



NG2 S.A. CAPITAL GROUP  
CONSOLIDATED INTERIM REPORT  
FOR THE FIRST QUARTER OF 2012

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## SELECTED CONSOLIDATED FINANCIAL INFORMATION

	PLN '000		EUR '000	
	period from 1 Jan 2012 to 31 Mar 2012	period from 1 Jan 2011 to 31 Mar 2011	period from 1 Jan 2012 to 31 Mar 2012	period from 1 Jan 2011 to 31 Mar 2011
I. Net revenue from the sale of products, goods and materials	256,605	184,925	61,462	46,531
II. Profit on operating activity	8,465	(1,907)	2,028	(480)
III. Gross profits	4,595	(3,674)	1,101	(924)
IV. Net profits	2,678	(6,234)	641	(1,569)
V. Net operating cash flow	(39,135)	(102,793)	(9,374)	(25,865)
VI. Net investment cash flow	(10,704)	(26,380)	(2,564)	(6,638)
VII. Net financial cash flow	35,179	65,498	8,426	16,481
VIII. Total net cash flow	(14,660)	(63,675)	(3,511)	(16,022)
IX. Earnings per share (PLN/EUR)	0.07	(0.16)	0.02	(0.04)
X. Diluted earnings per share (PLN/EUR)	0.07	(0.16)	0.02	(0.04)
	PLN '000		EUR '000	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
XI. Total assets	1,003,609	965,613	241,159	218,623
XII. Liabilities and provisions for liabilities	505,018	470,528	121,352	106,531
XIII. Long-term liabilities	165,765	208,560	39,832	47,220
XIV. Short-term liabilities	339,253	261,968	81,520	59,312
XV. Shareholders' equity	498,591	495,085	119,808	112,091
XVI. Share capital	3,840	3,840	923	869
XVII. Number of shares (units)	38,400,000	38,400,000	38,400,000	38,400,000
XVIII. Book value per share (PLN/EUR)	12.98	12.89	3.12	2.92
XIX. Diluted book value per share (PLN/EUR)	12.98	12.89	3.12	2.92
XX. Declared or disbursed dividend per share (PLN/EUR)	-	1.50	-	0.34

The financial data was converted to EUR in accordance with the following rules:

- each asset and liability: according to the average exchange rate announced by the National Bank of Poland on 31 March 2012: 1 EUR= 4.1616, on 31 December 2011: 1 EUR= 4.4168.
- each item in the statement of comprehensive income and cash flow statement: according to rates which constitute the arithmetic mean of the average exchange rates announced by the National Bank of Poland on the last day of each completed month in the following reporting periods: 1 January 2012 – 31 March 2011 and 1 January 2011 – 31 March 2011, respectively: 1 EUR = 4.1750 and 1 EUR = 3.9742.

## ABBREVIATED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	period from 1 Jan 2012 to 31 Mar 2012	period from 1 Jan 2011 to 31 Mar 2011
Revenue from sale	256,605	184,925
Manufacturing cost of products, goods and services sold	(131,732)	(89,086)
<b>Gross earnings from sale</b>	<b>124,873</b>	<b>95,839</b>
Other operating revenue	4,079	3,896
Cost of sale	(111,060)	(94,233)
Cost of general management and administration	(4,834)	(4,060)
Other operating cost	(4,593)	(3,349)
<b>Profit on operating activity</b>	<b>8,465</b>	<b>(1,907)</b>
Financial revenue	175	152
Financial costs	(4,045)	(1,919)
<b>Profit before tax</b>	<b>4,595</b>	<b>(3,674)</b>
Income tax	(1,917)	(2,560)
<b>Net profits</b>	<b>2,678</b>	<b>(6,234)</b>
<b>Other comprehensive income</b>		
Currency exchange differences from converting foreign units	(687)	233
<b>Total comprehensive income</b>	<b>1,991</b>	<b>(6,001)</b>
<b>Earnings per share</b>		
basic and diluted	PLN 0.07	PLN (0.16)

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

## ABBREVIATED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As on 31 March 2012	As on 31 December 2011	As on 31 March 2011
<b>Non-current assets</b>			
Intangible assets	3,268	705	835
Tangible fixed assets	341,390	337,894	258,649
Long-term receivables	3,159	3,472	99
Deferred tax asset	23,807	25,068	26,362
<b>Total tangible assets</b>	<b>371,624</b>	<b>367,139</b>	<b>285,945</b>
<b>Current assets</b>			
Inventory	464,421	484,815	320,298
Trade receivables and other receivables	147,298	78,733	127,169
Cash and cash equivalents	20,266	34,926	19,390
<b>Total current assets</b>	<b>631,985</b>	<b>598,474</b>	<b>466,857</b>
<b>Total assets</b>	<b>1,003,609</b>	<b>965,613</b>	<b>752,802</b>
<b>Shareholders' equity</b>			
Share capital	3,840	3,840	3,840
Reserve capital from the sale of shares above their nominal value	74,586	74,586	74,586
Currency exchange on consolidation	(82)	605	(84)
Other capitals	10,837	9,341	4,854
Retained earnings	409,410	406,713	335,147
<b>Total shareholders' equity</b>	<b>498,591</b>	<b>495,085</b>	<b>418,343</b>
<b>Long-term liabilities</b>			
Long-term loans and bank loans	164,026	206,800	126,572
Trade liabilities and other liabilities	84	84	86
Long-term provisions	1,609	1,612	1,681
Long-term liabilities under financial leasing	46	64	87
<b>Total long-term liabilities</b>	<b>165,765</b>	<b>208,560</b>	<b>128,426</b>
<b>Short-term liabilities</b>			
Trade liabilities and other liabilities	149,883	146,356	101,421
Income tax liabilities	1,456	9,119	2,808
Short-term liabilities under financial leasing	35	53	59
Short-term loans and bank loans	153,486	71,972	90,294
Short-term provisions	2,240	2,315	3,074
Subsidies received	32,153	32,153	8,377
<b>Total short-term liabilities</b>	<b>339,253</b>	<b>261,968</b>	<b>206,033</b>
<b>Total liabilities</b>	<b>1,003,609</b>	<b>965,613</b>	<b>752,802</b>

## ABBREVIATED INTERIM 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
<b>As on 1 January 2012</b>	3,840	74,586	9,341	406,713	605	495,085
Result for the period from 1 January to 31 March 2012				2,678		2,678
Currency exchange differences from converting foreign units					(687)	(687)
<b>Total comprehensive income</b>				2,678	(687)	1,991
Other adjustments				19		19
Dividend disbursement						
Employee stock option plan - value of the benefit			1,496			1,496
<b>As on 31 March 2012</b>	3,840	74,586	10,837	409,410	(82)	498,591
	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
<b>As on 1 January 2011</b>	3,840	74,586	3,358	341,381	(317)	422,848
Results for the year				122,776	-	122,776
Currency exchange differences from converting foreign units					922	922
<b>Total comprehensive income</b>				122,776	922	123,698
Other adjustments				156		156
Dividend disbursement				(57,600)		(57,600)
Employee stock option plan - value of the benefit			5,983			5,983
<b>As on 31 December 2011</b>	3,840	74,586	9,341	406,713	605	495,085
	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
<b>As on 1 January 2011</b>	3,840	74,586	3,358	341,381	(317)	422,848
Result for the period from 1 January to 31 March 2011				(6,234)		(6,234)
Currency exchange differences from converting foreign units					233	233
<b>Total comprehensive income</b>				(6,234)	233	(6,001)
Dividend disbursement						
Employee stock option plan - value of the benefit			1,496			1,496
<b>As on 31 March 2011</b>	3,840	74,586	4,854	335,147	(84)	418,343

## ABBREVIATED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	period from 1 Jan 2012 to 31 Mar 2012	period from 1 Jan 2011 to 31 Mar 2011
Gross profits:	4,595	(3,674)
Adjustments:	(43,730)	(99,119)
Depreciation	6,691	5,863
Interest and share in profits (dividends)	(3)	(37)
Currency exchange profit (loss)	(687)	233
Profit (loss) on investment activity	968	815
Cost of interest	3,151	1,303
Changes in provisions	(78)	(55)
Changes in inventory	20,396	(67,852)
Changes in receivables	(68,924)	(54,402)
Changes in short-term liabilities, other than loans and borrowings	4,838	13,581
Income tax paid	(11,578)	(64)
Other adjustments	1,496	1,496
<b>Net operating cash flow</b>	<b>(39,135)</b>	<b>(102,793)</b>
<b>Investment cash flow</b>		
Interest received	3	37
Loans repaid	672	-
Purchase of intangible assets	(2,628)	(15)
Purchase of tangible assets	(8,751)	(26,402)
<b>Net investment cash flow</b>	<b>(10,704)</b>	<b>(26,380)</b>
<b>Financial cash flow</b>		
Proceeds from incurring loans	41,951	130,759
Repayment of loans and borrowings	(3,211)	(63,322)
Payment of liabilities under financial leasing agreements	(37)	(100)
Interest paid	(3,524)	(1,839)
<b>Net financial cash flow</b>	<b>35,179</b>	<b>65,498</b>
<b>Total cash flow</b>	<b>(14,660)</b>	<b>(63,675)</b>
Net increase (decrease) in cash and cash equivalents	(14,660)	(63,675)
Cash and cash equivalents at the beginning of the period	34,926	83,065
<b>Cash and cash equivalents at the end of the period</b>	<b>20,266</b>	<b>19,390</b>



## SELECTED INDIVIDUAL FINANCIAL INFORMATION

	PLN '000		EUR '000	
	period from 1 Jan 2012 to 31 Mar 2012	period from 1 Jan 2011 to 31 Mar 2011	period from 1 Jan 2012 to 31 Mar 2012	period from 1 Jan 2011 to 31 Mar 2011
I. Net revenue from the sale of products, goods and materials	252,151	178,737	60,395	44,974
II. Profit on operating activity	1,618	(5,553)	388	(1,397)
III. Gross profits	(2,395)	(7,497)	(574)	(1,886)
IV. Net profits	(3,353)	(9,134)	(803)	(2,298)
V. Net operating cash flow	(43,414)	(99,593)	(10,399)	(25,060)
VI. Net investment cash flow	(10,260)	(25,914)	(2,457)	(6,521)
VII. Net financial cash flow	38,894	66,749	9,316	16,796
VIII. Total net cash flow	(14,780)	(58,758)	(3,540)	(14,785)
IX. Earnings per share (PLN/EUR)	(0.09)	(0.24)	(0.02)	(0.06)
X. Diluted earnings per share (PLN/EUR)	(0.09)	(0.24)	(0.02)	(0.06)
	PLN '000		EUR '000	
	31 Mar 2012	31 Dec 2011	31 Mar 2012	31 Dec 2011
XI. Total assets	936,921	923,529	225,135	209,095
XII. Liabilities and provisions for liabilities	566,092	550,862	136,027	124,720
XIII. Long-term liabilities	175,506	216,317	42,173	48,976
XIV. Short-term liabilities	390,586	334,545	93,855	75,744
XV. Shareholders' equity	370,829	372,667	89,107	84,374
XVI. Share capital	3,840	3,840	923	869
XVII. Number of shares (units)	38,400,000	38,400,000	38 400,000	38,400,000
XVIII. Book value per share (PLN/EUR)	9.66	9.70	2.32	2.20
XIX. Diluted book value per share (PLN/EUR)	9.66	9.70	2.32	2.20
XX. Declared or disbursed dividend per share (PLN/EUR)	-	1.50	-	0.34

The financial data was converted to EUR in accordance with the following rules:

- each asset and liability: according to the average exchange rate announced by the National Bank of Poland on 31 March 2012: 1 EUR= 4.1616, on 31 December 2011: 1 EUR= 4.4168.
- each item in the statement of comprehensive income and cash flow statement: according to rates which constitute the arithmetic mean of the average exchange rates announced by the National Bank of Poland on the last day of each completed month in the following reporting periods: 1 January 2012 – 31 March 2011 and 1 January 2011 – 31 March 2011, respectively: 1 EUR = 4.1750 and 1 EUR = 3.9742.

## ABBREVIATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	period from 1 Jan 2012 to 31 Mar 2012	period from 1 Jan 2011 to 31 Mar 2011
Revenue from sale	252,151	178,737
Manufacturing cost of products, goods and services sold	(142,891)	(93,894)
<b>Gross earnings from sale</b>	<b>109,260</b>	<b>84,843</b>
Other operating revenue	4,023	3,741
Cost of sale	(105,751)	(89,481)
Cost of general management and administration	(2,073)	(1,833)
Other operating cost	(3,841)	(2,823)
<b>Profit on operating activity</b>	<b>1,618</b>	<b>(5,553)</b>
Financial revenue	170	129
Financial costs	(4,183)	(2,073)
<b>Profit before tax</b>	<b>(2,395)</b>	<b>(7,497)</b>
Income tax	(958)	(1,637)
<b>Net profits</b>	<b>(3,353)</b>	<b>(9,134)</b>
<b>Other comprehensive income</b>	-	-
Currency exchange differences from converting foreign units		
<b>Total comprehensive income</b>	<b>(3,353)</b>	<b>(9,134)</b>
<b>Earnings per share</b> basic and diluted	<b>PLN (0.09)</b>	<b>PLN (0.24)</b>

## ABBREVIATED INTERIM STATEMENT OF FINANCIAL POSITION

	As on 31 March 2012	As on 31 December 2011	As on 31 March 2011
<b>Non-current assets</b>			
Intangible assets	2,922	355	467
Tangible fixed assets	285,972	282,941	204,778
Long-term investments	55,216	55,255	49,722
Long-term receivables	3,159	3,472	99
Deferred tax asset	2,191	3,149	2,352
<b>Total tangible assets</b>	<b>349,460</b>	<b>345,172</b>	<b>257,418</b>
<b>Current assets</b>			
Inventory	431,620	462,665	300,035
Trade receivables and other receivables	141,481	86,552	137,539
Cash and cash equivalents	14,360	29,140	12,485
<b>Total current assets</b>	<b>587,461</b>	<b>578,357</b>	<b>450,059</b>
<b>Total assets</b>	<b>936,921</b>	<b>923,529</b>	<b>707,477</b>
<b>Shareholders' equity</b>			
Share capital	3,840	3,840	3,840
Reserve capital from the sale of shares above their nominal value	74,586	74,586	74,586
Other capitals	10,837	9,341	4,854
Retained earnings	281,566	284,900	245,582
<b>Total shareholders' equity</b>	<b>370,829</b>	<b>372,667</b>	<b>328,862</b>
<b>Long-term liabilities</b>			
Long-term loans and bank loans	174,033	214,835	126,572
Long-term provisions	1,441	1,441	1,482
Long-term liabilities under financial leasing	32	41	33
<b>Total long-term liabilities</b>	<b>175,506</b>	<b>216,317</b>	<b>128,087</b>
<b>Short-term liabilities</b>			
Trade liabilities and other liabilities	185,956	205,537	148,604
Income tax liabilities	-	7,584	2,058
Short-term liabilities under financial leasing	1	6	59
Short-term loans and bank loans	170,461	87,250	88,540
Short-term provisions	2,015	2,015	2,890
Subsidies received	32,153	32,153	8,377
<b>Total short-term liabilities</b>	<b>390,586</b>	<b>334,545</b>	<b>250,528</b>
<b>Total liabilities</b>	<b>936,921</b>	<b>923,529</b>	<b>707,477</b>

## ABBREVIATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity	Reserve capital from the sale of shares above their nominal value	Other capitals	Retained earnings	Total shareholders' equity
<b>As on 1 January 2012</b>	3,840	74,586	9,341	284,900	372,667
Result for the period from 1 January to 31 March 2012				(3,353)	(3,353)
<b>Total comprehensive income</b>				(3,353)	(3,353)
Other adjustments				19	19
Dividend disbursement					
Employee stock option plan - value of the benefit			1,496		1,496
<b>As on 31 March 2012</b>	3,840	74,586	10,837	281,566	370,829

	Share capital	Reserve capital from the sale of shares above their nominal value	Other capitals	Retained earnings	Total shareholders' equity
<b>As on 1 January 2011</b>	3,840	74,586	3,358	254,716	336,500
Results for the year				87,628	87,628
<b>Total comprehensive income</b>				87,628	87,628
Other adjustments				156	156
Dividend disbursement				(57,600)	(57,600)
Employee stock option plan - value of the benefit			5,983		5,983
<b>As on 31 December 2011</b>	3,840	74,586	9,341	284,900	372,667

	Share capital	Reserve capital from the sale of shares above their nominal value	Other capitals	Retained earnings	Total shareholders' equity
<b>As on 1 January 2011</b>	3,840	74,586	3,358	254,716	336,500
Result for the period from 1 January to 31 March 2011				(9,134)	(9,134)
<b>Total comprehensive income</b>				(9,134)	(9,134)
Dividend disbursement					
Employee stock option plan - value of the benefit			1,496		1,496
<b>As on 31 March 2011</b>	3,840	74,586	4,854	245,582	328,862

## ABBREVIATED INTERIM CASH FLOW STATEMENT

	Period from 1 Jan 2012 to 31 Mar 2012	Period from 1 Jan 2011 to 31 Mar 2011
Gross profits	(2,395)	(7,497)
Adjustments:	(41,019)	(92,096)
Depreciation	5,721	4,919
Interest and share in profits (dividends)	-	(35)
Profit (loss) on investment activity	968	797
Cost of interest	3,129	1,303
Changes in inventory	31,045	(62,579)
Changes in receivables	(54,456)	(47,901)
Changes in short-term liabilities, other than loans and borrowings	(17,875)	16,002
Other adjustments	1,689	1,689
Income tax paid	(11,240)	(6,291)
<b>Net operating cash flow</b>	<b>(43,414)</b>	<b>(99,593)</b>
<b>Investment cash flow</b>		
Interest received	-	35
Loans repaid	672	-
Loans granted	(832)	-
Proceeds from the sale of tangible assets	72	80
Purchase of shares in subsidiaries	(154)	(153)
Purchase of intangible assets	(2,628)	(14)
Purchase of tangible assets	(7,390)	(25,862)
<b>Net investment cash flow</b>	<b>(10,260)</b>	<b>(25,914)</b>
<b>Financial cash flow</b>		
Proceeds from incurring loans	43,923	130,759
Repayment of loans and borrowings	(1,513)	(62,154)
Payment of liabilities under financial leasing agreements	(14)	(17)
Interest paid	(3,502)	(1,839)
<b>Net financial cash flow</b>	<b>38,894</b>	<b>66,749</b>
<b>Total cash flow</b>	<b>(14,780)</b>	<b>(58,758)</b>
Net increase (decrease) in cash and cash equivalents	(14,780)	(58,758)
Cash and cash equivalents at the beginning of the period	29,140	71,243
<b>Cash and cash equivalents at the end of the period</b>	<b>14,360</b>	<b>12,485</b>

## ADDITIONAL INFORMATION TO THE ABBREVIATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FIRST QUARTER OF 2012

<b>Name of the Dominant Entity:</b>	NG2 Spółka Akcyjna
<b>Registered office of the Dominant Entity:</b>	Polkowice
<b>Address:</b>	ul. Strefowa 6, 59-101 Polkowice
<b>Telephone:</b>	+48 (76) 845 84 00
<b>Fax:</b>	+48 (76) 845 84 31
<b>Email:</b>	<a href="mailto:ng2@ng2.pl">ng2@ng2.pl</a>
<b>Website:</b>	<a href="http://www.ng2.pl">www.ng2.pl</a>
<b>Registration:</b>	District Court for Wrocław-Fabryczna in Wrocław, 9th Commercial Division of the National Court Register,
<b>KRS Number:</b>	0000211692
<b>Regon (Statistical Number):</b>	390716905
<b>NIP (Tax Identification Number):</b>	692-22-00-609
<b>Corporate Purpose:</b>	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.

### 1. Structure of the Issuer's Capital Group and consolidated entities.

As on 31 March 2012, the NG2 Capital Group was composed of:

- a) the dominant entity NG2 S.A. with its registered office in Polkowice,
- b) subsidiaries:
  - CCC FACTORY Sp. z o.o. with its registered office in Polkowice,
  - CCC BOTY CZECH s.r.o with its registered office in Prague (Czech Republic),
  - CCC OBUV SK s.r.o. with its registered office in Bratislava (Slovakia),
  - NG2 Suisse S.a.r.l. with its registered office in Zug (Switzerland),
  - Kontynentalny Fundusz Powierniczy nr 968 (Continental Trust Fund No. 968) in the USA.

NG2 S.A. holds all of the shares in the capital of the above companies and all of the shares in the overall number of votes of the Companies.

**Table 1. Entities comprising the NG2 S.A. Capital Group as on 31 March 2012**

Subsidiaries of NG2 S.A.	Registered office/Country	Percentage share in the entity's capital	Consolidation
CCC Factory Sp. z o.o.	Polkowice, Poland	100	full
CCC Boty Czech s.r.o.	Prague, Czech Republic	100	full
CCC Obuv Sk s.r.o.	Bratislava, Slovakia	100	full
NG2 Suisse S.a.r.l.	Zug, Switzerland	100	full
Kontynentalny Fundusz Powierniczy nr 968 (Continental Trust Fund No. 968)	USA	100	-

## **2. Basis for Preparation.**

The NG2 S.A. Capital Group presents abbreviated interim consolidated financial statements for the first quarter of 2012 started on 1 January 2012 and ended on 31 March 2012.

These abbreviated interim financial statements were prepared in accordance with IAS 34 "Interim financial reporting". The statements do not cover all the information and disclosures required in annual financial statements and should be read together with the financial statements for the period from 1 January 2011 to 31 December 2011.

## **3. Basis for consolidation.**

These abbreviated interim consolidated financial statements contain the statement of the dominant entity of NG2 S.A. and the statements of the subsidiaries.

The subsidiaries are consolidated in the period from the date of assumption of control by the Group to the date of cessation of control.

All entities comprising the Capital Group underwent inspection during the entire reporting period. Any transactions, balances, revenues and costs between the consolidated subsidiaries are subject to consolidation exemptions.

The Continental Trust Fund does not produce financial reports as it is not required under the U.S. law. However, as a Trustee, at the Beneficiary's request, it will confirm in writing the type of assets turned over for management. The measurement of assets will be carried out in accordance with the provisions in force in the Beneficiary's jurisdiction, i.e. in accordance with the laws of Poland.

## **4. Functional currency and currency of the financial statements.**

The items contained in the Capital Group's abbreviated interim consolidated financial statements are valued in the currency of the primary business environment in which each entity operates ("functional currency"). These financial statements are presented in PLN, which is the Group's functional currency and its presentation currency, rounded up or down to whole thousands.

## **5. Accounting principles applied**

The accounting principles applied by the NG2 S.A. Capital Group companies did not change compared to the accounting principles applied in the financial statements prepared for the financial year from 1 January to 31 December 2011.

## **6. Reporting segments.**

### ***Identifying operating segments***

Operating segments are presented consistently with internal reporting 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, franchise counterparts) are grouped into reporting segments as they meet the grouping criteria set out in IFRS 8. The NG2 S.A. Capital 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. Capital 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, and Slovakia, targeting retail customers. Retail sales are conducted via three chains: CCC, BOTI and QUAZI. The operating segment is each individual customer 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 (re invoicing 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 NG2 S.A. Group companies prepare their financial statements. The Group evaluates the operation of each segment on the basis of financial performance.

**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.

period from 1 Jan 2012 to 31 Mar 2012	Retail business	Franchise and other business	Unassigned items	Total
Revenue from sale	223,576	33,029		256,605
- assigned to a country in which the Issuer has an office	200,376	25,501		225,877
- assigned to other countries	23,200	7,528		30,728
Prime cost of sale	(106,620)	(25,112)		(131,732)
<b>Gross earnings from sale</b>	116,956	7,917	-	124,873
Cost of sales and management	(113,435)	(2,461)	3	(115,893)
Balance of other earnings and operating costs	(775)	261		(514)
<b>Operating profit</b>	2,745	5,717	3	8,465
Balance of earnings and financial costs	(2,908)	(962)		(3,870)
<b>Profit before tax</b>	(163)	4,755	3	4,595
Income tax			(1,917)	(1,917)
<b>Net profits</b>				2,678
<b>Net profit disclosed in the consolidated statement of comprehensive income</b>				2,678
Assets	685,589	170,213	147,807	1,003,609
Tangible assets under IFRS 8	293,692	47,550	6,575	347,817
- located in a country in which the Issuer has an office	274,342	44,163	6,575	325,080
- located in other countries	19,350	3,387	-	22,737
Earnings from interest	-	-	146	146
Cost of interest	2,573	578	-	3,151
Depreciation	4,348	548	1,795	6,691



period from 1 Jan 2011 to 31 Mar 2011	Retail business	Franchise and other business	Unassigned items	Total
Revenue from sale	152,965	31,960		184,925
- assigned to a country in which the Issuer has an office	139,692	25,422		165,114
- assigned to other countries	13,273	6,538		19,811
Prime cost of sale	(67,320)	(21,766)		(89,086)
<b>Gross earnings from sale</b>	85,645	10,194	-	95,839
Cost of sales and management	(96,097)	(2,227)	31	(98,293)
Balance of other earnings and operating costs	434	113		547
<b>Operating profit</b>	(10,018)	8,080	31	(1,907)
Balance of earnings and financial costs	(1,454)	(313)		(1,767)
<b>Profit before tax</b>	(11,472)	7,767	31	(3,674)
Income tax			(2,560)	(2,560)
<b>Net profits</b>				(6,234)
<b>Net profit disclosed in the consolidated statement of comprehensive income</b>				(6,234)
Assets	451,526	130,386	170,890	752,802
Tangible assets under IFRS 8	223,013	29,224	7,346	259,583
- located in a country in which the Issuer has an office	206,914	28,958	7,346	243,218
- located in other countries	16,099	266	-	16,365
Earnings from interest	-	-	73	73
Cost of interest	1,076	227	-	1,303
Depreciation	3,934	553	1,376	5,863

	31 Mar 2012	31 Mar 2011
<b>Revenue from sale from external customers:</b>	256,605	184,925
- assigned to a country in which the Issuer has an office	225,877	165,114
- assigned to another country, including:	30,728	19,811
- the Czech Republic	23,050	13,273

	31 Mar 2012	31 Mar 2011
<b>Tangible assets other than financial instruments</b>	347,817	259,583
- located in a country in which the Issuer has an office	325,080	243,218
- located in another country, including:	22,737	16,365
- the Czech Republic	18,871	16,099

	31 Mar 2012	31 Mar 2011
<b>Deferred tax assets</b>	23,807	26,362
- located in a country in which the Issuer has an office	4,029	4,344
- located in another country, including:	19,778	22,018
- the Czech Republic	2,589	4,013
- Switzerland	17,189	18,005

**Disclosures of information concerning the entity**

The NG2 S.A. Capital 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. Capital Group does not disclose individually any information about the revenue from the sale of products and services to external customers.

In the statements, the NG2 S.A. Capital Group presents information about revenues received from external customers by geographic area, as well as information about fixed assets other than financial instruments, and deferred tax assets by geographic area.

The NG2 S.A. Capital 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 account for ten per cent of the revenue of the NG2 S.A. Capital Group.

**7. Explanatory notes to the interim consolidated statement of financial position and the interim consolidated statement of comprehensive income.**

Provisions	Provisions for warranty repairs	Provisions for employee benefits	Total
	PLN'000	PLN'000	PLN'000
<b>As on 1 January 2011</b>	3,328	1,482	4,810
Changes due to currency exchange differences	6		6
Establishment of provisions	-	-	-
Liquidation of the provisions	61		61
Utilisation of the provisions	-	-	-
<b>As on 31 March 2011</b>	3,273	1,482	4,755
Provisions up to 1 year	3,074	-	3074
Provisions for more than 1 year	199	1,482	1,681

Provisions	Provisions for warranty repairs	Provisions for employee benefits	Total
	PLN'000	PLN'000	PLN'000
<b>As on 1 January 2012</b>	2,486	1,441	3,927
Changes due to currency exchange differences	(3)		(3)
Establishment of provisions	-	-	-
Liquidation of the provisions	75	-	75
Utilisation of the provisions	-	-	-
<b>As on 31 March 2012</b>	2,408	1,441	3,849
Provisions up to 1 year	2,240		2,240
Provisions for more than 1 year	168	1,441	1,609

Deferred tax liability	31 Mar 2012	31 Mar 2011
Accelerated tax depreciation	684	594
Computed interest	92	27
<b>Total</b>	776	621

<b>Deferred tax asset</b>	31 Mar 2012	31 Mar 2011
Costs after the balance sheet date	418	518
Provisions for liabilities	1,440	1,482
Depreciation of assets	879	783
Adjustment of margin on inventory	1,882	2,432
Tax losses	2,756	3,746
Valuation of trade marks	17,189	18,005
Other	19	17
<b>Total</b>	<b>24,583</b>	<b>26,983</b>

<b>Changes in write-downs on short-term receivables</b>	31 Mar 2012	31 Mar 2011
As at the beginning of the period	559	1,294
a) increase	-	1
b) decrease	3	41
<b>As at the end of the period</b>	<b>556</b>	<b>1,254</b>

<b>Changes in write-downs on inventory</b>	31 Mar 2012	31 Mar 2011
As at the beginning of the period	729	3,843
a) increase	-	-
b) decrease	486	3,547
<b>As at the end of the period</b>	<b>243</b>	<b>296</b>

**8. Explanatory notes to the interim consolidated statement of financial position and the interim consolidated statement of comprehensive income.**

<b>Provisions</b>	<b>Provisions for warranty repairs</b>	<b>Provisions for employee benefits</b>	<b>Total</b>
	<b>PLN'000</b>	<b>PLN'000</b>	<b>PLN'000</b>
<b>As on 1 January 2011</b>	2,890	1,482	4,372
Establishment of provisions	-	-	-
Liquidation of the provisions	-	-	-
Utilisation of the provisions	-	-	-
<b>As on 31 March 2011</b>	<b>2,890</b>	<b>1,482</b>	<b>4,372</b>
Provisions up to 1 year	2,890	-	2,890
Provisions for more than 1 year	-	1,482	1,482

Provisions	Provisions for warranty repairs	Provisions for employee benefits	Total
	PLN'000	PLN'000	PLN'000
<b>As on 1 January 2012</b>	2,015	1,441	3,456
Establishment of provisions	-	-	-
Liquidation of the provisions	-	-	-
Utilisation of the provisions	-	-	-
<b>As on 31 March 2012</b>	2,015	1,441	3,456
Provisions up to 1 year	2,015	-	2,015
Provisions for more than 1 year	-	1,441	1,441

Deferred tax liability	31 Mar 2012	31 Mar 2011
Accelerated tax depreciation	220	241
Computed interest	92	27
<b>Total</b>	312	268

Deferred tax asset	31 Mar 2012	31 Mar 2011
Costs after the balance sheet date	418	518
Provisions for liabilities	1,194	1,371
Depreciation of assets	872	714
Other	19	17
<b>Total</b>	2,503	2,620

Changes in write-downs on short-term receivables	31 Mar 2012	31 Mar 2011
As at the beginning of the period	546	878
a) increase	-	1
b) decrease	3	32
<b>As at the end of the period</b>	543	847

Changes in write-downs on inventory	31 Mar 2012	31 Mar 2011
As at the beginning of the period	706	3,819
a) increase	-	-
b) decrease	484	3,547
<b>As at the end of the period</b>	222	272

**9. Detailed description of the Issuer's achievements or failures during the period which the report concerns, together with a summary of the most important events associated with them.**

In the first quarter of 2012, the NG2 Capital Group recorded:

- increased revenue from sales of 38.8 per cent compared to Q1 2011,
- net result increase to PLN 2,678,000 compared to a loss of PLN 6,234,000 in Q1 2011,
- reinforcement of the Company's image and further growth of the chain of CCC, QUAZI, BOTI retail salons.

As on 31 March 2012, the NG2 S.A. Capital Group's sales network comprised 705 locations, which included:

- 301 CCC retail salons in Poland (274 salons as on 31 March 2011),
- 36 QUAZI boutiques (48 boutiques as on 31 March 2011),
- 198 own BOTI stores (220 stores as on 31 March 2011),
- 54 CCC retail salons in the Czech Republic (45 salons as on 31 March 2011),
- 1 CCC retail salon in Slovakia,
- 115 franchise stores – including 60 BOTI stores, 49 CCC stores in Poland, 5 CCC stores in Russia and 1 CCC salon in Latvia (120 stores, including 68 BOTI stores as on 31 March 2011).

The retail space in own stores increased by 9.44 per cent, reaching 154,200 sq. m as on 31 March 2012 (Poland: 136,400 sq. m) compared to 140,900 sq. m as on 31 March 2011 (Poland: 126,600 sq. m).

The retail space in franchise stores increased by 8.06 per cent, reaching 22,800 sq. m as on 31 March 2012 (Poland: 20,400 sq. m) compared to 21,100 sq. m as on 31 March 2011 (Poland: 20,700 sq. m).

#### **10. Description of the factors and circumstances, including non-typical factors and circumstances, which materially affect the financial results.**

In the period covered by this report there were no non-typical occurrences that would materially affect the financial results.

#### **11. Information about the nature and scope of all material limitations of capacity of the subsidiaries to forward funds to the dominant entity in the form of cash dividends or to repay loans and bank loans.**

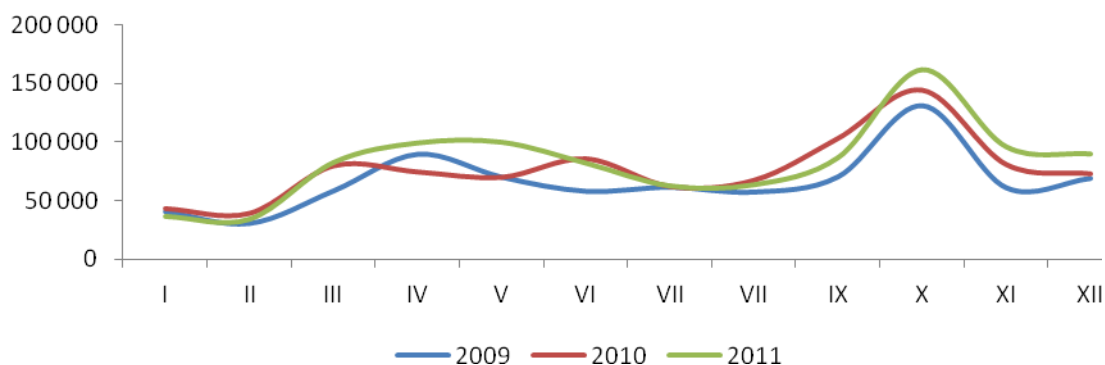
To the knowledge of the Management Board of the dominant entity, there are no material limitations of capacity of the subsidiaries to forward funds to the dominant entity.

#### **12. Explanations concerning seasonality and cyclicity of the Issuer's activities during the period being presented.**

In the case of the NG2 Group companies, we are dealing with seasonal sales. The seasonality of the NG2 Group's sales is significant, not unlike that of the entire clothing and footwear industry. There are two primary high sales periods: the second and fourth quarter. Furthermore, throughout the year, sales are tied closely to weather conditions. Weather can disrupt such seasonality pattern, by accelerating or postponing the periods of lower or higher sales, respectively.

Seasonal fluctuations for the past three years are presented in the diagram below.

**Revenue from sales in the retail operations of the NG2 S.A. Group in the years 2009-2011 [PLN'000]**



#### **13. Information concerning the issue, purchase and repayment of non-equity securities.**

The above occurrences did not take place in the reporting period in question.

#### 14. Information concerning the total dividend disbursed (or planned) per share.

The above occurrences did not take place in the reporting period in question.

#### 15. Description of events which occurred after the day on which the financial statements were prepared, not included in these statements but which might significantly affect the Issuer's future financial results.

Not applicable.

#### 16. Information concerning changes in contingent liabilities or contingent assets which occurred since the end of the last financial year.

The changes in the contingent liabilities and assets are described in the following table.

	31 Mar 2012	31 Mar 2011	change 2012/2011 (value- wise)
1) guarantees and sureties received	33,800	33,800	-
<b>Total contingent assets</b>	<b>33,800</b>	<b>33,800</b>	<b>-</b>
1) customs bonds	8,500	8,500	-
2) other forms of security	49,963	52,699	(2,736)
3) security extended	7,000	7,000	-
<b>Total contingent liabilities</b>	<b>65,463</b>	<b>68,199</b>	<b>(2,736)</b>

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 2012.

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 and the liquidity ratio on the level set out in the agreement. Failure to fulfil the above condition does not bear loan maturity consequences but solely authorises the Bank to increase the margin. The dominant entity did not meet this requirement in the reporting period. As on the balance sheet date, the dominant entity was utilising the overdraft facility extended to it by BRE Bank SA in the amount of PLN 54,916,000, and had used up an investment loan of PLN 28,500,000.

#### 17. Information concerning the average exchange rates for PLN during the period covered by the financial statements and comparative financial data with respect to EUR, announced by the National Bank of Poland.

Financial period	Average exchange rate during the period	Minimum exchange rate during the period	Maximum exchange rate during the period	Exchange rate on the last day of the period
1 Jan – 31 Mar 2012	4.1750	4.1062	4.5135	4.1616
1 Jan – 31 Mar 2011	3.9742	3.8403	4.0800	4.0119

The financial data was converted to EUR in accordance with the following rules:

- each asset and liability: according to the average exchange rate announced by the National Bank of Poland on 31 March 2012: 1 EUR= 4.1616, on 31 March 2011: 1 EUR= 4.0119.
- each item in the statement of comprehensive income and cash flow statement: according to rates which constitute the arithmetic mean of the average exchange rates announced by the National Bank of Poland on the last day of each completed month in the following reporting periods: 1 January 2012 – 31 March 2012 and 1 January 2011 – 31 March 2011, respectively: 1EUR = 4.1750 and 1 EUR = 3.9742.

#### 18. Results of changes in the structure of the business entity, including results of business combinations, acquisitions or sales of entities in the Issuer's Capital Group, long-term investments, demergers, restructurings and discontinued operations.

Not applicable.

**19. The Management Board's view on the ability to deliver on the previously published result projections for the year, in the light of the results presented in the quarterly report, compared to the projected results.**

No 2012 projections were published.

**20. Shareholders holding, whether directly or indirectly through subsidiaries, at least 5 per cent of the overall number of votes at the Issuer's General Meeting as on the date of submitting the quarterly report.**

Shareholder	number of shares carrying voting rights (quantity)	percentage share in the share capital	number of votes at the General Meeting (quantity)	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
PKO TFI	2,350,500	6.12	2,350,500	5.22
Aviva OFE	2,305,389	6.00	2,305,389	5.12

As on the date of preparing the Q1 2012 statements, the Company did not have any information about any other shareholders holding at least 5 per cent of the votes at the General Meeting of Shareholders.

**21. Breakdown of the holding of the issuer's shares or rights thereto by members of the Issuer's management and supervisory boards as on the date of submission of the quarterly report, stating any changes in ownership since the submission of the previous quarterly report, individually for each person.**

To the Issuer's best knowledge, the holding of shares by members of its management and supervisory boards is as follows:

Position/function name and surname*	Shares held as on the date of submitting the report Q Sr – I/2012	Shares held as on the date of submitting the report Q Sr – IV/2011
Management Board President - Dariusz Miłek*	4,750,000	4,750,000
Vice-President of the Management Board - Mariusz Gnych	120,000	120,000

\*Mr. Dariusz Miłek is also the dominant entity at Luxprofi S.a.r.l., which, as on the date of submitting the report Q Sr-I/2012, held 10,610,000 shares in NG2 S.A.

**22. Proceedings pending before a court, an authority competent to conduct arbitration proceedings or a public administration body.**

The companies of the NG2 S.A. Capital Group are not a party to any court proceedings in which the value of the subjects of dispute would exceed 10 per cent of the Group's own funds.

**23. Information on conclusion by the Issuer or its subsidiary of one or more related party transactions, if they are individually or jointly material and were concluded on non-market terms.**

Not applicable.

**24. Information on total loan sureties or warranties granted by the Issuer or its subsidiary to a single entity or that entity's subsidiary, if the total value of the existing sureties or guarantees constitutes an equivalent of at least 10 per cent of the Issuer's own funds.**

Not applicable.

**25. Information that, in the Issuer's view, is critical for the assessment of the staffing, asset, and financial situation, the financial result and any changes thereto, as well as information that is critical for the assessment of the Issuer's ability to discharge its liabilities.**

The financial statements contain fundamental information important for the assessment of the position of the NG2 Capital Group. The Management Board believes that there are currently no threats to the Group's ability to discharge its liabilities.

**26. Factors that, in the Issuer's view, will affect its results within a time span of at least the next quarter.**

In the Issuer's view, the major factors that will affect its performance in the near future are:

- 1) the volume of sales completed and margins generated,
- 2) continued expansion of NG2's sales network,
- 3) weather conditions,
- 4) currency exchange rates.

The abbreviated interim consolidated financial statements of the NG2 S.A. Capital Group were approved for publication by the Management Board of the Dominant Entity on 10 May 2012 and signed on behalf of the Management Board by:

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

*Polkowice, 10 May 2012*