model whose goal is to take advantage of substantially all economic benefits offered by the investment property during and not at the moment of sale.
SIC 21 "Income Tax - Recovery of Revalued Non-Depreciable Assets" pertaining to similar matters concerning non-depreciable assets, valued in accordance with the valuation model presented in IAS 16 "Property, Plant and Equipment", was incorporated in IAS 12 after excluding the guidelines pertaining to investment property assessed at fair value.

The Group will apply the amendment to IAS 12 as of 1 January 2012. The above amendments will have no effect on the Group's financial statements.

The standards and interpretations that entered into effect on 1 January 2010 did not materially affect the accounting principles applied by the Group, as a result of which the accounting principles applied in the preparation of these annual financial statements correspond to the accounting principles applied in the preparation of the financial statements for the year ended on 31 December 2009 and described therein.

Amounts are provided in PLN '000 unless stated otherwise

2.2. Consolidation

NG2 S.A. is the dominant entity in the NG2 Capital Group. The organisational structure in the NG2 S.A. Capital Group is as follows:

NG2 S.A.

- CCC BOTY CZECH s.r.o.
- CCC FACTORY Sp. z o.o.
- NG2 Suisse S.a.r.l.
- Kontynentalny Fundusz Powierniczy nr 968

Subsidiaries are any entities (including special purpose vehicles) with respect to which the Group may manage their financial and operating policy, which is typically accompanied by holding a number of shares that ensures more than half of the overall number of voting rights. When assessing whether the Group controls an entity, we must consider the existence and effect of potential voting rights, which may be exercised or converted to shares at a given time. Subsidiaries are subject to full consolidation as of the date on which the Group takes control over them. They are no longer subject to consolidation as of the date on which the control ceases. Acquisition of subsidiaries by the Group is accounted for using the acquisition method. The cost of acquisition is determined as the fair value of the assets transferred, equity instruments issued and liabilities incurred or acquired as on the date of exchange, increased by costs directly related to the acquisition. Identifiable acquired assets and liabilities and contingent liabilities acquired as part of a business combination are initially assessed at their fair value as on the date of acquisition, regardless of the percentage of potential minority holdings. The surplus of the cost of acquisition over the fair value of the Group's share in identifiable acquired net assets is recorded as goodwill. If the cost of acquisition is lower than the fair value of net assets of the acquired subsidiary, the difference is entered directly in the profit and loss statement.
Revenue and costs, settlements and unrecovered profits on transactions between Group companies are eliminated. Unrecovered losses are also eliminated. Where necessary, the accounting principles applied by subsidiaries may be changed to ensure compliance with the accounting principles applied by the Group.

The subsidiaries of NG2 S.A. are set out in the table below:

Subsidiaries of NG2 S.A.	Registered office/Country	Percentage share in the entity's capital	Nominal value of shares
CCC Factory Sp. z o.o.	Polkowice, Poland	100	PLN 15,036,000
CCC Boty Czech s.r.o.	Prague, Czech Republic	100	CZK 112,600,000
Kontynentalny Fundusz Powierniczy nr 968 (Continental Trust Fund No. 968)	USA	100	USD 10*
NG2 Suisse S.a.r.l.	Zug, Switzerland	100	CHF 20,000

**the remaining contribution into the fund is an asset /plane/ with a declared value of USD 3,762,880*

The subsidiaries of NG2 S.A. are consolidated using the full method.

2.3. Reporting for operating segments

Identifying operating segments
Operating segments are presented consistently with internal reporting information supplied to the key operating body (KOB) - the management board of the dominant entity. Operating segments are divided into stores and franchise counterparts.

Identifying reporting segments
The identified operating segments (stores, business partners) are grouped into reporting segments as they meet the grouping criteria set out in IFRS 8. The NG2 S.A. Group defines two reporting segments in its business ("retail business", "franchise and other business") in accordance with IFRS 8 "Operating Segments". In the segments above, the NG2 S.A. Group conducts business activity, generating

certain revenue and incurring costs. The results on segment activity are regularly reviewed by the KOB (persons making key operating decisions). Financial Information about the identified segments is also available.

The "retail business" - "retail" segment
The *"retail business"* segment covers primarily the sale of footwear, shoe care products and small leather products. The NG2 S.A. Capital Group carries out sales in its own locations in Poland and the Czech Republic, targeting retail customers. Retail sales are conducted via three chains: CCC, BOTI and QUAZI. The operating segment is each individual store operating in one of the chains and analysed individually by the KOB. Due to the similarity of the long-term average gross margins, and also due to the similar nature of the goods (among other things, footwear, shoe care products, small leather products), the method of distribution of goods and the types of customers (sale conducted in own stores and addressed to retail customers), the *"retail business"* segment covers financial information jointly for the CCC, BOTI and QUAZI chains, while the operating segments have been combined under IFRS 8, forming a reporting segment called "retail business".

The "franchise and other business" - "franchise and other" segment
The "franchise and other business" segment includes primarily the sale of footwear, shoe care products, small leather products and services, as well as the value of production sold (e.g. shoes) to entities outside of the NG2 S.A. Capital Group. Sale is carried out through NG2 S.A. and CCC Factory Sp. z o.o. in Poland and it is addressed to Polish wholesale customers (primarily those conducting sale in the franchises of CCC and BOTI) as well as foreign wholesale customers. The operating segment is each individual customer operating in one of the chains and analysed individually by the KOB. Due to the similarity of long-term average gross margins, and also due to the similar nature of the goods (among other things, footwear, shoe care products, small leather products) and the services provided (reinvoicing transportation services), the method of distribution of the goods and the type of customers (sale targeting wholesalers), the *"franchise and other"* segment covers financial information for all business partners combined under IFRS 8, forming a reporting segment called "franchise and other business".

The accounting principles applicable to the operating segments are the same as the accounting policy principles under which the Companies from the NG2 S.A. Group prepare their financial statements. The Group assesses the performance of each segment on the basis of the profit or loss on operations before tax.

Other disclosures related to reporting segments.
The following items do not apply: earnings on transactions with other business segments of the same entity, the entity's share in the profit or loss of affiliated entities and joint ventures and material non-cash items other than depreciation.

2.4. Valuation of items denominated in foreign currencies

Functional currency and presentation currency

The items contained in the financial statements of each Group company are valuated in the currency of the primary business environment in which the company operates ("functional currency"). The consolidated financial statements are presented in PLN, which is the Group's functional currency and its presentation currency.

Transactions and balances

Profits and losses on currency exchange differences, pertaining to loans and cash and cash equivalents, are presented in the global income statement under "revenue or financial cost". All other profits and losses on currency exchange differences are presented in the global income statement under "other net (losses)/profits".

Group companies

The financial performance and standing of all Group companies (none of which operates under hyperinflation), whose functional currencies differ from the presentation currency, are converted to the presentation currency as follows:

- assets and liabilities in all presented statements on financial standing are converted at the closing exchange rate as on the balance sheet date;
- earnings and costs in all global income statements are converted at the average exchange rate (unless the average exchange rate is not a satisfactory approximation of the aggregated proceeds from exchange rates on transaction dates - in such cases income and costs are converted at the exchange rates applicable on transaction dates); and
- any resulting exchange rate differences are entered as a separate item under shareholders' equity.

In the case of consolidation, currency exchange differences on converting net investments in foreign entities as well as loans and other currency instruments securing such investments are recorded under shareholders' equity. In the case of sale of an entity operating overseas (including partial sale), such currency exchange differences are entered in the global income statement as part of profit or loss on sale.
Goodwill and fair value adjustments that arise at the acquisition of a foreign entity are treated as assets and liabilities of a foreign entity and converted at the closing exchange rate as on the balance sheet date.

2.5. Fixed assets

Fixed assets are presented at their purchase price or cost of manufacturing, less amortisation and potential depreciation. Land is not subject to depreciation.
Fixed assets under construction are presented in the statement on financial standing at their cost of manufacturing less any depreciation. Costs of external financing are capitalised and entered as appreciation of a fixed asset.

Depreciation of a fixed asset begins once it is deemed ready for use. It is carried out in accordance with the applicable rules. Depreciation is calculated using the linear method by assessing the life of an asset, which is as follows for the groups below:

- buildings	-	10-40 years
- plants and equipment	-	3-15 years
- means of transportation	-	5-10 years
- other tangible assets	-	5-10 years.

Fixed assets under financial lease were disclosed in the statement on financial standing in line with other fixed assets and are amortised on the same basis. The depreciation method and the period relating thereto are updated as on each balance sheet date.

2.6. Intangible assets

The Group applies the (historical) cost model to all items in a class: (initial) cost less amortisation and depreciation. The rules of depreciation of intangible assets are the same as the rules applicable to tangible assets.
It is assumed that the life of intangible assets does not exceed twenty years from the time each asset is fit for use. Depreciation of intangible assets is linear.
If there are occurrences or changes that indicate that the balance sheet value of intangible assets may not be recoverable, they are reviewed for potential depreciation.

2.7. Revaluation of non-financial assets

Depreciable assets are reviewed in terms of depreciation whenever any occurrences or changes in circumstances indicate that their balance sheet value may not be recoverable. The loss on depreciation is entered in the amount by which the balance sheet value of an asset surpasses its recoverable value. Recoverable value is the higher of: fair value of assets, less cost of sale or value in use. For the purpose of analysing depreciation, assets are grouped at the lowest level with respect to which there are identifiable cash flows (centres generating cash flows). Non-financial assets, other than goodwill, with respect to which depreciation was previously declared, are assessed at each balance sheet date in terms of the occurrence of reasons to reverse the depreciation write-down.

As on each balance sheet date, the Group analyses assets related to its retail business for depreciation. The result on sales for each retail entity is also assessed by the Group. If an asset is found to be inefficient, the Group makes a depreciation adjustment in the amount of the investment outlays incurred, under operating costs.

2.8. Financial assets

The Group valuates its shares in subsidiaries at cost after deducting depreciation write-downs.

In addition to shares in subsidiaries, the Group classifies the following as financial assets:
- financial assets at fair value in the global income statement,
- loans and receivables,
- financial assets available for sale.

Profits and losses on financial assets included in assets recorded at fair value in the global income statement are entered in the global income statement in the period in which they arose.
Profits and losses on financial assets included in assets "available for sale" are entered in shareholders' equity, save for depreciation adjustments and those profits and losses on currency exchange differences that arise for cash assets. At the time of removing an asset included in assets "available for sale" from accounting records, the total profits and losses to date previously recorded under the capital are entered in the global income statement as profits and losses on the exclusion of investments into financial assets available for sale.

Loans and receivables and investments held to maturity are valued at amortised cost using an effective interest rate.

2.9. Revaluation of financial assets

As on each balance sheet date, financial assets are assessed for depreciation.

If there are reasons to expect a depreciation of the value of loans and receivables or investments held to maturity, valued at amortised cost, the adjustment amount is determined as the difference between the balance sheet value of the assets and the current value of estimated future cash flows discounted at the original effective interest rate for these assets (i.e. effective interest rate calculated as at the time of initial disclosure for assets based on a fixed interest rate and effective interest rate calculated as at the time of the most recent reassessment of assets based on a variable interest rate). Depreciation write-downs are included in the global income statement. A reversal of the write-down is entered if in subsequent periods the depreciation lessens and the lessening may be attributed to occurrences taking place after entering the write-down. As a result of a write-down reversal, the balance sheet value of financial assets cannot exceed the value of the amortised cost that would have been determined had the depreciation write-down not been entered. Write-down reversals are entered in the global income statement.

2.10. Inventory

Inventory is disclosed at the cost of purchase (or cost of manufacturing) or the net sale price, whichever is lower.
If the circumstances that resulted in a decrease in the value of inventory disappear, a reverse operation is carried out, i.e. a reinstatement of the value of the inventory.
The following are entered in the global income statement:
- book value of inventory sold in the period in which revenue from sale was recognised,
- the amount of depreciation adjustment to the net sale price in the period in which the adjustment was made.

Inventory adjustments adjust the prime cost of sale.
The FIFO method is applied to the consumption of all inventory of a similar kind and purpose.

2.11. Trade receivables

Trade receivables are amounts payable by customers for goods sold or services rendered in the course of a company's ordinary business. If the receivables are expected to be collected within one year, receivables are classified as current assets. Otherwise, they are entered as tangible assets.
Trade receivables are initially disclosed at fair value, and then assessed at the adjusted purchase price (amortised cost), using the effective interest rate method, and decreased by depreciation write-downs.

2.12. Cash

Cash and cash equivalents include cash in the petty cash fund, bank deposits payable on demand, other short-term high-liquidity investments with an initial maturity date of up to three months and overdraft facilities. Overdraft facilities are presented in the statement on financial standing as part of short-term loans under short-term liabilities.

2.13. Equity

Equity is entered in accounting records and categorised by type, in accordance with the applicable laws and the provisions of the statute.
Types of equity:

- base (share) capital of the dominant entity is entered at the value set out in the statute and registered in the court register.
- reserve capital established from the surplus remaining after the sale of shares above their nominal value, less the cost of their issue,
- retained earnings, established as a result of distribution of the financial result, undistributed financial result and net profit (loss) for the period covered by the financial statements,
- other capital - established on the basis of the introduced employee stock option plan.

2.14. Trade liabilities

Trade liabilities are liabilities to pay for goods and services acquired from suppliers in the course of normal business. Trade receivables are classified as short-term liabilities if the payment date falls within one year (or, in the course of normal business, if it is longer). Otherwise, such liabilities are entered as long-term.
Trade liabilities, in their initial disclosure, are entered at fair value, and at a later time, they are entered at the adjusted purchase price (amortised cost), using the effective interest rate method.

2.15. Loans and borrowings

Loans and borrowings are entered at their purchase price corresponding to the fair value of obtained cash, less the expenditures related to obtaining loans or borrowings. Interest and commissions on loans are entered in the global income statement under debit, with the exception of interest and commissions pertaining to the financing of assets.

2.16. Current and deferred income tax

Mandatory liabilities of the result comprise current tax (CIT) and deferred tax.
Current tax liability is calculated on the basis of the tax result for the reporting period. Tax burden is calculated on the basis of tax rates applicable in a given tax year.
Deferred tax is calculated as a tax payable or refundable in the future on the differences between the balance sheet values of assets and liabilities and their corresponding tax values used to calculate the taxable base.

Deferred income tax provisions
Deferred tax provisions are established in the amount of income tax to be paid in the future in connection with transitional differences, i.e. differences that will result in an increase in the taxable base in the future. The amount of such provisions is determined taking into account income tax rates applicable in the year in which the tax obligation arises.

Deferred tax assets
Deferred income tax assets are determined in the amount of the sum designated to be deducted from income tax in connection with negative transitional differences that will cause a reduction of the taxable base and deductible tax loss, determined taking into account the prudency principle.

The Group presents the net amount of the asset and deferred tax provisions.

2.17. Employee benefits

In the reporting period, the Group pays contributions for the mandatory public retirement plan, depending on the amount of gross remuneration disbursed, in accordance with the applicable laws. The public plan is financed on the pay-as-you-go principle, i.e. the Group is required to pay contributions in the amount defined as a percentage of the applicable remuneration and only when they are payable, and if it no longer employs the persons covered by the system, it will not be required to pay any additional benefits. The public plan is a defined retirement plan. The cost of contributions is entered in the global income statement in the same period as the remuneration associated therewith, under item "Cost of remunerations and employee benefits".
The Group determines provisions for future retirement benefits and service anniversary awards on the basis of actuarial valuation.
Under the terms of the collective bargaining agreement, a group of employees is entitled to service anniversary awards depending on the length of service. Eligible employees receive a one-off amount, which, after 10 years of service, is the equivalent of 100 per cent of their monthly salary base, after 15 years of service, is the equivalent of 150 per cent of their monthly salary base, after 20 years of service, is the equivalent of 200 per cent of their monthly salary base, and after 25 years of service, is the equivalent of their monthly salary base.
Retiring employees are entitled to a one-off benefit in the amount of a one-month salary.
The Group recognises provisions for unused employee holiday. The value of the provisions is calculated as a product of the number of unused vacation days and the average pay per day in the Group companies.
The Group recognises provisions for bonuses due for the financial period and payable after the end of the financial year. The value is determined after the end of the financial year.
The Group establishes provisions for the instituted "Incentive Scheme" (employee stock options). Costs are entered in the statement of global income under "costs of management and administration". The scheme value is determined on the basis of actuarial valuation.

2.18. Provisions

Group companies establish provisions for anticipated returns and complaints.
The amount of the provisions should be the most accurate possible estimate of the outlays required to fulfil the requirement as on the balance sheet date. Estimates of the financial performance and result are made based on the judgment of the company's management, supported by previous experience in similar transactions and, in some cases, independent experts' reports.
The amount of provisions is verified as on each balance sheet date and adjusted to reflect the current most accurate estimate. If it is no longer likely that an outflow of funds carrying economic benefits will be necessary to meet the requirement, provisions are eliminated.
Provisions for anticipated returns and complaints are established as an estimated determination of the average level of returns on the basis of historical data.
After carrying out calculations for several periods and on the basis of the Group's experience, in order to simplify the estimates, the average ratio of complaints for previous periods is calculated. The variable defining possible returns of products sold, on which the value of potential complaints is based, is the amount of revenue obtained from sales in the period in question.
In subsequent periods appropriate provision adjustments are made through an increase or liquidation, depending on the revenue from sale being generated.

2.19. Recognising revenue

Revenue from sale is recognised at fair value of the payment for the sale of goods and services received or payable in a normal course of the Group's business. Revenue is disclosed after deducting value-added tax, returns, rebates and discounts, and after eliminating intra-Group sales.
Revenue from sale includes revenue from the sale of goods, products and services generated as part of day-to-day business activity (i.e. revenue from the sale of goods, product, ready-made products after rebates, VAT and other sales taxes.

Revenue from the sale of goods - wholesale
The Group sells footwear and leather accessories on the wholesale market in Poland and abroad. In Poland, these products are sold on the basis of franchise agreements. Revenue from sale is disclosed once material risk factors and benefits of having the goods have been transferred to the business partner. The business partner takes over any and all risks related to the aging of the goods and after-sales service for retail customers.

Revenue from the sale of goods - retail
The Group sells footwear and leather accessories through a chain of its own stores located in Poland and abroad. Revenue from sale is disclosed at the time of selling goods to the customer. Retail sale is typically carried out in cash or using credit cards. The Group has a thirty-day return policy. In order to estimate the amount of returns and to establish provisions therefor, experience to date is used.

Revenue from the sale of services
The Group is a party to agreements concerning the lease and sublease of premises used for retail business. Sublease agreements are concluded with companies cooperating with the Group on the basis of franchise agreements. Therefore, the Group reinvoices the cost of lease to the business partner operating at a given location. In its financial statements, the Group discloses the value of revenue, less the value of costs related to the type of revenue. Revenue from sale is recognised for the period to which the lease or sublease pertains.

2.20. Leasing

As on the date of commencement of leasing, the Group recognises financial leasing in the balance sheet as assets and liabilities in amounts equal to the fair value of the item, as calculated on the date of commencement of the leasing or in amounts equal to the current value of minimum leasing fees, as calculated on the date of commencement of the leasing, if it is lower than its fair value. When calculating the current value of minimum leasing fees, the discount rate is the leasing interest rate, if it can be calculated. Otherwise, the lessor's marginal interest rate is applied. The lessor's initial direct costs increase the amount recognised as an asset.

Operating lease - cost of lease. Operating lease is a type of lease where a significant portion of the risk and benefits of ownership is shared by the financing party. Payments made under operating lease are entered directly in the global income statement using the linear method during the term of the lease agreement. The discounts received from the financing parties are recognised in the global income statement in the same way as an integral part of all the leasing fees. Operating lease applies primarily to leasing commercial spaces. The costs are recognised in the global income statement under "Cost of sale".

2.21. Dividend

Dividend payments to the Issuer's shareholders are recognised as a liability in the Group's financial statements in the period in which they were approved by the Issuer's shareholders.

2.22. Income from subsidies

If the Company receives a subsidy for the purchase or manufacture of tangible assets, it is entered in the Company's accounting records at the time of receipt or substantiation of its receipt in the future (e.g. receiving a letter of intent) as a deferred revenue. Subsidies classified as deferred revenue gradually increase other revenue, in parallel to amortisation and depreciation on tangible assets financed from these sources.

3. MANAGING FINANCIAL RISK

The type of activity conducted by the NG2 S.A. Group carries various risks: The Management Board finds the main risks to be:

- Currency risk. Due to the fact that NG2 S.A. Group companies generate the majority of their revenue in PLN, and the majority of their costs is incurred in foreign currencies, the exchange rates of USD and EUR (practically the entire Group imports are denominated in these currencies, as is a considerable portion of leases) will affect the cost structure, and the potential change of supply sources and recording currency exchange differences in the income statement. As the Chinese market is the primary supply market for the NG2 S.A. Group, the exchange rate of the Chinese currency to world's major currencies is also very important. Its appreciation may affect import terms. Some of the cost of exchange rate fluctuations may be transferred to customers, but the Group does not use other hedging instruments to protect itself against exchange rate fluctuations. In the long term, consistent exchange rate fluctuations would have a material effect on the Group's consolidated performance.

- Interest rate risk. The NG2 S.A. Group is exposed to the risk of interest rate changes in relation to the loan agreements concluded. The loans are subject to a variable interest rate based on WIBOR. Interest rate increases will affect the amount of interest on loans and interest on liabilities under lease and term deposits, where the effect is insignificant.

  The Capital Group does not use hedging instruments that would mitigate the effect of changes in cash flows resulting from interest rate fluctuations on the Group's financial performance.
  The Group is exposed to the following types of interest rate risk:
  - Cash flow risk (variable interest rate) - loans.

- Financial liquidity risk - prudent management of financial liquidity presumes maintaining sufficient resources of cash and cash equivalents as well as availability of continued funding through guaranteed credit line funds.

- Credit risk - this risk derives from the uncertainty as to whether and when amounts due will be repaid. Wholesale also includes deferred payment sale, which exposes the NG2 S.A. Group to the risk of financing customers. To remain a leader on the footwear market, NG2 S.A. uses the sales credit feature, which enhances the company's appeal to wholesalers. The age structure of receivables is presented in note 9. Other sale is carried out in cash. Hence, the credit risk in this regard is negligible. Available cash is deposited only in bank accounts and term deposits of renowned Polish banks. The Group held term deposits in highly-rated established banks.

Amounts are provided in PLN '000 unless stated otherwise

Details are set out in note 26.

Managing capital risk
The Group's objective in managing capital risk is to protect the Group'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.
To maintain or adjust capital structure, the Group may change the amount of dividends declared to be disbursed to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.
Like other companies in the industry, the Group monitors its equity using the debt ratio. The ratio is calculated as a proportion of net debt to the total value of equity. Net debt is calculated as a sum of loans (including current and long-term loans disclosed in the consolidated balance sheet), less cash and cash equivalents. The total value of equity is calculated as shareholders' equity disclosed in the consolidated balance sheet together with net debt.
The Group's debt ratios as on 31 December 2010 and 31 December 2009 are as follows:

	31 Dec 2010	31 Dec 2009
Total loans (note 15)	149,251	119,986
Less cash and cash equivalents	83,065	60,895
Net debt	66,186	59,091
Total shareholders' equity	422,848	340,209
Invested capital	489,034	399,300
Debt ratio	**13.5%**	**14.8%**

The debt ratio decrease results from the increase in shareholders' equity caused by the net profit distribution for 2009 and the level of net profit for 2010. The level of change in the ratio was anticipated by the Group.

4. MATERIAL MANAGEMENT ESTIMATES

Employee benefits
The Group prepares valuations of liabilities under retirement and pension benefits as well as service anniversary awards. The valuations are prepared using actuarial methods on the basis of a number of assumptions. The assumptions used when determining the net cost (income) for the benefits include the discount rate. Any changes to the assumptions will affect the budget value of the liabilities under employee benefits. Details of the calculation are set out in note 19.

Operating segments
Details of the analysis and assessment of the operating segments are set out in note 2.3.

Depreciation of non-financial assets
Once a year, the Group examines tangible assets for depreciation in accordance with the accounting policy set out in note 2.7.For assets pertaining to each store, as cash-generating centres, operating for at least two years and showing negative results, an analysis of the current value of future cash flows is carried out on the basis of current budgets. Thus-obtained value is compared to the value of assets and if a shortage is identified, depreciation is entered. In the period of twelve months ending on 31 December 2010 and 31 December 2009, no write-downs were recognised according to the information provided in note 7.

Employee stock options
The Group prepares a valuation of the benefits due to employees participating in the "Incentive Scheme" concerning employee stock options. The Scheme will be carried out after the end of 2012, and the value of payments to employees will depend on the number of participants. The estimated number of participants is 44. Details are set out in note 16.

5. INFORMATION ON BUSINESS SEGMENTS

Amounts are provided in PLN '000 unless stated otherwise

Jan-Dec 2010	Retail business	Franchise and other business	Unassigned items	Total
Revenue from sale, of which	921,621	106,938	-	1,028,559
- obtained in Poland	*854,408*	*105,899*	-	*960,307*
- obtained outside of Poland	*67,213*	*1,039*	-	*68,252*
Prime cost of sale	(401,191)	(70,936)	-	(472,127)
Gross earnings from sale	520,430	36,002	-	556,432
Cost of sales and management	(413,156)	(8,408)	586	(420,978)
Balance of other earnings and operating costs	(5,286)	(1,049)		(6,335)
Operating profit	101,988	26,545	586	129,119
Balance of earnings and financial costs	(5,145)	(1,365)		(6,510)
Profit before tax	96,843	25,180	586	122,609
Income tax	-	-	(4,753)	(4,753)
Net profit				117,856
Net profit disclosed in the consolidated statement of global income				***117,856***

Assets, of which:	390,656	82,679	204,887	678,222
Tangible assets under IFRS 8	219,040	22,736		241,776
- in Poland	*203,257*	*22,468*		*225,725*
- outside of Poland	*15,783*	*268*		*16,051*
Earnings from interest			304	304
Cost of interest	(4,221)	(702)	(56)	(4,979)
Depreciation	(14,628)	(2,232)	(5,306)	(22,166)

Jan-Dec 2009	Retail business	Franchise and other business	Unassigned items	Total
Revenue from sale, of which	801,639	120,769	-	922,408
- obtained in Poland	*749,114*	*120,769*	-	*869,883*
- obtained outside of Poland	*52,525*	-	-	*52,525*
Prime cost of sale	(360,278)	(80,928)	-	(441,206)
Gross earnings from sale	441,361	39,841	-	481,202
Cost of sales and management	(368,374)	(6,286)	79	(374,581)
Balance of other earnings and operating costs	1,231	307	-	1,538
Operating profit	74,218	33,862	79	108,159
Balance of earnings and financial costs	(7,062)	(1,420)	-	(8,482)
Profit before tax	67,156	32,442	79	99,677

Table continues on page 23.

Amounts are provided in PLN '000 unless stated otherwise

Income tax	-	-	(16,074)	(16,074)
Net profit				83,603
Net profit disclosed in the consolidated statement of global income				***83,603***

Assets, of which:	351,189	56,098	143,838	551,125
Tangible assets under IFRS 8	*186,280*	*17,384*	-	203,664
- in Poland	*171,907*	*17,384*	-	*189,291*
- outside of Poland (Czech Republic)	*14,373*	-	-	*14,373*
Earnings from interest	-	-	612	612
Cost of interest	(5,978)	(1,146)	(123)	(7,247)
Depreciation	(12,000)	(1,074)	(5,272)	(18,346)

Jan-Dec 2010	Poland	Czech Republic	Switzerland	Total
Earnings from sale	960,307	67,213	1,039	1,028,559
Tangible assets other than financial instruments	225,725	15,783	268	241,776
Deferred tax assets	5,704	4,156	18,209	28,069

Jan-Dec 2009	Poland	Czech Republic	Switzerland	Total
Earnings from sale	869,883	52,525	-	922,408
Tangible assets other than financial instruments	189,291	14,373	-	203,664
Deferred tax assets	2,894	3,176	-	6,070

Disclosures of information concerning the NG2 S.A. Group

The NG2 S.A. Group discloses information about the revenue from the sale of products and services to external customers as part of reporting segments. A group of similar products (i.e. footwear, shoe care products, accessories) are presented in the retail and franchise segment (due to the minor share of the sale of goods other than footwear, they are not disclosed individually). Therefore, the NG2 S.A. Group does not disclose individually any information about the revenue from the sale of products and services to external customers.

The NG2 S.A. Group does not disclose in the statements any information about key customers due to the fact that the revenue from its individual external customers does not exceed ten per cent of the revenue of the NG2 S.A. Group.

6. COSTS BY TYPE

	31 Dec 2010	31 Dec 2009
Depreciation of fixed assets and intangible assets	22,166	18,346
Consumption of materials and energy	75,275	74,802
Cost of lease	156,484	138,215
Cost of outsourced services	48,866	40,567
Taxes and fees	4,178	3,451
Cost of salaries	141,751	131,189
Cost of employee benefits	30,906	28,170
Cost of promotion and advertising	11,706	7,308
Other costs	3,109	3,049
Changes in prepayments and accruals	1,443	(14)
Prime cost of sale of goods	397,221	370,704
Total	**893,105**	**815,787**

Amounts are provided in PLN '000 unless stated otherwise

7. TANGIBLE FIXED ASSETS

	Land, buildings and structures	Plants and equipment	Means of transportation	Other	Fixed assets under construction	Total
GROSS VALUE						
As on 1 January 2010	**178,284**	**34,097**	**20,499**	**10,188**	**12,702**	**255,770**
Changes due to currency	212	50	4	7		273
Increases due to:	21,325	1,835	1,944	1,306	55,648	82,058
-investments in third-party facilities	2,046	-	-	-	18,758	20,804
- investments completed - transfer	19,169	-	-	-	-	19,169
- own investment outlays	79	-	-	-	36,890	36,969
-purchases	31	1,835	1,065	1,306	-	4,237
- other	-	-	879	-	-	879
Decreases due to:	3,266	359	476	116	19,169	23,386
-liquidation	2,232	11	-	71	-	2,314
-sale	-	348	476	40	-	864
-other	1,034	-	-	5	-	1,039
-investments completed - transfer	-	-	-	-	19,169	19,169
As on 31 December 2010	**196,555**	**35,623**	**21,971**	**11,385**	**49,181**	**314,715**
AMORTISATION AND DEPRECIATION						
As on 1 January 2010	**30,970**	**9,643**	**7,861**	**4,582**	**123**	**53,179**
Changes due to currency exchange differences	10	17	1	4		32
Depreciation for the period from 1 Jan to 31 Dec	13,734	3,945	2,474	1,771		21,924
Decreases due to sale or liquidation	525	245	453	91		1,314
As on 31 December 2010	**44,189**	**13,360**	**9,883**	**6,266**	**123**	**73,821**
NET VALUE						
As on 1 January 2010	**147,314**	**24,454**	**12,638**	**5,606**	**12,579**	**202,591**
As on 31 December 2010	**152,366**	**22,263**	**12,088**	**5,119**	**49,058**	**240,894**

	Land, buildings and structures	Plants and equipment	Means of transporta tion	Other	Fixed assets under constructi on	Total
GROSS VALUE						
As on 1 January 2009	**149,736**	**17,942**	**18,805**	**8,965**	**17,841**	**213,289**
Changes due to currency	(53)	(28)	(1)	-	-	(82)
Increases in the period from 1 Jan to 31 Dec	29,720	16,697	2,071	1,296	39,320	89,104
Decreases in the period from 1 Jan to 31 Dec	1,119	514	376	73	44,459	46,541
As on 31 December 2009	**178,284**	**34,097**	**20,499**	**10,188**	**12,702**	**255,770**
AMORTISATION AND DEPRECIATION						
As on 1 January 2009	**19,760**	**7,266**	**5,645**	**3,322**	**123**	**36,116**
Changes due to currency exchange differences	(2)	(6)	-	-	-	(8)
Depreciation for the period from 1 Jan to 31 Dec	11,432	2,721	2,556	1,323	-	18,032

Amounts are provided in PLN '000 unless stated otherwise

Decreases due to sale or liquidation	220	338	340	63	-	961
As on 31 December 2009	**30,970**	**9,643**	**7,861**	**4,582**	**123**	**53,179**
NET VALUE						
As on 1 January 2009	**129,976**	**10,676**	**13,160**	**5,643**	**17,718**	**177,173**
As on 31 December 2009	**147,314**	**24,454**	**12,638**	**5,606**	**12,579**	**202,591**

In 2010, depreciation of PLN 677,313.13 was entered under prime cost of sale. The remaining value of depreciation was presented under cost of sale.
In 2009, depreciation of PLN 651,693.56 was entered under prime cost of sale. The remaining value of depreciation was presented under cost of sale.

The Group did not make write-downs with respect to fixed assets under construction.

Tangible fixed assets securing loans	31 Dec 2010	31 Dec 2009
Ordinary mortgage over property up to the value of	208,250	90,000

Plants and technical equipment used under financial lease agreements where the Group is the lessee	31 Dec 2010	31 Dec 2009
Outlays on fixed assets under financial lease	423	423
Accumulated depreciation	(282)	(232)
Net book value	**141**	**191**

8. INTANGIBLE ASSETS

	Patents and licences	Trade marks	Total
GROSS VALUE			
As on 1 January 2010	**1,748**	**360**	**2,108**
Changes due to currency exchange differences	1		1
Increases in the period from 1 Jan to 31 Dec	50		50
Decreases in the period from 1 Jan to 31 Dec			
As on 31 December 2010	**1,799**	**360**	**2,159**
AMORTISATION			
As on 1 January 2010	**941**	**94**	**1,035**
Changes due to currency exchange differences	-		-
Depreciation in the period from 1 Jan to 31 Dec	245		245
Adjustment of depreciation in the period from 1 Jan to 31 Dec	3		3
As on 31 December 2010	**1,183**	**94**	**1,277**
NET VALUE			
As on 1 January 2010	**807**	**266**	**1,073**
As on 31 December 2010	**616**	**266**	**882**

	Patents and licences	Trade marks	Total
GROSS VALUE			
As on 1 January 2009	**1,684**	**357**	**2,041**
Changes due to currency exchange differences	-	-	-
Increases in the period from 1 Jan to 31 Dec	64	3	67
Decreases in the period from 1 Jan to 31 Dec	-	-	-
As on 31 December 2009	**1,748**	**360**	**2,108**
AMORTISATION			
As on 1 January 2009	**674**	**93**	**767**

Amounts are provided in PLN '000 unless stated otherwise

Changes due to currency exchange differences	-	-	-
Depreciation in the period from 1 Jan to 31 Dec	267	1	268
Adjustment of depreciation in the period from 1 Jan to 31 Dec	-	-	-
As on 31 December 2009	**941**	**94**	**1,035**
NET VALUE			
As on 1 January 2009	**1,010**	**264**	**1,274**
As on 31 December 2009	**807**	**266**	**1,073**

9. TRADE AND OTHER RECEIVABLES

	31 Dec 2010	31 Dec 2009
Trade receivables	42,071	25 256
Prepayments for deliveries	27,816	7,811
Other current receivables	1,267	2,071
Prepayments and accruals	1,598	2,491
Total	**72,752**	**37,629**

The balance sheet value of receivables is similar to fair value and constitutes the maximum value of receivables exposed to credit risk.

Past-due (gross) trade receivables, by receivables outstanding for:

	31 Dec 2010	31 Dec 2009
a) up to 1 month	1,144	480
b) 1-3 months	151	1,076
b) 3-6 months	5,410	236
d) more than 6 months	1,024	1,982
Total	**7,729**	**3,774**
e) write-downs on the value of past-due trade receivables	1,294	1,978
(Net) trade receivables, total, past-due	**6,435**	**1,796**

Changes in write-downs on short-term receivables:

	31 Dec 2010	31 Dec 2009
As at the beginning of the period	1,978	1,941
a) increase	238	586
b) decrease (due to)	922	549
Utilisation	-	1
Liquidation	922	548
Write-downs on the receivables as at the end of the period	**1,294**	**1,978**

Write-downs on receivables are established on the basis of an age analysis. The value of past-due payments not covered by write-downs in 2010 is negligible.
The value of depreciation write-downs on financial assets was debited to the cost of sale for the current period. The value of the write-down was estimated on the basis of the Group's previous experience. The Group believes that the past-due receivables not covered by the write-down will be repaid by its business partners.

Long-term receivables:

	31 Dec 2010	31 Dec 2009
Long-term prepayments and accruals	114	174
Total	**114**	**174**

Amounts are provided in PLN '000 unless stated otherwise

10. INVENTORY

	31 Dec 2010	31 Dec 2009
Materials	11,415	6,830
Production in progress	3,669	1,806
Goods	241,095	234,371
Capitalised cost of packaging	110	216
Write-down on the value of inventory	(3,843)	(530)
Total	**252,446**	**242,693**

Changes in write-downs on inventory	31.12.2010	31.12.2009
As at the beginning of the period	530	892
a) increases	3,400	-
b) decreases	87	362
Write-downs on inventory as at the end of the period	**3,843**	**530**

The value of established and liquidated write-downs on inventory was entered as adjustment of the prime cost of sale for the period.
Due to the on-going liquidation of sub-par goods in the course of the financial year, the level of goods that met the criteria for write-downs has increased. Therefore, the value of the write-down has increased compared to previous years.
On the basis of loan agreements, pledges were established over inventory. The value of the pledges as on the balance sheet date in PLN 215 million (as on 31 December 2009: PLN 205 million).

11. CASH

	31 Dec 2010	31 Dec 2009
Cash in the bank and petty cash fund	16,706	10,819
Short-term deposits	66,359	50,076
Total	**83,065**	**60,895**

Funds in bank accounts and cash comprise cash held by the Group companies and short-term bank deposits with a maturity date of up to three months. The book value of these assets corresponds to their fair value.

12. CAPITAL

Share capital	Number of shares	(of which ordinary	Nominal value per share	Base capital
As on 31 December 2009	38,400,000	31,700,000	PLN 0.10	3,840
As on 31 December 2010	38,400,000	31,750,000	PLN 0.10	3,840

All issued shares have been paid for in full.

Pursuant to the resolution of the Management Board of NG2 S.A. of 20 January 2010, 50,000 preferred shares were converted to ordinary bearer shares. Prior to the above date, the number of ordinary bearer shares was 31,700,000 (RB 7/2010).
The number of preferred register shares is 6,650,000. The preference pertains to voting rights, in that each preferred share carries two votes. Shareholders have the right of first refusal with respect to the purchase of registered preferred shares for sale.

The list of shareholders holding at least 5 per cent of the overall number of shares at the Issuer's General Meeting, as on the submission date of the annual report, is set out in the table on page 28.

Amounts are provided in PLN '000 unless stated otherwise

Shareholder	Number of shares held (quantity)	Percentage share in the share capital	Number of votes at the General Meeting (quantity)	Percentage share in the overall number of votes at the General Meeting
Dariusz Miłek, of which:	15,360,000	40.00	20,110,000	44.64
-directly,	*4,750,000*	*12.37*	*9,500,000*	*21.09*
-indirectly through a subsidiary, Luxprofi S.a.r.l.	*10,610,000*	*27.63*	*10,610,000*	*23.55*
Leszek Gaczorek	3,010,000	7.84	4,760,000	10.57
ING OFE	2,477,486	6.45	2,477,486	5.50
PIONEER Investment Management	3,271,877	8.52	3,271,877	7.26
PKO TFI	2,350,500	6.12	2,350,500	5.22

As on the date of preparing the 2010 statements, NG2 S.A. did not have any information about any other shareholders holding at least 5 per cent of the votes at the General Meeting.

Reserve capital from the sale of shares above their nominal value	value
As on 31 December 2009	74,586
As on 31 December 2010	74,586
Other capitals	**value**
As on 31 December 2009	-
Employee stock option plan - value of the benefit	3,358
As on 31 December 2010	**3,358**

Retained earnings	value
As on 31 December 2009	261,925
Dividend disbursement	(38,400)
Net profit for the period	117,856
As on 31 December 2010	**341,381**

Currency exchange on consolidation	value
As on 31 December 2009	(142)
As on 31 December 2010	(317)

13. TRADE AND OTHER LIABILITIES

Short-term liabilities	31 Dec 2010	31 Dec 2009
Trade liabilities	47,066	48,176
Liabilities under customs duty and taxes, of which:	17,256	19,368
- liabilities under VAT	8,521	11,323
- liabilities under customs duty	2,844	1,302
- liabilities under CIT	4,420	5,174
Liabilities towards employees	14,086	13,176
Other liabilities	14,195	7,113
Total	**92,603**	**87,833**

The average credit period for commercial purchases is 40 days.
Liabilities denominated in foreign currencies are valued as on the balance sheet date in accordance with the average exchange rate for each currency announced by the National Bank of Poland as on

Amounts are provided in PLN '000 unless stated otherwise

the balance sheet date. Currency exchange differences on balance sheet valuation are entered under other costs or operating revenue, respectively.

13.1. Long-term liabilities

Long-term liabilities	31 Dec 2010	31 Dec 2009
Trade liabilities and other liabilities	86	89
Total	**86**	**89**

13.2. Liabilities under financial lease

	31 Dec 2010	31 Dec 2009
Liabilities under financial lease Payable within:	247	343
-one year	136	127
-one to five years	111	216
-more than five years	-	-
Total	**247**	**343**
Minus future interest:	-	-
Current value of future liabilities	**247**	**343**
Less amounts due within twelve months (entered under short-term liabilities)	136	127
Liabilities payable in the period after twelve months	111	216

Future minimum leasing fees under these agreements and the current value of the minimum leasing fees are set out in the table above.

Group companies use office equipment under financial lease agreements and have the option to purchase the equipment.
Future minimum leasing fees do not differ significantly from the current value of minimum leasing fees.
All liabilities under leasing are denominated in the Polish zloty.

14. MINIMUM VALUE OF FUTURE PAYMENTS UNDER OPERATING LEASE

The anticipated payments under operating lease without the option of early termination are as follows:

	31 Dec 2010	31 Dec 2009
-up to 1 year	125,839	124,896
-1-5 years	503,356	499,584
-more than 5 years	251,678	249,792
Total	**880,873**	**874,272**

In the case of multiple stores (especially those located at shopping centres), lease fees have two components: a fixed fee and a conditional fee based on the store's revenue. The conditional fee usually corresponds to 5-7 per cent of the store's revenue.
The Group is also a party to subleasing agreements, which follow the principles of operating lease. Revenue from subleasing fees on the terms of operating lease for the period of twelve months of 2010 and 2009 is as follows:

	31 Dec 2010	31 Dec 2009
Revenue from operating subleasing	11,616	16,447

Amounts are provided in PLN '000 unless stated otherwise

15. LOANS AND BORROWINGS

Long-term loans	31 Dec 2010	31 Dec 2009
Long-term bank loan	103,245	80,000
Short-term loans	**31 Dec 2010**	**31 Dec 2009**
Overdraft facility	46,006	39,986
Bank loan		-
Total short-term loans	**46,006**	**39,986**
Total loans and borrowings	**149,251**	**119,986**

As on 31 December 2010

Name of the Bank	Name of the entity	Type of loan	Limit	Amount utilised	Date of expiry	Financial terms	Security
Bank Handlowy w Warszawie SA	CCC Factory	Overdraft facility	1,000	0	7 May 2011	WIBOR + margin	Surety
UniCredit Bank Czech Republik a.s.	CCC Boty	Overdraft facility	CZK 20,000,000	CZK 17,375,000 PLN 2,745,000	31 January 2011	BLR Notice+ margin	Surety
Bank Handlowy w Warszawie SA	NG2 SA	Revolving	30,000	30,000	9 March 2011	WIBOR + margin	Capped mortgage; Pledge over inventory
Bank Handlowy w Warszawie SA	NG2 SA	Overdraft facility	29,000	13,261	8 March 2011	WIBOR + margin	
BRE Bank SA	NG2 SA	Overdraft facility	30,000	0	3 January 2013	WIBOR + margin	Capped mortgage

Amounts are provided in PLN '000 unless stated otherwise

BRE Bank SA	NG2 SA	Investment	30,000	4,352	30 December 2016	WIBOR + margin	Capped mortgage
ING Bank Śląski SA	NG2 SA	Revolving	50,000	50,000	29 January 2012	WIBOR + margin	Capped mortgage; Pledge over inventory
PKO BP SA	NG2 SA	Overdraft facility	50,000	48,893	27 October 2013	WIBOR + margin	Pledge over inventory
The financial terms of the loans incurred do not vary materially from market terms.							

Name of the Bank	Name of the entity	Type	Limit	Amount utilised	Date of expiry	Financial terms	Security
UniCredit Bank Czech Republik a.s.	CCC Boty	Guarantee cap	CZK 20,000,000	CZK 7,606,000 PLN 1,202,000	31 January 2011	commission	Surety
Citibank Europe plc	CCC Boty	Guarantee cap	CZK 30,000,000	CZK 29,005,000 PLN 4,583,000	30 November 2011	commission	none

Amounts are provided in PLN '000 unless stated otherwise

Bank Handlowy w Warszawie SA	NG2 SA	Guarantee cap	5,000	927	4 July 2011	commission	Capped mortgage; Pledge over inventory
Bank Handlowy w Warszawie SA	NG2 SA	Paylink card limit	7,000	1,003	30 December 2011	WIBOR + margin	Surety
BRE Bank SA	NG2 SA	Guarantee cap	13,500	11,640	30 April 2012	commission	Joint contractual capped mortgage
Societe Generale	NG2 SA	Guarantee cap	12,000	11,849	unspecified	commission	none
BZ WBK SA	NG2 SA	Guarantee cap	PLN 12,000,000 PLN 6,000,000	PLN 8,570,000 PLN 3,688,000	31 March 2011	commission	Pledge over inventory

As on 31 December 2009

Name of the Bank	Name of the entity	Type of loan	Limit	Amount utilised	Date of expiry	Financial terms	Security
Bank Handlowy w Warszawie SA	CCC Factory	Overdraft facility	5,000	7	7 May 2010	WIBOR + margin	Surety
Bank Handlowy w Warszawie SA	NG2 SA	Revolving	55,000	50,000	9 March 2011	WIBOR + margin	Capped mortgage; Pledge over inventory

Amounts are provided in PLN '000 unless stated otherwise

Bank Handlowy w Warszawie SA	NG2 SA	Overdraft facility	40,000	0	9 March 2010	WIBOR + margin	
Bank Millennium SA	NG2 SA	Overdraft facility	20,000	0	22 September 2010	WIBOR + margin	Pledge over inventory
ING Bank Śląski SA	NG2 SA	Revolving	50,000	50,000	29 January 2012	WIBOR + margin	Pledge over inventory
PKO BP SA	NG2 SA	Overdraft facility	20,000	19,980	1 September 2010	WIBOR + margin	Pledge over inventory
The financial terms of the loans incurred do not vary materially from market terms.							

Name of the Bank	Name of the entity	Type of loan	Limit	Amount utilised	Date of expiry	Financial terms	Security
Bank Handlowy w Warszawie SA	NG2 SA	Guarantee cap	20,000	8,657	17 October 2010	commission	Capped mortgage; Pledge over inventory
Bank Handlowy w Warszawie SA	NG2 SA	Paylink card limit	7,000	5,687	unspecified	WIBOR + margin	Surety
Societe Generale SA	NG2 SA	Guarantee and letter of credit cap	10,000	0	unspecified	commission	none
Alior Bank	NG2 SA	Guarantee and letter of credit cap	5,000	0	unspecified	commission	none

16. SHARE-BASED PAYMENTS

The Group has a scheme providing benefits in the form of shares, settled on equity instruments. Under the scheme, the Group receives employee services as remuneration for equity instruments (stock options) of the Group's dominant entity. The fair value of the employee services received in return for awarding the options is recorded as a cost. The total amount to be recognised as cost is determined by reference to the fair value of the options awarded:
- taking into account any market terms;
- without taking into account any conditions related to seniority or non-market conditions for acquiring rights (for example, profitability of sales, purposes related to an increase of sales or the prescribed period of mandatory employment at the entity);
- without taking into account any conditions not related to acquiring rights (for instance, the requirement to maintain the instruments obtained, binding on employees).

Non-market conditions are included in the assumptions regarding the anticipated number of options on which rights may be acquired. The total cost is recorded throughout the period of acquiring the rights until 31 December 2010, which is a period during which all of the prescribed conditions for acquiring the rights are to be met. As at the end of each reporting period, the estimates of the expected number of options, to which rights will be acquired as a result of meeting the non-market requirements for acquiring rights, are reviewed The Group presents the effect of the possible review of the initial estimates in the profit and loss statement, together with the appropriate adjustment of shareholders' equity. Once options are exercised, the Group's dominant entity issues new shares. Funds received after deducting all costs that may be directly allocated to the transaction will increase the share capital (nominal value) and the share premium upon the exercise of the options.

Amounts are provided in PLN '000 unless stated otherwise

The granting by the dominant entity of options for its equity instruments to employees of the Group's subsidiaries is treated as a capital contribution. The fair value of the received employee services, calculated by reference to the fair value of the date of the grant, is to be recorded throughout the period of acquiring the rights in the form of an increase of the balance of investments into subsidiaries together with a corresponding increase in shareholders' equity. The value of the Scheme is referred to investments into subsidiaries only in the individual statements of NG2 S.A.

17. DEFERRED TAX

The items below are the main items under deferred tax provisions and assets entered by the Group and the changes thereof in the current and preceding reporting period. Under IAS 12, in its financial statements, the Group discloses net deferred tax provisions and assets.

Deferred tax provisions	31 Dec 2010	31 Dec 2009
Accelerated tax depreciation	303	561
Interest computed	7	42
Other	-	-
Deferred tax provisions	**310**	**603**

Deferred tax assets	31 Dec 2010	31 Dec 2009
Costs after the balance sheet date	1,931	395
Provisions for liabilities	1,684	995
Depreciation of assets	759	681
Consolidation adjustment of margin on inventory	2,331	1,813
Tax losses	3,452	2,772
Valuation of trade marks	18,209	-
Other	13	17
Deferred tax assets	**28,379**	**6,673**

The Group has identified all the assets on which deferred income tax should be recognised.

18. PROVISIONS

Provisions for warranty repairs	2010	2009
As on 1 January	**1,764**	**2,134**
Establishment of provisions during the year	2,224	489
Liquidation of the provisions	457	579
Utilisation of the provisions	203	280
As on 31 December	**3,328**	**1,764**
Provisions for up to 1 year	3,135	1,609
Provisions for more than 1 year	193	155

The Group establishes provisions for anticipated warranty repairs of goods sold in the last financial year, on the basis of the level of warranty repairs and returns reported in previous years.

Amounts are provided in PLN '000 unless stated otherwise

19. EMPLOYMENT AND EMPLOYEE BENEFITS

The table below presents information about employment (including the Management Board):

Number of employees	31 Dec 2010	31 Dec 2009
Administrative employees	347	339
Employees at stores	4,690	4,251
Employees in manufacturing	507	522
Employees in warehouses	368	501
Total	**5,912**	**5,613**

Cost of employment	31 Dec 2010	31 Dec 2009
Salaries	141,751	138,072
Social security contributions	25,410	18,535
Other employee benefits	5,496	2,752
Total	**172,657**	**159,359**

Provisions for employee benefits

The actuarial assumptions adopted in the valuation presume a discount rate of 5.5 per cent (5.75 per cent in 2009) and an expected employee turnover rate of 25.0 per cent per year (17.55 per cent in 2009).

Provisions for employee benefits	1 Jan 2010 to 31 Dec 2010	1 Jan 2009 to 31 Dec 2009
As on 1 January	901	909
Establishment of provisions during the year	799	217
Liquidation of the provisions	218	225
Utilisation of the provisions	-	-
As on 31 December	**1,482**	**901**
Provisions up to 1 year	-	-
Provisions for more than 1 year	1,482	901

20. OPERATING AND FINANCIAL REVENUE AND COSTS

Other operating revenue	1 Jan 2010 to 31 Dec 2010	1 Jan 2009 to 31 Dec 2009
Profit on currency exchange differences	1,920	1,659
Interest received	480	658
Liquidated provisions	98	1,482
Inventory surplus	4,171	2,397
Other operating revenue	3,286	5,644
Total	**9,955**	**11,840**

Other operating costs	1 Jan 2010 to 31 Dec 2010	1 Jan 2009 to 31 Dec 2009
Loss on the sale of tangible assets	1,707	343
Establishment of provisions	569	
interest	79	307
Inventory shortages	6,884	6,103
Other operating costs	7,051	3,549

Amounts are provided in PLN '000 unless stated otherwise

Total	**16,290**	**10,302**

Financial revenue	1 Jan 2010 to 31 Dec 2010	1 Jan 2009 to 31 Dec 2009
Revenue from interest on the current account and other	356	738
Other financial revenue	117	121
Total	**473**	**859**

Financial costs	1 Jan 2010 to 31 Dec 2010	1 Jan 2009 to 31 Dec 2009
Interest on loans and borrowings	5,089	7,386
Interest on financial leases	11	20
Negative currency exchange differences	553	211
Commissions paid	485	360
Other financial costs	845	1,364
Total	**6,983**	**9,341**

21. INCOME TAX

Income tax	31.12.2010	31.12.2009
Profit before tax	122,609	99,677
Tax at the 19 per cent rate	23,296	18,939
Result of excluding non-tax revenue and costs	3,443	(2,621)
Current income tax	26,739	16,318
Deferred tax	(21,986)	(244)
Income tax	**4,753**	**16,074**

Under the applicable laws, the Tax Office may audit the Group's tax filings for a period of five years. Therefore, the Group may incur an additional tax burden together with penalties and interest.
Due to the fact that as on the balance sheet date, the audit procedure conducted by the Fiscal Supervision Office has not been completed for the year 2007, the dominant entity may incur an additional tax liability of PLN 387,000 together with applicable interest.

22. EARNINGS PER SHARE

Earnings	31 Dec 2010	31 Dec 2009
Net profit for the year for the purpose of calculating earnings per share to be distributed among the shareholders of the dominant entity	117,856	83,603
Earnings disclosed for the purpose of calculating the value of diluted earnings per share	**117,856**	**83,603**

Number of shares issued	31 Dec 2010	31 Dec 2009
Average weighted number of shares disclosed for the purpose of calculating the value of ordinary earnings per share	38,400,000	38,400,000
Average weighted number of ordinary shares disclosed for the purpose of calculating the value of diluted earnings per share	**38,400,000**	**38,400,000**

Earnings per share	31 Dec 2010	31 Dec 2009
Ordinary	PLN 3.07	PLN 2.18
Diluted	PLN 3.07	PLN 2.18

Amounts are provided in PLN '000 unless stated otherwise

In the reporting period, there were no events affecting the value of diluted profit.

23. DIVIDEND

	2010	2009
Value of dividend disbursements	38,400	38,400
Value per 1 share	PLN 1.00	PLN 1.00

24. TRANSACTIONS WITH RELATED PARTIES

	31 Dec 2010	31 Dec 2009
Subsidiaries of a member of the management board		
MGC INWEST Sp. z o.o.		
Sale to an affiliate	-	108
Purchase from an affiliate	-	-
Receivables from an affiliate	-	-
Liabilities towards an affiliate	-	-
Libra Project Sp. z o.o.		
Sale to an affiliate	-	-
Purchase from an affiliate	70	108
Receivables from an affiliate	-	-
Liabilities towards an affiliate	-	6
ASTRUM Sp. z o.o.		
Sale to an affiliate	15	-
Purchase from an affiliate	105	-
Receivables from an affiliate	-	-
Liabilities towards an affiliate	43	-
CUPRUM ARENA MGC INWEST Sp. z o.o. S. k.		
Sale to an affiliate	1	30
Purchase from an affiliate	821	910
Receivables from an affiliate	-	-
Liabilities towards an affiliate	1	86

The transactions with related parties were concluded on market terms.

Remuneration of management board members

Name and surname	Position	Gross remuneration for 2010	Gross remuneration for 2009
Dariusz Miłek	President of the Management Board	PLN 450,000	PLN 450,000
Lech Chudy	Vice-President of the Management Board	PLN 59,200	PLN 355,200
Mariusz Gnych	Vice-President of the Management Board	PLN 473,600	PLN 355,200
Piotr Nowjalis	Vice-President of the Management Board	PLN 473,600	PLN 355,200
Total		**PLN 1,456,400**	**PLN 1 515,600**

Remuneration of supervisory board members

Name and surname	Position	Gross remuneration for 2010	Gross remuneration for
Henryk Chojnacki	Chairman of the	PLN 24,000	PLN 24,000

Amounts are provided in PLN '000 unless stated otherwise

	Supervisory Board		
Rafał Chwast	Member of the Supervisory Board	PLN 18,000	PLN 18,000
Wojciech Fenrich	Member of the Supervisory Board	PLN 18,000	PLN 9,143
Martyna Kupiecka	Member of the Supervisory Board	PLN 18,000	PLN 18,000
Paweł Tamborski	Member of the Supervisory Board	PLN 18,000	PLN 18,000
Marek Wiza	Member of the Supervisory Board	-	PLN 8,929
Total		**PLN 96,000**	**PLN 96,072**

In 2010, the Company and Mr. Rafał Chwast concluded an agreement for the provision of IT organisation consulting services. The agreement was concluded for a fixed term from 1 January 2010 to 31 December 2010. The remuneration for the performance of the agreement was set at PLN 11,000 net per month, increased by the applicable VAT.
Management and Supervisory Board members do not collect any fee for their positions with the NG2 S.A. Group companies, other than the salaries set out above.

25. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities	31 Dec 2010	31 Dec 2009
I. Contingent assets	**34,800**	**40,450**
From other entities (on account of)	34,800	40,450
- guarantees and warranties received	34,800	40,450
II. Contingent liabilities	**59,721**	**59,768**
To other entities (on account of)	59,721	59,768
- customs bonds	22,500	22,500
- other forms of security	30,221	30,268
- security extended	7,000	7,000

Customs bonds provide a security for the repayment of customs receivables due to the Group's operation of customs warehouses, and their maturity date is 17 June 2011.
Other guarantees secure property leases and their maturity date is 30 April 2012.
The security granted is related to the Paylink overdraft facility opened with Bank Handlowy for franchise customers and the loan security for subsidiaries. Their maturity dates are unspecified.

Under the long-term loan agreement concluded with BRE Bank S.A., the dominant entity was required to maintain the operating margin on the level set out in the agreement. The dominant entity did not meet this requirement in the reporting period. As on the balance sheet date, the dominant entity did not use the overdraft facility extended to it by BRE Bank SA, but used PLN 4,352,000 under an investment loan.

26. FINANCIAL INSTRUMENTS

In 2010 and 2009, the Group did not use derivative instruments.

Financial instruments by type:

Assets according to the balance sheet

Loans and receivables	
31 December 2010	
Long-term	**114**
Loans and receivables	114
Short-term	**126,403**
Receivables other than prepayments	43,338
Cash and cash equivalents	83,065
Total	**126,517**
31 December 2009	

Amounts are provided in PLN '000 unless stated otherwise

Long-term	**174**
Loans and receivables	174
Short-term	**88,222**
Receivables other than prepayments	27,327
Cash and cash equivalents	60,895
Total	**88,396**

Liabilities according to the balance sheet

Other financial liabilities	
31 December 2010	
Long-term	**103,356**
Loans and borrowings	103,245
Liabilities under financial lease	111
Short-term	**121,489**
Loans and borrowings	46,006
Liabilities under financial lease	136
Trade liabilities and other non-tax liabilities	75,347
Total	**224,845**
31 December 2009	
Long-term	**80,216**
Loans and borrowings	80,000
Liabilities under financial lease	216
Short-term	**108,577**
Loans and borrowings	39,986
Liabilities under financial lease	127
Trade liabilities and other non-tax liabilities	68,464
Total	**188,793**

Currency risk

If currency exchange rates denominated [missing fragment] in the twelve-month period ended on 31 December 2010 had been 5 per cent higher/lower, the profit for that period would have been PLN 13,623,000 lower/higher (in the twelve-month period ended 31 December 2009: PLN 13,701,000).

Interest rate risk

Exposure to the interest rate risk applies financial instruments as set out below:

Variable interest rate instruments	31 Dec 2010	31 Dec 2009
Financial liabilities		
Loans and borrowings	149,251	119,986
Total	**149,251**	**119,986**

If currency exchange rates denominated in the Polish zloty in the twelve-month period ended on 31 December 2010 had been 1 percentage point higher/lower, the profit for that period would have been PLN 1,493,000 lower/higher (in the twelve-month period ended 31 December 2009: PLN 1,200,000).

Financial liquidity risk

The table below contains an analysis of the Group's financial liabilities that will be settled in the net amount in the appropriate age brackets, based on the time remaining until the lapse of the contractual maturity date as on the balance sheet date. The amounts set out in the table are contractual, non-discounted cash flows.

The maturity structure of short- and long-term loans and borrowings as on 31 December 2010 and 31 December 2009 is presented in the tables below:

2010	loan payments	interest and other charges	Total

up to 1 year	46,006	6,343	52,349
1-2 years	103,245	437	103,682
2-5 years			
more than 5 years			
Total	**149,251**	**6,780**	**156,031**

2009	loan payments	interest and other charges	Total
up to 1 year	39,986	4,487	44,453
1-2 years	30,000	2,604	32,604
2-5 years	50,000	228	50,228
more than 5 years	-	-	-
Total	**119,986**	**7,319**	**127,285**

Credit risk

The maximum credit risk exposure is set out in the table below:

	31 Dec 2010	31 Dec 2009
Trade receivables and other receivables	43,338	27,327
Cash and cash equivalents	83,065	60,895
Total	**126,403**	**88,222**

The age structure of receivables by maturity date together with information about write-downs on receivables is set out in note 9.

The Group's main financial asset are funds in bank accounts, cash, trade receivables and other receivables, which represent the maximum credit risk exposure in relation to financial assets. The Group's credit risk is primarily attributed to trade receivables.

The amounts disclosed in the balance sheet are net amounts, taking into account write-downs on the value of questionable receivables, estimated by the Management Board of the dominant entity on the basis of previous experience and their assessment of the current business environment. These receivables concern customers working long-term with the Group and, in the Group's opinion, the risk in this regard is negligible.

Credit risk associated with financial instruments is limited due to the fact that the parties to the transactions are banks with high credit scores received from international rating agencies. The Group does not have a significant concentration of credit risk. The risk is distributed among a large number of partners and customers. Credit risk associated with financial instruments with respect to cash and cash equivalents is limited due to the fact that the parties to the transactions are banks with high credit scores.

The ratings of the credit institutions (PKO BP SA, BZ WBK SA, Bank Handlowy SA) received from Moody's Investors Service have not changed compared to 2009.

27. SUBSIDY

In 2010, the dominant entity obtained a subsidy for the financing of tangible assets from the Polish Agency for Enterprise Development. The Company requested a subsidy under the Innovative Economy Programme in connection with the project of constructing a high storage warehouse located in Polkowice.

For the duration of the project, the following performance bond was established:

- blank promissory note with a blank promissory note agreement,
- security for the amount of the subsidy, corresponding to the amount of the highest tranche of the advance in the form of a bank guarantee.

28. INFORMATION ABOUT THE FEE OF THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

On 2 July 2010, the dominant entity and PricewaterhouseCoopers Sp. z o.o. concluded an agreement on the review of the individual and consolidated financial statements for the first half-year of 2010 and

Amounts are provided in PLN '000 unless stated otherwise

2011, and the audit of the annual individual and consolidated financial statements prepared as on 31 December 2010 and 31 December 2011. The net fee for the above services is PLN 130,000 for each audited financial year (of which: PLN 57,000 – for the review of the financial statements, PLN 73,000 – for the audit of the financial statements).
Furthermore, the agreement concerns conducting limited review procedures for NG2 Suisse S.a.r.l. for the period from 1 January to 30 June 2010 (net fee: PLN 25,000) and from 1 January to 30 June 2011 (net fee: PLN 15,000).
In addition, in 2010, PricewaterhouseCoopers Sp. z o.o. provided tax advisory services to the dominant entity. The net fee for these services was PLN 66,000.
In 2009, the entity reviewing the individual and consolidated financial statements for the first half-year of 2009 and auditing the individual and consolidated financial statements prepared as on 31 December 2009 was also PricewaterhouseCoopers Sp. z o.o. Under the agreement of 8 June 2009, the net fee for the above services was PLN 122,000 (of which: PLN 52,000 - for the review of the financial statements, PLN 70,000 - for the audit of the financial statements).
Moreover, under the agreements concluded with CCC Factory, PricewaterhouseCoopers Sp. z o.o. reviewed and audited its 2010 and 2009 financial statements. The net fee for these services was PLN 60,000 and PLN 53,000, respectively.

29. OCCURRENCES AFTER THE BALANCE SHEET DATE

On 26 January 2011, CCC BOTY Czech s.r.o. signed an annex to the loan agreement concluded with UniCredit Bank Czech Republik a.s., setting the limit at CZK 30,000,000. The date of repayment was determined to be 31 January 2012.

On 8 February 2011, NG2 S.A. signed an annex to the loan agreement of 30 January 2009, concluded with ING Bank Śląski S.A. with its registered office in Katowice. The annex increases, as of 8 February 2011, the amount of the revolving loan to PLN 70,000,000.

On 1 March 2011, NG2 S.A. signed annexes to revolving loan and overdraft facility agreements with Bank Handlowy with its registered office in Warsaw. The annexes change the loan amounts and the loan repayment dates. In the overdraft facility agreement, the value of the loan was agreed at PLN 50,000,000, while in the revolving loan agreement, the value of the loan was agreed at PLN 36,000,000. The final date of repayment of both loans was set as 27 February 2013. Other provisions of the agreement were not materially amended and do not vary from prevailing market terms for these types of agreements.

On 28 March 2011, amendments were made to the bank guarantee agreement concluded by NG2 SA with BRE Bank SA with its registered office in Warsaw. The amendment concerned the date of expiry of the guarantee. The current date of expiry of the guarantee was agreed to be 31 December 2012.

30. ADJUSTMENT OF PREVIOUS REPORTING PERIODS

The Group adjusted its reporting periods as set out below:

Title	Adjustment of previous reporting periods	31.12.2009	
		Dr	Cr
Compensation of provisions for liabilities	Other operating revenue	9,865	
	Other operating costs		9,865

Amounts are provided in PLN '000 unless stated otherwise

31. EXPLANATION OF THE DIFFERENCES IN THE POSITIONS OF CERTAIN ASSETS AND LIABILITIES DISCLOSED IN THE CONSOLIDATED STATEMENT ON FINANCIAL STANDING AND THE CONSOLIDATED CASH FLOW STATEMENT

	As on 31 December 2010	As on 31 December 2009	Balance sheet change	CF change	difference
Liabilities	**92,603**	**87,833**	**4,770**	**5,537**	**(767)**
-adjustment to include the change in investment liabilities					(78)
-adjustment to include income tax					(689)

The consolidated financial statements were approved for publication by the Management Board of the dominant entity on 21 April 2011 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS		
Edyta Banaś	Head of Accounting	
SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS		
Dariusz Miłek	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Piotr Nowjalis	Vice-President of the Management Board	

Polkowice, 21 April 2011