



NG2 S.A. CAPITAL GROUP  
CONSOLIDATED INTERIM REPORT  
FOR THE FOURTH QUARTER OF 2011

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## SELECTED CONSOLIDATED FINANCIAL INFORMATION

	in thousands PLN		in thousands EUR	
	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Jan 2010 to 31 Dec 2010	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Jan 2010 to 31 Dec 2010
I. Net revenue from the sale of products, goods and materials	1 092 460	1 028 559	263 873	256 857
II. Profit on operating activity	160 534	129 119	38 775	32 244
III. Gross profits	152 933	122 609	36 939	30 619
IV. Net profit	123 689	117 856	29 876	29 432
V. Net operating cash flow	(10 904)	89 202	(2 634)	22 276
VI. Net investment cash flow	(98 312)	(51 580)	(23 746)	(12 881)
VII. Net financial cash flow	61 145	(15 452)	14 769	(3 859)
VIII. Total net cash flow	(48 071)	22 170	(11 611)	5 536
IX. Earnings per share (PLN/EUR)	3,22	3,07	0,78	0,77
X. Diluted earnings per share (PLN/EUR)	3,22	3,07	0,78	0,77
	in thousands PLN		in thousands EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
XI. Total assets	968 697	678 222	219 321	171 255
XII. Liabilities and provisions for liabilities	472 699	255 374	107 023	64 483
XIII. Long-term liabilities	208 708	105 117	47 253	26 543
XIV. Short-term liabilities	263 991	150 257	59 770	37 941
XV. Shareholders' equity	495 998	422 848	112 298	106 772
XVI. Share capital	3 840	3 840	869	970
XVII. Number of shares (units)	38 400 000	38 400 000	38 400 000	38 400 000
XVIII. Book value per share (PLN/EUR)	12,92	11,01	2,93	2,78
XIX. Diluted book value per share (PLN/EUR)	12,92	11,01	2,93	2,78
XX. Declared or disbursed dividend per share (PLN/EUR)	1,50	1,00	0,34	0,25

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 December 2011: 1 EUR= 4.4168, on 31 December 2010: 1 EUR= 3.9603.
- each item in the global income statement 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 2011 – 31 December 2011 and 1 January 2010 – 31 December 2010, respectively: 1 EUR =4.1401 and 1 EUR = 4.0044.

## ABBREVIATED INTERIM CONSOLIDATED GLOBAL INCOME STATEMENT

	period from 1 Oct 2011 to 31 Dec 2011	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Oct 2010 to 31 Dec 2010	period from 1 Jan 2010 to 31 Dec 2010
Revenue from sale	365 615	1 092 460	320 378	1 028 559
Manufacturing cost of products, goods and services sold	(156 292)	(478 213)	(147 548)	(472 127)
<b>Gross earnings from sale</b>	<b>209 323</b>	<b>614 247</b>	<b>172 830</b>	<b>556 432</b>
Other operating revenue	3 681	10 467	1 931	9 955
Cost of sale	(119 400)	(428 522)	(112 405)	(406 234)
Cost of general management and administration	(5 314)	(18 399)	(4 488)	(14 744)
Other operating cost	(6 198)	(17 259)	(7 812)	(16 290)
<b>Profit (loss) on operating activity</b>	<b>82 092</b>	<b>160 534</b>	<b>50 056</b>	<b>129 119</b>
Financial revenue	259	658	26	473
Financial costs	(2 456)	(8 259)	(447)	(6 983)
<b>Profit (loss) before tax</b>	<b>79 895</b>	<b>152 933</b>	<b>49 635</b>	<b>122 609</b>
Income tax	(14 988)	(29 244)	(8 580)	(4 753)
<b>Net profit</b>	<b>64 907</b>	<b>123 689</b>	<b>41 055</b>	<b>117 856</b>
<b>Other global income</b>				
Currency exchange differences from converting foreign units	(845)	921	252	(175)
<b>Total global income</b>	<b>64 062</b>	<b>124 610</b>	<b>41 307</b>	<b>117 681</b>
<b>Earnings (loss) per share</b>				
basic and diluted	1,69 PLN	3,22 PLN	1.08 PLN	3.07 PLN

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

## ABBREVIATED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL STANDING

	as on 31 Dec 2011	as on 31 Dec 2010
<b>Non-current assets</b>		
Other intangible assets	705	882
Tangible fixed assets	336 630	240 894
Long-term receivables	55	114
Deferred tax assets	24 744	28 069
<b>Total tangible assets</b>	<b>362 134</b>	<b>269 959</b>
<b>Current assets</b>		
Inventory	480 980	252 446
Trade receivables and other receivables	90 589	72 752
Cash and cash equivalents	34 994	83 065
<b>Total current assets</b>	<b>606 563</b>	<b>408 263</b>
<b>Total assets</b>	<b>968 697</b>	<b>678 222</b>
<b>Shareholders' equity</b>		
Share capital	3 840	3 840
Reserve capital from the sale of shares above their nominal value	74 586	74 586
Currency exchange on consolidation	604	(317)
Other capitals	9 341	3 358
Retained earnings	407 627	341 381
<b>Total shareholders' equity</b>	<b>495 998</b>	<b>422 848</b>
<b>Long-term liabilities</b>		
Long-term loans and bank loans	206 800	103 245
Trade liabilities and other liabilities	84	86
Long-term provisions	1 783	1 675
Long-term liabilities under financial leasing	41	111
<b>Total long-term liabilities</b>	<b>208 708</b>	<b>105 117</b>
<b>Short-term liabilities</b>		
Trade liabilities and other liabilities	148 685	86 770
Income tax liabilities	9 347	5 833
Short-term liabilities under financial leasing	29	136
Short-term loans and bank loans	72 019	46 006
Short-term provisions	1 758	3 135
Subsidies received	32 153	8 377
<b>Total short-term liabilities</b>	<b>263 991</b>	<b>150 257</b>
<b>Total liabilities</b>	<b>968 697</b>	<b>678 222</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 2011</b>	<b>3 840</b>	<b>74 586</b>	<b>3 358</b>	<b>341 381</b>	<b>(317)</b>	<b>422 848</b>
Results for the year				123 689		123 689
Currency exchange differences on conversion					921	921
<b>Total global income</b>	<b>-</b>			<b>123 689</b>	<b>921</b>	<b>124 610</b>
Dividend disbursement				(57 600)		(57 600)
Employee stock option plan - value of the benefit			5 983			5 983
Other adjustments				157		157
<b>As on 31 December 2011</b>	<b>3 840</b>	<b>74 586</b>	<b>9 341</b>	<b>407 627</b>	<b>604</b>	<b>495 998</b>

	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 2010</b>	<b>3 840</b>	<b>74 586</b>	<b>-</b>	<b>261 925</b>	<b>(142)</b>	<b>340 209</b>
Results for the year				117 856		117 856
Currency exchange differences on conversion					(175)	(175)
<b>Total global income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>117 856</b>	<b>(175)</b>	<b>117 681</b>
Dividend disbursement				(38 400)		(38 400)
Employee stock option plan - value of the benefit			3 358			3 358
<b>As on 31 December 2010</b>	<b>3 840</b>	<b>74 586</b>	<b>3 358</b>	<b>341 381</b>	<b>(317)</b>	<b>422 848</b>

## ABBREVIATED INTERIM CONSOLIDATED CASH FLOW STATEMENT

	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Jan 2010 to 31 Dec 2010
Gross profit (loss):	152 933	122 609
Adjustments:	(163 837)	(33 407)
Depreciation	24 242	22 166
Interest and share in profits (dividends)	(586)	(680)
Currency exchange profit (loss)	921	(427)
Profit (loss) on investment activity	4 146	1 535
Cost of interest	7 390	4 979
Changes in provisions	(1 269)	2 145
Changes in inventory	(228 534)	(9 753)
Changes in receivables	(17 777)	(36 016)
Changes in short-term liabilities, other than loans and borrowings	63 923	5 204
Changes in prepayments and accruals	-	952
Income tax paid	(22 277)	(26 870)
Other adjustments	5 984	3 358
<b>Net operating cash flow</b>	<b>(10 904)</b>	<b>89 202</b>
<b>Investment cash flow</b>		
Interest received	586	680
Subsidies received	23 775	8 377
Proceeds from loans to third parties	-	10 000
Costs of loans to third parties	-	(10 000)
Purchase of intangible assets	(67)	(51)
Purchase of tangible assets	(122 606)	(60 586)
<b>Net investment cash flow</b>	<b>(98 312)</b>	<b>(51 580)</b>
<b>Financial cash flow</b>		
Proceeds from incurring loans	133 647	69 419
Repayment of loans and borrowings	(4 079)	(40 170)
Dividends and other disbursements to owners	(57 600)	(38 400)
Payment of liabilities under financial leasing agreements	(177)	(69)
Interest paid	(10 646)	(6 232)
<b>Net financial cash flow</b>	<b>61 145</b>	<b>(15 452)</b>
<b>Total cash flow</b>	<b>(48 071)</b>	<b>22 170</b>
Net increase (decrease) in cash and cash equivalents	(48 071)	22 170
Cash and cash equivalents at the beginning of the period	83 065	60 895
<b>Cash and cash equivalents at the end of the period</b>	<b>34 994</b>	<b>83 065</b>

## SELECTED INDIVIDUAL FINANCIAL INFORMATION

	in thousands PLN		in thousands EUR	
	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Jan 2010 to 31 Dec 2010	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Jan 2010 to 31 Dec 2010
I. Net revenue from the sale of products, goods and materials	1 039 651	998 665	251 117	249 392
II. Profit on operating activity	120 715	114 339	29 158	28 553
III. Gross profits	110 743	107 614	26 749	26 874
IV. Net profit	87 640	85 892	21 169	21 449
V. Net operating cash flow	(28 889)	90 960	(6 978)	22 715
VI. Net investment cash flow	(100 062)	(54 622)	(24 169)	(13 640)
VII. Net financial cash flow	86 916	(18 119)	20 994	(4 525)
VIII. Total net cash flow	(42 035)	18 219	(10 153)	4 550
IX. Earnings per share (PLN/EUR)	2,28	2,24	0,55	0,56
X. Diluted earnings per share (PLN/EUR)	2,28	2,24	0,55	0,56
	in thousands PLN		in thousands EUR	
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
XI. Total assets	921 822	639 381	208 708	161 448
XII. Liabilities and provisions for liabilities	549 143	302 881	124 331	76 479
XIII. Long-term liabilities	208 281	104 774	47 157	26 456
XIV. Short-term liabilities	340 862	198 107	77 174	50 023
XV. Shareholders' equity	372 679	336 500	84 378	84 968
XVI. Share capital	3 840	3 840	869	970
XVII. Number of shares (units)	38 400 000	38 400 000	38 400 000	38 400 000
XVIII. Book value per share (PLN/EUR)	9,71	8,76	2,20	2,21
XIX. Diluted book value per share (PLN/EUR)	9,71	8,76	2,20	2,21
XX. Declared or disbursed dividend per share (PLN/EUR)	1,50	1,00	0,34	0,25

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 December 2011: 1 EUR= 4.4168, on 31 December 2010: 1 EUR= 3.9603.
- each item in the global income statement 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 2011 – 31 December 2011 and 1 January 2010 – 31 December 2010, respectively: 1 EUR =4.1401 and 1 EUR = 4.0044.

**ABBREVIATED INTERIM GLOBAL INCOME STATEMENT**

	period from 1 Oct 2011 to 31 Dec 2011	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Oct 2010 to 31 Dec 2010	period from 1 Jan 2010 to 31 Dec 2010
Revenue from sale	344 780	1 039 651	307 646	998 665
Manufacturing cost of products, goods and services sold	(154 727)	(495 547)	(152 280)	(488 864)
<b>Gross earnings from sale</b>	<b>190 053</b>	<b>544 104</b>	<b>155 366</b>	<b>509 801</b>
Other operating revenue	3 627	10 271	1 967	9 908
Cost of sale	(115 525)	(410 622)	(109 553)	(388 205)
Cost of general management and administration	(2 279)	(8 139)	(1 821)	(5 697)
Other operating cost	(5 429)	(14 899)	(7 016)	(11 468)
<b>Profit (loss) on operating activity</b>	<b>70 447</b>	<b>120 715</b>	<b>38 943</b>	<b>114 339</b>
Financial revenue	625	795	77	421
Financial costs	(4 148)	(10 767)	(703)	(7 146)
<b>Profit (loss) before tax</b>	<b>66 924</b>	<b>110 743</b>	<b>38 317</b>	<b>107 614</b>
Income tax	(12 957)	(23 103)	(7 508)	(21 722)
<b>Net profit</b>	<b>53 967</b>	<b>87 640</b>	<b>30 809</b>	<b>85 892</b>
Other global income	-	-	-	-
<b>Total global income</b>	<b>53 967</b>	<b>87 640</b>	<b>30 809</b>	<b>85 892</b>
<b>Earnings (loss) per share</b> basic and diluted	1,40 PLN	2,28 PLN	0.80 PLN	2.24 PLN

## ABBREVIATED INTERIM STATEMENT OF FINANCIAL STANDING

	as on 31 Dec 2011	as on 31 Dec 2010
<b>Non-current assets</b>		
Other intangible assets	355	506
Tangible fixed assets	281 678	186 689
Long-term investments	55 255	49 762
Long-term receivables	55	114
Deferred tax assets	2 828	3 989
<b>Total tangible assets</b>	<b>340 171</b>	<b>241 060</b>
<b>Current assets</b>		
Inventory	458 830	237 455
Trade receivables and other receivables	93 613	89 623
Cash and cash equivalents	29 208	71 243
<b>Total current assets</b>	<b>581 651</b>	<b>398 321</b>
<b>Total assets</b>	<b>921 822</b>	<b>639 381</b>
<b>Shareholders' equity</b>		
Share capital	3 840	3 840
Reserve capital from the sale of shares above their nominal value	74 586	74 586
Other capitals	9 341	3 358
Retained earnings	284 912	254 716
<b>Total shareholders' equity</b>	<b>372 679</b>	<b>336 500</b>
<b>Long-term liabilities</b>		
Long-term loans and bank loans	206 800	103 245
Long-term provisions	1 441	1 482
Long-term liabilities under financial leasing	40	47
<b>Total long-term liabilities</b>	<b>208 281</b>	<b>104 774</b>
<b>Short-term liabilities</b>		
Trade liabilities and other liabilities	203 942	140 086
Income tax liabilities	8 018	3 431
Short-term liabilities under financial leasing	6	62
Short-term loans and bank loans	95 285	43 261
Short-term provisions	1 458	2 890
Subsidies received	32 153	8 377
<b>Total short-term liabilities</b>	<b>340 862</b>	<b>198 107</b>
<b>Total liabilities</b>	<b>921 822</b>	<b>639 381</b>

**ABBREVIATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	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>	<b>3 840</b>	<b>74 586</b>	<b>3 358</b>	<b>254 716</b>	<b>336 500</b>
Results for the year				87 640	<b>87 640</b>
<b>Total global income</b>				<b>87 640</b>	<b>87 640</b>
Dividend disbursement				(57 600)	<b>(57 600)</b>
Employee stock option plan - value of the benefit			5 983		<b>5 983</b>
Other adjustments				156	<b>156</b>
<b>As on 31 December 2011</b>	<b>3 840</b>	<b>74 586</b>	<b>9 341</b>	<b>284 912</b>	<b>372 679</b>

	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 2010</b>	<b>3 840</b>	<b>74 586</b>	-	<b>207 224</b>	<b>285 650</b>
Results for the year	-	-	-	85 892	<b>85 892</b>
<b>Total global income</b>	-	-	-	<b>85 892</b>	<b>85 892</b>
Dividend disbursement	-	-	-	(38 400)	<b>(38 400)</b>
Employee stock option plan - value of the benefit	-	-	3 358	-	<b>3 358</b>
<b>As on 31 December 2010</b>	<b>3 840</b>	<b>74 586</b>	<b>3 358</b>	<b>254 716</b>	<b>336 500</b>

## ABBREVIATED INTERIM CASH FLOW STATEMENT

	period from 1 Jan 2011 to 31 Dec 2011	period from 1 Jan 2010 to 31 Dec 2010
Gross profits	110 743	107 614
Adjustments:	(139 632)	(16 654)
Depreciation	20 446	18 453
Interest and share in profits (dividends)	(562)	(627)
Profit (loss) on investment activity	4 124	1 499
Cost of interest	7 744	4 923
Changes in provisions	(1 473)	2 283
Changes in inventory	(221 374)	(3 793)
Changes in receivables	(3 930)	(34 582)
Changes in short-term liabilities, other than loans and borrowings	66 044	17 786
Other adjustments	6 755	4 128
Income tax paid	(17 406)	(26 724)
<b>Net operating cash flow</b>	<b>(28 889)</b>	<b>90 960</b>
<b>Investment cash flow</b>		
Interest received	562	627
Subsidies received	23 775	8 377
Proceeds from the sale of tangible assets	367	50
Purchase of shares in subsidiaries	(6 264)	(6 078)
Purchase of intangible assets	(67)	(50)
Purchase of tangible assets	(118 435)	(57 548)
<b>Net investment cash flow</b>	<b>(100 062)</b>	<b>(54 622)</b>
<b>Financial cash flow</b>		
Proceeds from incurring loans	158 931	66 506
Repayment of loans and borrowings	(3 353)	(39 980)
Dividends and other disbursements to owners	(57 600)	(38 400)
Payment of liabilities under financial leasing agreements	(62)	(68)
Interest paid	(11 000)	(6 177)
<b>Net financial cash flow</b>	<b>86 916</b>	<b>(18 119)</b>
<b>Total cash flow</b>	<b>(42 035)</b>	<b>18 219</b>
Net increase (decrease) in cash and cash equivalents	(42 035)	18 219
Cash and cash equivalents at the beginning of the period	71 243	53 024
<b>Cash and cash equivalents at the end of the period</b>	<b>29 208</b>	<b>71 243</b>

**ADDITIONAL INFORMATION TO THE ABBREVIATED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE FOURTH QUARTER OF 2011**

**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](mailto:ng2@ng2.pl)

**Website:** [www.ng2.pl](http://www.ng2.pl)

**Registration:** District Court for Wrocław-Fabryczna in Wrocław, 9<sup>th</sup> 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.

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

As on 31 December 2011, 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 December 2011**

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 period of four quarters of 2011 started on 1 January 2011 and ended on 31 December 2011.

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 2010 to 31 December 2010.

## **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 US 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 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. Group of 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 2010.

## **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, 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 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 of companies 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.

period from 1 Jan 2011 to 31 Dec 2011	Retail business	Franchise and other business	Unassigned items	Total
Revenue from sale	994 381	98 079		1 092 460
- obtained in Poland	902 535	96 788		999 323
- obtained outside of Poland	91 846	1 291		93 137
Prime cost of sale	(408 274)	(69 939)		(478 213)
<b>Gross earnings from sale</b>	586 107	28 140		614 247
Cost of sales and management	(440 602)	(6 651)	332	(446 921)
Balance of other earnings and operating costs	(5 426)	(1 366)		(6 792)
<b>Operating profit</b>	140 079	20 123	332	160 534
Balance of earnings and financial costs	(7 166)	(435)		(7 601)
<b>Profit before tax</b>	132 913	19 688	332	152 933
Income tax			(29 244)	(29 244)
<b>Net profit</b>				123 689
<b>Net profit disclosed in the consolidated statement of global income</b>				<b>123 689</b>
Assets	638 457	134 011	196 229	968 697
Tangible assets under IFRS 8	296 957	40 378		337 335
- in Poland	278 340	40 110		318 450
- outside of Poland	18 617	268		18 885
Earnings from interest			178	178
Cost of interest	(6 566)	(816)	(8)	(7 390)
Depreciation	(15 997)	(2 215)	(6 030)	(24 242)

period from 1 Jan 2010 to 31 Dec 2010	Retail business	Franchise and other business	Unassigned items	Total
Revenue from sale	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)
<b>Gross earnings from sale</b>	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)
<b>Operating profit</b>	101 988	26 545	586	129 119
Balance of earnings and financial costs	(5 145)	(1 365)		(6 510)
<b>Profit before tax</b>	96 843	25 180	586	122 609
Income tax	-	-	(4 753)	(4 753)
<b>Net profit</b>				117 856
<b>Net profit disclosed in the consolidated statement of global income</b>				<b>117 856</b>
Assets	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)

**Disclosures of information concerning the entity.** 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.

In the statements, the NG2 S.A. 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. 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.

from 1 Jan 2011 to 31 Dec 2011	Poland	Czech Republic	Switzerland	TOTAL
Earnings from sale	999 323	91 846	1 291	1 092 460
Tangible assets other than financial instruments	318 450	18 617	268	337 335
Deferred tax assets	4 801	2 550	17 393	24 744

from 1 Jan 2010 to 31 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

**7. Explanatory notes to the interim consolidated statement of financial standing and the interim consolidated global income statement.**

Provisions	Provisions for warranty repairs	Provisions for employee benefits	Total
	PLN'000	PLN'000	PLN'000
<b>As on 1 January 2010</b>	<b>1 764</b>	<b>901</b>	<b>2 665</b>
Establishment of provisions	2 224	799	3 023
Liquidation of the provisions	457	218	675
Utilisation of the provisions	203	-	203
<b>As on 31 December 2010</b>	<b>3 328</b>	<b>1 482</b>	<b>4 810</b>
Provisions up to 1 year	3 135	-	3 135
Provisions for more than 1 year	193	1 482	1 675

Provisions	Provisions for warranty repairs	Provisions for employee benefits	Total
	PLN'000	PLN'000	PLN'000
<b>As on 1 January 2011</b>	<b>3 328</b>	<b>1 482</b>	<b>4 810</b>
Changes due to currency exchange differences	16		16
Establishment of provisions	971	8	979
Liquidation of the provisions	2 215	49	2 264
Utilisation of the provisions			
<b>As on 31 December 2011</b>	<b>2 100</b>	<b>1 441</b>	<b>3 541</b>
Provisions up to 1 year	1 758		1 758
Provisions for more than 1 year	342	1 441	1 783

Deferred tax provisions	31.12.2011	31.12.2010
Accelerated tax depreciation	692	303
Computed interest	21	7
<b>Total</b>	<b>713</b>	<b>310</b>

Deferred tax assets	31.12.2011	31.12.2010
Costs after the balance sheet date	1 149	1 931
Provisions for liabilities	1 372	1 684
Depreciation of assets	814	759
Adjustment of margin on inventory	1 906	2 331
Tax losses	2 805	3 452
Valuation of trade marks	17 393	18 209
Other	18	13
<b>Total</b>	<b>25 457</b>	<b>28 379</b>

Changes in write-downs on short-term receivables	31.12.2011	31.12.2010
As at the beginning of the period	1 294	1 978
a) increase	14	238
b) decrease	749	922
<b>As at the end of the period</b>	<b>559</b>	<b>1 294</b>

Changes in write-downs on inventory	31.12.2011	31.12.2010
As at the beginning of the period	3 843	530
a) increase	0	3 400
b) decrease	3 347	87
<b>As at the end of the period</b>	<b>496</b>	<b>3 843</b>

**8. Explanatory notes to the abbreviated interim statement on financial standing and the abbreviated interim global income statement.**

Provisions	Provisions for warranty repairs	Provisions for employee benefits	Total
	PLN'000	PLN'000	PLN'000
<b>As on 1 January 2010</b>	<b>1 406</b>	<b>683</b>	<b>2 089</b>
Establishment of provisions	1 941	799	2 740
Liquidation of the provisions	457	-	457
Utilisation of the provisions	-	-	-
<b>As on 31 December 2010</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 2011</b>	<b>2 890</b>	<b>1 482</b>	<b>4 372</b>
Establishment of provisions	500	8	508
Liquidation of the provisions	1 932	49	1 981
Utilisation of the provisions	-	-	-
<b>As on 31 December 2011</b>	<b>1 458</b>	<b>1 441</b>	<b>2 899</b>
Provisions up to 1 year	1 458	-	1 458
Provisions for more than 1 year	-	1 441	1 441

Deferred tax provisions	31.12.2011	31.12.2010
Accelerated tax depreciation	220	242
Computed interest	21	7
<b>Total</b>	<b>241</b>	<b>249</b>

Deferred tax assets	31.12.2011	31.12.2010
Costs after the balance sheet date	937	1 931
Provisions for liabilities	1 307	1 604
Depreciation of assets	807	690
Other	18	13
<b>Total</b>	<b>3 069</b>	<b>4 238</b>

Changes in write-downs on short-term receivables	31.12.2011	31.12.2010
As at the beginning of the period	878	1 427
a) increase	1	238
b) decrease	333	787
<b>As at the end of the period</b>	<b>546</b>	<b>878</b>

Changes in write-downs on inventory	31.12.2011	31.12.2010
As at the beginning of the period	3 819	496
a) increase	-	3 400
b) decrease	3 347	77
<b>As at the end of the period</b>	<b>472</b>	<b>3 819</b>

**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 fourth quarter of 2011 the NG2 Group recorded:

- a growth of revenues from sales by 14.1 per cent with respect to the fourth quarter of 2010 (cumulative growth of revenues from sale by 6.2 per cent with respect to an analogical period of 2010)
- a growth of the net result by 58.1 per cent with respect to the fourth quarter of 2010 (cumulative growth of the net profit by 4.9 per cent with respect to an analogical period of 2010)
- a reinforcement of the Company's image and further growth of the chain of CCC, QUAZI, BOTI retail salons.

As on 31 December 2011, the NG2 S.A. Group's sales network comprised 714 locations, which included:

- 293 CCC retail salons in Poland (273 salons as on 31 December 2010),
- 37 QUAZI boutiques (49 boutiques as on 31 December 2010),
- 216 own BOTI stores (213 stores as on 31 December 2010),
- 52 CCC retail salons in the Czech Republic (45 salons as on 31 December 2010)
- 116 franchise stores – including 62 BOTI stores, 49 CCC stores in Poland and 5 CCC stores in Russia (123 stores, including 62 BOTI stores as on 31 December 2010)

The retail space in its own shops located in Poland increased to 135,100 sq. m (125,000 sq. m as on 31 December 2010), i.e. by 8.08 per cent with respect to a 1.90 per cent drop in the franchise space (from 21,100 sq. m as on 31 December 2010 to 20,700 sq. m as on 31 December 2011).

**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.**

According 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 of 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.

**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.

	31.12.2011	31.12.2010	change 2011/2010 (value-wise)
1) guarantees and sureties received	33 800	34 800	(1 000)
<b>Total contingent assets</b>	<b>33 800</b>	<b>34 800</b>	<b>(1 000)</b>
1) customs bonds	8 500	22 500	(14 000)
2) other forms of security	29 762	30 221	(459)
3) security extended	7 000	7 000	-
<b>Total contingent liabilities</b>	<b>45 262</b>	<b>59 721</b>	<b>(14 459)</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 15 May 2013.

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 conditions does not bear loan maturity consequences but solely authorises the Bank to increase the margin. The Company did not meet this requirement in the reporting period. As on the balance sheet date, the Company was utilising the overdraft facility extended to it by BRE Bank SA in the amount of PLN 33,656,000 and had used up an investment loan of 30,000,000.

**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 to 31 Dec 2011	4,1401	3,8403	4,5642	4,4168
1 Jan to 31 Dec 2010	4,0044	3,8356	4,1770	3,9603

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 December 2011: 1 EUR= 4.4168, on 31 December 2010: 1 EUR= 3.9603.
- each item in the global income statement 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 2011 – 31 December 2011 and 1 January 2010 – 31 December 2010, respectively: 1 EUR =4.1401 and 1 EUR = 4.0044.

**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 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 2011 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 held (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 Milek, 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

Changes in the ownership of major blocks of the Company's shares since the submission of the previous interim report were made by:

- Aviva OFE – the Issuer received information from this shareholder about increasing his interest in the capital to 6.0 per cent, 5.12 per cent in the total number of votes at the general Meeting of Shareholders, about which the Issuer informed in the current report on 21 November 2011 (RB 49/2011)

- PIONEER Investment Management S.A. - the Issuer received information from this shareholder about the disposal of shares in the Company, as a result of which the share in the total number of votes at the General Meeting of Shareholders dropped under 5 per cent, about which the Issuer informed in the current report on 27 November 2011 (RB 50/2011).

As on the date of preparing the Q4 2011 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 – IV/2011	Shares held as on the date of submitting the report for Q Sr – III/2011
Management Board President - Dariusz Milek*	4 750 000	4 750 000
Vice-President of the Management Board - Mariusz Gnych	120 000	120 000

\*Mr. Dariusz Milek is also the dominant entity at Luxprofi S.a.r.l., which, as on the date of submitting the report Q Sr-IV/2011, 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. 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 standing 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) 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 20 February 2011 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, 20 February 2012