NG2

New Gate Group

CONSOLIDATED FINANCIAL STATEMENTS

OF THE NG2 S.A. CAPITAL GROUP

01.01.2008 – 30.06.2008

I. LEGAL STATUS AND ORGANIZATION OF THE NG2 S.A. CAPITAL GROUP

1.1 Information on changes in organizational relations and capital ties of the issuer and its main domestic and international investment projects

Name of the issuer:	NG2 Spółka Akcyjna
Registered seat of the issuer:	Polkowice
Address:	ul. Strefowa 6, 59-101 Polkowice
Telephone:	(0-prefix-76) 845 84 00
Fax:	(0-prefix-76) 845 84 31
E-mail:	ng2@ng2.pl
WWW:	www.ng2.pl
Register:	Regional Court of Wrocław - Fabryczna in Wrocław, IX Commercial Division of the National Court Register
KRS:	0000211692
REGON [statistical number]	390716905
NIP [tax identification number]	692-22-00-609
Objects of the company:	Main object of the issuer is wholesale of clothing and footwear according to the NACE codes (EKD 5142)

According to the resolution adopted by the Meeting of Shareholders of 15 June 2004, the company CCC Sp. z o.o. was transformed into the joint-stock company CCC S.A. That transformation was registered in the National Court Register under the decision of the Regional Court of Wrocław-Fabryczna in Wrocław, IX Commercial Division of the National Court Register, of 30 June 2004. The transformation was accompanied by the issuance of B series shares amounting to PLN 975,000 and C series shares amounting to PLN 200,000, which were subscribed for by the current shareholders. After its increase, the initial capital of CCC S.A. was PLN 3,200,000 and was divided into 3,200,000 shares of a nominal value of PLN 1. On 26 August 2004 the General Meeting of Shareholders amended the Statutes of the Company by changing the nominal value of the shares (a 1-to-10 split) from PLN 1 to PLN 0.10, and changed the rights attached to particular series shares resulting in the creation of:

1.1 6,750,000 A_1 Series Shares (privileged in respect of the right to vote – 2 votes per share);
1.2 13,500,000 A_2 Series Shares (bearer ordinary shares);
1.3 9,750,000 B Series Shares (bearer ordinary shares);
1.4 2,000,000 C Series Shares (bearer ordinary shares).

At the same time, the General Meeting adopted a resolution on increasing the initial capital up to PLN 3,840,000 through a public offering of no more than 6,400,000 D Series Shares and excluding the preemptive rights of the existing shareholders. The public offering of D Series Shares was made in November 2004 and all the shares under the offering were subscribed for. At the same time the existing shareholders transferred 500,000 B Series shares and 1,100,000 C Series shares.
Upon conversion effected on 15 March 2007, the preference attached to the 50,000 A_1 Series Shares was abrogated. After assimilation and after the Management Board of the Securities Commission in Warsaw had adopted its resolution, the shares were admitted to public trading.

On 31 January 2007 the business name of the company CCC S.A. was changed to NG2 S.A.
As at the date of the statements the shareholding of the parent company is as follows:

Fig. 1. Structure of the shareholding by share in the initial capital
[fig.]
Dariusz Miłek
Leszek Gaczorek
other shareholders

Fig. 2. Structure of the shareholding by vote at the General Meeting
[fig.]
Dariusz Miłek
Leszek Gaczorek
other shareholders

Shareholder	Number of shares held	% share in the initial capital	Number of votes at the General Meeting	% share in the votes at the General Meeting
Dariusz Miłek	21,470,330	55.91%	26,220,330	58.14%
Leszek Gaczorek	4,600,000	11.98%	6,350,000	14.08%
ING Towarzystwo Funduszy Inwestycyjnych S.A.	2,471,833	6.44%	2,471,833	5.48%

NG2 S.A. is the parent undertaking which dominates in the NG2 Capital Group. The organizational structure of the NG2 S.A. Capital Group is as follows:

NG2 S.A. Capital Group		
CCC BOTY CZECH s.r.o.	CCC Factory Sp. z o.o.	Continental Trust Fund No. 968

During the first six months of 2007 the parent company purchased a fixed asset (a plane) amounting to PLN 10,728,000. Under relevant agreements the Continental Trust Fund with its registered office in the USA was created. The Fund was entrusted with the management of the fixed asset which constitutes its own property.
NG2 Spółka Akcyjna became the Beneficiary of the Fund acquiring 100% of interest in property entrusted with the Fund. According to relevant agreements, the Beneficiary holds all the rights to dispose of the property of the Fund, which is confirmed by a certificate received by the Company.
According to the knowledge of the Management Board of NG2 S.A. the Fund’s property is not burdened with any obligations.
The Continental Trust Fund does not prepare any financial reports as it is not required by U.S. law. Whereas, the Fund, as a Trustee, shall confirm in writing, any time it is demanded to do so by the Beneficiary, the type of assets under trust fund. The valuation of property shall be made according to the IFRSs.

Table 1. The NG2 Capital Group and related undertakings as at 30.06.2008

Undertakings subsidiary to NG2 S.A.	Share in the equity of the undertaking	Nominal value of shares
CCC Factory Sp. z o.o.	100	PLN 15,036,000
CCC Boty Czech s.r.o.	100	CZK 75,000,000
Continental Trust Fund No. 968	100	USD 10

1.2 Specification of the total number and nominal value of all the shares of the issuer and shares in the units of the issuer's capital group held by managing and supervising persons (separately for each person)

As at the date of submitting the report for the first six months of 2008, the shareholding of the issuer's managing and supervising persons is as follows:

Table 2. Shareholding structure

Title/position/name	Shares held as at the submitting of the report	Nominal value in thousands PLN
President – Dariusz Miłek	21,470,330	2 147
Vice-president – Lech Chudy	220,000	22
Vice-president – Mariusz Gnych	120,000	12

According to the issuer's knowledge, the Chairman and members of the Supervising Board hold no shares in the Company.

1.3 Shareholders holding, directly or through subsidiary undertakings, at least 5% of the total of number of votes at the General Meeting of the issuer and information on the number of shares held by the undertakings, percentage share in the initial capital, number of related votes and percentage share in the general number of votes at the General Meeting

As at the date of publication of the report for the first six months of 2008, the shareholding with at least 5% of votes at the General Meeting is as follows:

Shareholder	Number of shares held	% share in the initial capital	Number of votes at the General Meeting	% share in the votes at the General Meeting
Dariusz Miłek	21,470,330	55.91%	26,220,330	58.14%
Leszek Gaczorek	4,600,000	11.98%	6,350,000	14.08%
ING Towarzystwo Funduszy Inwestycyjnych S.A.	2,471,833	6.44%	2,471,833	5.48%

As at the date of publication of the report for the first six months of 2008, the Company has no knowledge of any other shareholders with at least 5% of votes at the General Meeting.

1.4 Information on any agreements (including those concluded after the balance sheet date), of which the issuer is aware, which may result in changes in the future proportions of shares held by the existing shareholders

According to the issuer's knowledge, as at the date of submitting this report, no agreements exist which could result in changes in the future proportions of shares held by the existing shareholders.

1.5 Holders of any securities which grant special control powers over the issuer, and description of such powers

Table 3. Shareholders with preference shares

Shareholder	Number of shares held	% share in the initial capital	Number of votes at the General Meeting	% share in the votes at the General Meeting
Dariusz Miłek	4,750,000	12.37	9,500,000	21.06
Leszek Gaczorek	1,750,000	4.56	3,500,000	7.76
Terasa Zioła	50,000	0.13	100,000	0.22
Lech Chudy	50,000	0.13	100,000	0.22
Mariusz Gnych	50,000	0.13	100,000	0.22
Renata Miłek	50,000	0.13	100,000	0.22
Total	**6,700,000**	**17.45**	**13,400,000**	**29.71**

1.6 Governing bodies of the parent undertaking

General Meeting
On 3 June 2008 the General Meeting of NG2 S.A. was held during which the annual separate and consolidated financial statements and the Management Board report for the financial year 2007 were approved. The motion of the Management Board was considered and approved which concerned the distribution of profits for the financial year 2007. The members of the Management Board and Supervisory Board were granted an approval of the performance of their duties for 2007.

Supervisory Board
As at the date of submitting these statements, the composition of the Supervisory Board was as follows:
- Henryk Chojnacki - Chairman of the Supervisory Board
- Martyna Kupiecka-Gomułka - Member of the Supervisory Board
- Paweł Tamborski - Member of the Supervisory Board
- Marek Wiza - Member of the Supervisory Board
- Rafał Chwast - Member of the Supervisory Board

On 11 January 2008, under a resolution adopted by the Extraordinary General Meeting of NG2 S.A., Mr Włodzimierz Olszewski was dismissed from his post of Member of the Supervisory Board and Mr Rafał Chwast was appointed (RB 4/2008 of 11.01.2008).

Management Board of the Company
As at the date of submitting the statements, the composition of the Management Board of NG2 S.A. was as follows:
- Dariusz Miłek - President of the Management Board
- Lech Chudy - Vice-president of the Management Board
- Mariusz Gnych - Vice-president of the Management Board

1.7 Changes in the basic rules for managing the issuer's enterprise and capital group

In the reporting period no changes in the basic rules for managing the enterprise and capital group were introduced.

1.8 Changes in the composition of the supervisory and management bodies during the previous financial year, rules for appointing and dismissing managing and supervising persons and granting authority to managing persons

On 8 April 2008 the Supervisory Board of the Company received Ms Teresa Zioła's statement on her resignation from the posts of Member of the Management Board and Vice-president of NG2 S.A., with effect as of 21 April 2008, which was announced in the current report RB 17/2008 of 09.04.2008.

The rules for appointing and dismissing managing persons and their powers are appropriately regulated by the Statutes of the Company.

II. FINANCIAL ANALYSIS PREPARED BY THE MANAGEMENT OF THE NG2 S.A. CAPITAL GROUP

2.1 Information on basic products, goods or services

The business activity of the Companies of the NG2 S.A. Capital Group encompasses the following basic areas:

- retail and wholesale of footwear through own franchise distribution network;
- import of goods from Asia and Europe;
- production of footwear;
- retail and wholesale of accessories and small clothing accessories;
- renting of commercial premises.

The structure of sales of the parent company of the NG2 S.A. Capital Group by value and volume is presented in the following tables

Table 4. Structure of sales of the parent Company of the NG2 S.A. Capital Group

CATEGORY	1st six months of 2008		1st six months of 2007	
	thousands PLN	% share	thousands PLN	% share
Footwear	314,309	95.5	234,733	95.3
Other	14,856	4.5	11,504	4.7
Total	**329,165**	**100.0**	**246,237**	**100.0**

The "Other" item includes, but is not limited to, income from sales of components used in the production of footwear, sales of accessories and small clothing accessories and reinvoiced costs of renting premises.

Table 5. Volume and value of sales of footwear of the parent Company of the NG2 S.A. Capital Group

CATEGORY	1st six months of 2008		1st six months of 2007	
	Volume in thousands pcs.	Value in thousands PLN	Volume in thousands pcs.	Value in thousands PL
Footwear for women	3,773	195,359	2,820.00	144,192
% share	54.6%	62.2	54.0%	61.4%
Footwear for men	1,287	72,964	1,130.00	58,419
% share	18.6%	23.2%	21.6%	24.9%
Footwear for children	1,853	45,986	1,271.00	32,122
% share	26.8%	14.6%	24.4%	13.7%
Total	**6,913**	**314,309**	**5,221**	**234,733**
% share	**100.0**	**100.0**	**100.0**	**100.0**

Footwear for women is dominant in the structure of sales of the parent company of the NG2 S.A. Capital Group which constitutes more than 60% of the value of sales of footwear in the 1st six months of 2008. The NG2 S.A. Capital Group sold almost 7 million pairs of shoes in the reporting period.

2.2 Information on changing outlets and sources of supply of production materials, goods and services

As at 30 June 2008 the retail network of the NG2 Capital Group had 532 sales outlets, i.e.:

- 197 showrooms of the CCC brand (146 showrooms as at 30.06.2007);
- 28 QUAZI boutiques (19 boutiques as at 30.06.2007);
- 108 own BOTI shops (26 shops as at 30.06.2007);
- 19 branded showrooms in the Czech Republic (12 showrooms as at 30.06.2007);
- 180 franchise chain shops, including 80 BOTI shops (126 CCC and 48 BOTI shops as at 30.06.2007);

The sales area in the own facilities located domestically increased up to 80,700 sq.m (56,600 sq.m as at 30.06.2007), i.e. by 42.6%.

Fig. 1 Number of domestic shops shown historically

[*figure*]

stalls	partner shops	own shops	franchise shops

An increase in the number of own sales outlets is currently the main part of the strategy of the NG2 S.A. Capital Group. The BOTI network is growing the fastest. During the 1st six month of 2008, 51 new such shops were set up (42 own and 9 franchise shops). The network of own CCC showrooms increased by 18 outlets, as regards the QUAZI network, it increased by 3 exclusive boutiques.

In the 1st six months of 2008 the share of retail in total sales was 75.8% (69.9% in the 1st six months of 2007). The growth of own showrooms is an important factor which improves the profitability of the business as a result of the higher retail margin gained. As far as the franchise shops are concerned, the issuer gains a lower wholesale margin. The structure of sales of the NG2 S.A. Capital Group was presented in Table 6.

The companies of the NG2 S.A. Capital Group generate the majority of their sales in the domestic market. In the 1st six months of 2008 the value of sales of NG2 S.A. outside the Republic of Poland was PLN 13.3 mln, which corresponds to 4% of the total sales.

Table 6. Structure of sales of the NG2 S.A. Capital Group by distribution channels

CATEGORY	1st six months of 2008		1st six months of 2007	
	thousands PLN	% share	thousands PLN	% share
Retail	257,624	75.8	175,037	69.9
Wholesale	74,636	22.0	68,417	27.4
Other	7,707	2.2	6.834	2.7
Total	**339,967**	**100.0**	**250,288**	**100.0**

During the 1st six months of 2008 the NG2 S.A. Capital Group's sources of supply were domestic suppliers, own factory and import. The supply structure (domestic, import) remains at a constant level. Subject to economic conditions, the parent company is able to quickly change foreign sources of supply. Footwear imported from China comes from a few dozen producers, but the biggest part of supplies is carried out by one undertaking acting as an export and import agency.

Fig 2. Main sources of supply of goods for the parent company NG2 S.A. (values)

Territorial structure of purchases in the 1st six months of 2008
Other domestic suppliers 9%

CCC Factory Sp. z o.o. 23%

Import 68%
[*fig.*]

Territorial structure of purchases in the 1st six months of 2007
Other domestic suppliers 11%

CCC Factory Sp. z o.o. 25%

Import 64%
[*fig.*]

2.3 Description of important risk and threat factors with information on to what extent the issuer is exposed to them

The main objective of the current strategy of the issuer is the dynamic strengthening of its position on the scattered domestic retail market of footwear while maintaining a high profitability level.

For the fulfilment of the tasks and objectives of the NG2 S.A. Capital Group, the following will be of particular importance in 2008:

1. Internal factors:

- Strengthening of own sales network. The NG2 S.A. Capital Group is planning to set up 51 own CCC branded showrooms by the end of 2008. Moreover, the NG2 S.A. Capital Group intends to open 7 QUAZI boutiques with footwear at the upper price level and 101 own shops and 50 franchise shops of the BOTI network.

- Actions aiming at enhancing brand awareness and brand value. Adequate advertising and promotional tools, decor of showrooms, and prestigious locations should contribute to the consistent enhancement and strengthening of the brands of the NG2 S.A. Capital Group.

2. External factors:

- Exchange rates. Since the NG2 S.A. Capital Group denominates all its income in PLN, and most of its cost is borne in foreign currencies, the USD and EUR exchange rates (practically the whole import of the Issuer and a significant percentage of cost connected with the renting of commercial premises are denominated in those currencies) will influence the cost structure, any possible change of sources of supply or recognizing foreign exchange differences in the profit and loss account. Taking into consideration the fact that since the previous year the NG2 S.A. Capital Group's main supply market has been China, the exchange rate of the Chinese currency in relation to the main international currencies is also of vital importance. Its appreciation may worsen import conditions. Part of costs resulting from fluctuations in exchange rates may be devolved to consumers.

- Change in interest rates. The NG2 S.A. Capital Group is exposed to interest rate risk in relation to the concluded credit agreements. Such credits are granted with a floating rate based on the WIBOR index. An increase in interest rates will influence the interest on credits paid by the NG2 S.A. Capital Group.

- General economic situation in Poland. The better part of income of the NG2 S.A. Capital Group is generated in Poland, therefore, the Group considers the purchasing power of domestic consumers and their propensity to consumption essential. Deterioration of the economic situation in the country may negatively influence business results and the financial standing of the issuer.

- Seasonality of production and weather conditions. Sales and the value of stocks are dependent upon the seasonality of demand (the sales peak is in spring and autumn). Changes in weather conditions may result in customers postponing their purchase decisions or shortening the sales peak period. The factor which allows to alleviate the NG2 S.A. Capital Group's vulnerability to seasonal and weather factors is own production capacity. The issuer is able to quickly adjust its production and provide shops with goods meeting expectations and existing weather conditions.

- Location of sales outlets. Improving the market position by dynamic growth of the network of sales outlets may pose a risk of unsuccessful location of a showroom as well as limited number of new and attractive locations.

The Management Board of the NG2 S.A. Capital Group announces that in the reporting period there were no factors and events of unusual nature which materially influenced the issuer's business.

2.4 Investments

In the reporting period, the Companies of the Capital Group incurred expenditure in the purchase of tangible assets amounting to PLN 22,437,000. Significant expenditure included investments in commercial premises, plant and machinery, means of transport. The NG2 S.A. Capital Group financed investments from funds from operating and financial activities.

2.5 Basic economic and financial values

Basic economic and financial values and indices were presented in the tables below.

Table 7. Basic economic and financial values of the NG2 S.A. Capital Group

Value	1st six months of 2008 (thousands PLN)	1st six months of 2007 (thousands PLN)	Change in %
Net income from sales	339,967	250,288	35.83
Gross profit from sales	182,232	127,998	42.37
Operating profit (EBIT)	63,995	42,463	50.71
Gross profit	58,436	34,569	69.04
Net profit	48,811	28,227	72.92
Equity	244,545	173,589	40.88
Liabilities	197,879	130,326	51.83
Long-term liabilities	19,193	2,143	795.61

Short-term liabilities	178,686	128,183	39.40
Fixed assets	151,519	115,433	31.26
Current assets	290,905	188,482	54.34
Stocks	173,592	93,779	85.11
Short-term receivables	107,245	76,463	40.26

During the 1st six months of 2008 the NG2 S.A. Capital Group's income from sales was PLN 339,967,000, i.e. 35.8% higher than in the similar period of the previous year. The retail activity contributed to the increase the most (75.8% of total sales) which increased in the 1st six months of 2008 by 47.2% in relation to the comparable period in 2007. Note that own commercial premises increased by 42.6% in that period.

The balance sheet of the NG2 S.A. Capital Group as at 30.06.2008 on the assets and liabilities side totals at PLN 442,424,000. The balance sheet total increased by 45.6% in relation to the amount as at 30.06.2007.
The increase of the assets side was influenced mainly by the dynamic growth of current assets (54.34%), including stocks (85.11%). The increase of the value of stocks is a result of the growth of the sales network, the retail network, in particular. The sales network growth through expenditure connected with the setting up of sales outlets is also reflected in the increase in the level of fixed assets (31.26% on a year-to-year basis).
The liabilities include such significant items as an increase in liabilities by 51.83% including: short-term liabilities by PLN 50.5 (39.4%), long-term liabilities by PLN 17.0 mln (part of the long-term credit taken out in the previous periods).

Table 8. Profitability indices

Value	1st six months of 2008 (%)	1st six months of 2007 (%)	Change in %
Gross profit margin from sales	53.60	51.14	4.81
Operating profit margin (EBIT margin)	18.82	16.97	10.90
Gross profit margin	17.19	13.81	24.48
Net profit margin	14.36	11.28	27.30
Return on assets	10.98	9.29	18.19
Return on equity	19.80	16.26	21.77

Definitions:

a) **Gross profit margin from sales** – relation between gross profit from sales and income from sales;
b) **Operating profit margin (EBIT margin)** – relation between operating profit and income from sales;
c) **Net profit margin** – relation between net profit and income from sales;
d) **Gross profit margin** – relation between gross profit and income from sales;
e) **Return on assets** – relation between net profit and assets;
f) **Return on equity** – relation between net profit and equity.

An increase in the gross profit margin from sales results mainly from an increase in the retail margin (assessed at the level of the consolidated statements) up to 61.3% against 58.6% in the comparable period in 2007. Higher margins and changes in the structure of distribution channels resulted in an increase in the profitability indices at each level.

Table 9. Liquidity indices

Value	1st six months of 2008	1st six months of 2007	Change in %
Liquidity index I	1.63	1.47	10.88
Liquidity index II	0.66	0.74	-10.81
Stocks turnover (in days)	156	144	8.33
Receivables turnover (in days)	52	42	23.81
Trade liabilities turnover (in days)	63	71	-11.27

Definitions:

a) **Liquidity index I** – relation between total current assets and short-term liabilities;
b) **Liquidity index II** – relation between total current assets less stocks and short term liabilities;
c) **Stocks turnover** – relation between the average amount of stocks and costs of goods and services sold multiplied by the number of days in the period;
d) **Receivables turnover** – relation between the average amount of trade receivables and income from sales multiplied by the number of days in the period;
e) **Liabilities turnover** – relation between the average amount of liabilities to suppliers and costs of goods and services sold multiplied by the number of days in the period.

Liquidity indices for the 1st six months of 2008 changed in comparison with the similar period of the previous year. The Management Board of the NG2 S.A. Capital Group highly appraises the capacity of the Companies to fulfil their contracted liabilities. Thus, the liquidity indices should be considered correct.

Table 10. Debt and financing indices

Value	1st six months of 2008 (%)	1st six months of 2007 (%)	Change in %
Equity to current assets (%)	84.06	92.10	-8.73
Equity to fixed assets	161.40	150.38	7.33
Liabilities to assets in total	44.73	42.88	4.31
Long-term liabilities to equity	7.85	1.23	538.21
Short-term liabilities to equity	73.07	73.84	-1.04
Liabilities to equity	80.92	75.08	7.78

Definitions:

a) **Equity to current assets** – relation between equity and current assets;
b) **Equity to fixed assets** – relation between equity and fixed assets;
c) **Liabilities to assets in total** – relation between liabilities, reserves in total and assets;
d) **Long-term/ short-term liabilities to equity** – relation between, respectively, long- and short-term liabilities and the balance sheet total;

e) **Liabilities to equity** – relation between liabilities, reserves in total as at the end of the period and equity.

In spite of the increase in financing the business with outside capital, the structure of sources of financing of the NG2 S.A. Capital Group is stable. The ratio of constant capital (equity + long-term liabilities) to the assets of the NG2 S.A. Capital Group in the 1st six months of 2008 was 59.2% in comparison with 57.8% in the 1st six months of 2007.

A description of any possible risks and related actions of the issuer was included in item 2.3.

III. STATEMENT OF THE MANAGEMENT OF THE NG2 S.A. CAPITAL GROUP

3.1 Statement of compliance with the International Financial Reporting Standards

These financial statements were prepared in compliance with the International Financial Reporting Standards and related interpretations published by way of regulations of the European Commission.

3.2 Statement of the Management Board on the financial statements

The Management Board of the parent company of the NG2 S.A. Capital Group represents that, according to its best knowledge, the semi-annual statements with comparable data were prepared according to the accounting rules in force and that they reflect the property and financial status of the Company in a true and fair manner. Moreover, the Management Board represents that the annual report of the Management Board is a true presentation of the development, achievements and situation of the NG2 S.A. Capital Group, and includes also the main risks and threats.

3.3 Statement of the Management Board on the entity authorised to audit the separate and consolidated financial statements

The Management Board of the parent undertaking NG2 S.A. represents that the entity authorised to audit the financial statements and which reviews the semi-annual financial statements was selected legally and that the entity and statutory auditors performing that audit meet conditions for giving an unbiased and independent report on the audit under applicable domestic legislation.

SIGNATURE OF THE PERSON AUTHORIZED TO KEEP ACCOUNT BOOKS		
Edyta Banaś	Chief Accountant	

SIGNATURES OF ALL THE MEMBERS OF THE MANAGEMENT BOARD		
Dariusz Miłek	President of the Management Board	
Lech Chudy	Vice-president of the Management Board	
Mariusz Gnych	Vice-president of the Management Board	

Polkowice, this 29th day of September 2008

IV. CONSOLIDATED FINANCIAL STATEMENTS

4.1 Consolidated financial highlights

CONSOLIDATED FINANCIAL HIGHLIGHTS	in thousands PLN		in thousands PLN	
	from 2008-01-01 up to 2008-06-30	from 2007-01-01 up to 2007-06-30	from 2008-01-01 up to 2008-06-30	from 2007-01-01 up to 2007-06-30
I. Net income from the sale of goods and materials	339,967	250,288	97,759	65,034
II. Operating profit (loss)	63,995	42,463	18,402	11,033
III. Gross profit (loss)	58,436	34,569	16,804	8,982
IV. Net profit (loss)	48,811	28,227	14,036	7,334
V. Net operating cash flows	(6,019)	14,169	(1,731)	3,682
VI. Net investment cash flows	(23,130)	(30,816)	(6,651)	(8,007)
VII. Net financial cash flows	28,330	26,013	8,146	6,759
VIII. Total net cash flows	(819)	9,366	(236)	2,434
IX. Total assets	442,424	303,915	131,901	80,704
X. Liabilities and reserves for liabilities	197,879	130,326	58,994	34,608
XI. Long-term liabilities	19,193	2,143	5,722	569
XII. Short-term liabilities	178,686	128,183	53,272	34,039
XIII. Equity	244,545	173,589	72,907	46,096
XIV. Initial capital	3,840	3,840	1,145	1,020
XV. Number of shares (pcs.)	38,400,000	38,400,000	38,400,000	38,400,000
XVI. Profit (loss) per ordinary share (in PLN/EUR)	1.27	0.74	0.37	0.19
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	1.27	0.74	0.37	0.19
XVIII. Book value per share (in PLN/EUR)	6.42	4.52	1.91	1.20
XIX. Diluted book value per share (in PLN/EUR)	6.42	4.52	1.91	1.20
XX. Declared or paid dividend per share (in PLN/EUR)		1		0.26

4.2 Consolidated balance sheet of the NG2 S.A. Group Capital

CONSOLIDATED BALANCE SHEET OF NG2 S.A. CAPITAL GROUP (in thousands PLN)	Note	as at 2008-06-30	as at 2007-12-31	as at 2007-06-30
Fixed assets				
Goodwill				
Other intangible assets	5	1,411	344	361
Tangible assets	6	145,881	127,057	111,429
Long term investments	7			
Long-term receivables	8	263	293	323
Financial assets available for sale				
Deferred tax assets	3	3,964	3,423	3,320
Total fixed assets		**151,519**	**131,117**	**115,433**
Current assets				
Stocks	9	173,592	100,493	93,779
Trade debtors and other amount due	10	107,245	87,391	76,463
Derivative financial instruments	11			
Cash and cash equivalents	12	10,068	10,887	18,240
Financial assets held for trading				
Other current assets				
Total current assets		**290,905**	**198,771**	**188,482**
Total assets		**442,424**	**329,888**	**303,915**

Equity				
Share capital	13	3,840	3,840	3,840
Own shares				
Other capitals	13	24,799	24,799	24,799
Share premium surplus		74,586	74,586	74,586
Profit (loss) brought forward		92,592	39,873	41,807
Foreign currency gains/losses from consolidation		(83)	143	331
Undistributed financial result		48,811	53,467	28,227
Total equity		**244,545**	**196,708**	**173,589**
Long-term liabilities				
Long-term bank credits and loans	14	17,500		347
Trade liabilities and other		94		
Reserves for deferred tax	3	887	939	860
Long-term reserves	15	530	645	690
Long-term financial lease contracts liabilities	16	182	213	246
Total long-term liabilities		**19,193**	**1,797**	**2,143**
Short-term liabilities				
Trade liabilities and other	17	68,617	42,527	72,749
Income tax liabilities		6,110	1,389	4,373
Short-term financial lease contracts liabilities	16	76	63	59
Short-term bank credits and loans	14	96,500	81,790	46,322
Derivative financial instruments	11		2,866	3,114
Short-term reserves	15	7,383	2,748	1,566
Total short-term liabilities		**178,686**	**131,383**	**128,183**
Total liabilities		**442,424**	**329,888**	**303,915**

4.3 Off-balance sheet items of the NG2 S.A. Group Capital

OFF-BALANCE SHEET ITEMS OF NG2 S.A. CAPITAL GROUP (in thousands PLN)	**as at 2008-06-30**	**as at 2007-12-31**	**as at 2007-06-30**
I. RECEIVABLES	**32,935**	**32,935**	**32,935**
1. Contingent receivables			
1.1 From related undertakings (relative to)			
- guarantees and warranties received			
1.2 From other undertakings (relative to)			
- guarantees and warranties received			
2. Other receivables			
1.2 From other undertakings (relative to)	**32,935**	**32,935**	**32,935**
- guarantees and warranties received	32,935	32,935	32,935
II. LIABILITIES	**36,026**	**33,680**	**31,387**
1. Contingent liabilities			
1.1 To related undertakings (relative to)			
- bills of security			
1.2 To other undertakings (relative to)			
- customs guarantees			
- other guarantees			
- bills of security			
- security established			
2. Other liabilities	**36,026**	**33,680**	**31,387**

2.1 To related undertakings (relative to)			
- bills of security			
2.2 To other undertakings (relative to)	**36,026**	**33,680**	**31,387**
- customs guarantees	8,500	8,500	8,500
- other guarantees	21,256	19,540	17,247
- bills of security			
- security established	6,270	5,640	5,640
Total off-balance sheet items	**68,961**	**66,615**	**64,322**

4.4 Consolidated profit and loss account of the NG2 S.A. Group Capital

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF NG2 S.A. CAPITAL GROUP (in thousands PLN)	**Note**	**from 2008-01-01 up to 2008-06-30**	**from 2007-01-01 up to 2007-06-30**
Net income from sales	1A	339,967	250,288
Costs of manufacture of products sold	1F	(157,735)	(122,290)
Gross profit (loss) on sales		**182,232**	**127,998**
Other operating income	1B	6,942	1,378
Cost of sales	1G	(113,840)	(79,984)
Overheads	1H	(4,010)	(2,959)
Other operating costs	1C	(7,329)	(3,970)
Operating profit (loss)		**63,995**	**42,463**
Other profit (loss) on investments	1D	92	225
Financial costs	1E	(5,651)	(8,119)
Profit (loss) before tax		**58,436**	**34,569**
Income tax	3	(9,625)	(6,342)
Net profit (loss) on continued operations		48,811	28,227
Discontinued operations			
Loss on discontinued operations			
Net profit (loss)		**48,811**	**28,227**
Profit (loss) per ordinary share			
On continued operations			
- ordinary		1.27	0.74
- diluted		1.27	0.74

4.5 Consolidated statement of changes in equity of the NG2 S.A. of the Capital Group (in thousands PLN)

STATEMENT OF CHANGES IN EQUITY OF NG2 S.A. CAPITAL GROUP (in thousands PLN)	as at 2008-06-30	as at 2007-12-31	as at 2007-06-30
I. Equity at the beginning of period (opening balance)	196,708	183,441	183,441
1. Initial capital at the beginning of period	3,840	3,840	3,840
Increase (+)/ decrease (-) as a result of issue of shares			
Other increase/ decrease			
1.1 Initial capital at the end of period	3,840	3,840	3,840
2. Share premium account at the beginning of period	74,586	74,586	74,586
Increase (+)/ decrease (-) as a result of issue of shares			
Other increase/ decrease			
2.1 Share premium account at the end of period	74,586	74,586	74,586
3. Other reserves at the beginning of period	24,799	24,799	24,799
Increase (+)/ decrease (-) as a result of sale and disposal of fixed assets			
Increase (+)/ decrease (-) as a result of distribution of profits			
Dividends			
Other increase/ decrease			
3.1 Other reserves at the end of period	24,799	24,799	24,799
4. Foreign exchange differences on translation of subordinated undertakings	(83)	143	331
Foreign exchange differences at the beginning of period	143	(71)	(71)
Increase/ Decrease	(226)	214	402
Foreign exchange differences at the end of period	(83)	143	331
5. Profit (loss) brought forward at the beginning of period	93,339	80,287	80,287
Increase (+)/ decrease (-) as a result of distribution of profits		(80)	(80)
Adjustments for errors of previous years		(1,934)	
Reclassification of loss brought forward to be covered			
Dividends		(38,400)	(38,400)
Other increase/ decrease	(747)		
5.1 Profit (loss) brought forward at the end of period	92,592	39,873	41,807
6. Net result	48,811	53,467	28,227
a) net profit	48,811	53,467	28,227
b) net loss			
c) write-offs from profit			
7. Net profit (loss) recognized directly in equity			
8. Total net profit (loss)	48,811	53,467	28,227
II. Equity after adjustments for the proposed distribution of profits (coverage of loss)	244,545	196,708	173,589

4.6 Consolidated cash flow statement

CONSOLIDATED CASH FLOW STATEMENT OF NG2 S.A. (in thousands PLN)	from 2008-01-01 up to 2008-06-30	from 2007-01-01 up to 2007-06-30
Gross profit (loss)	58,436	34,569
Adjustments:	(64,455)	(20,400)
Share in net profit (loss) of affiliated undertakings		
Amortization and depreciation	5,911	3,689
Impairment of fixed assets		
Impairment of goodwill		
Profit (loss) on measure of investment real estate at fair value		
Write-off of negative goodwill to the profit and loss account for the current year		
Profit (loss) on valuation of derivative instruments	(2,866)	5,624
Foreign exchange profits (losses)	3	124
Interest and profit sharing		
Investment profits (losses)	16	(31)
Interest expense	3,577	1,217
Movements in reserves	4,608	(284)
Movements in stock	(71,304)	(26,504)
Movements in receivables	(39,343)	(6,607)
Movements in short-term liabilities except for loans and credits	42,679	14,353
Movements in prepayments and accruals	(868)	(189)
Cash generated in operations		
Income tax paid	(6,537)	(12,085)
Interest paid		
Other adjustments	(331)	293
Net cash flows from operations	**(6,019)**	**14,169**
Investment cash flows		
Interest received	263	50
Dividends from affiliated undertakings		
Dividends from investments available for sale		
Inflows from sale of investments held for trading		
Inflows from sale of investments available for sale		
Inflows from sale of subsidiary undertaking		
Inflows from sale of intangible assets		
Inflows from sale of tangible fixed assets	242	57
Inflows from sale of investment real estate		93
Purchase of investments held for trading		
Purchase of investments available for sale		
Purchase of subsidiary undertaking		
Purchase of intangible assets	1,198	120
Purchase of tangible fixed assets	22,437	30,896
Purchase of investment real estate		
Purchase of financial assets		
Net investment cash flows	**(23,130)**	**(30,816)**
Financial cash flows		
Net inflows from issue of shares and other capital instruments and additional contributions to equity		
Inflows from credits and loans	48,701	27,305
Issue of debt securities and other securities possible to change into shares		
Interest received		
Dividends and other payments to shareholders		
Repayment of credits and loans	16,500	
Redemption of debt securities		
Payments under finance lease contracts	31	25
Interest	3,840	1,267

Other financial outlays		
Net financial cash flows	**28,330**	**26,013**
Total cash flows	(819)	9,366
Net increase / (decrease) in cash and cash equivalents	(819)	9,366
Cash and cash equivalents at the beginning of period	**10,887**	**8,874**
Cash and cash equivalents at the end of period	**10,068**	**18,240**

SIGNATURE OF THE PERSON AUTHORIZED TO KEEP ACCOUNT BOOKS		
Edyta Banaś	Chief Accountant	

SIGNATURES OF ALL THE MEMBERS OF THE MANAGEMENT BOARD		
Dariusz Miłek	President of the Management Board	
Lech Chudy	Vice-president of the Management Board	
Mariusz Gnych	Vice-president of the Management Board	

Polkowice, this 29th day of September 2008

V. NOTES

5.1 Presentation of financial statements

The NG2 S.A. Capital Group presents the financial statements for the 1st six months of 2008 beginning 1 January 2008 and ending 30 June 2008 and comparable financial data for the similar period of 2007.
The financial statements were prepared with the assumption that the Capital Group will continue as a going concern in the foreseeable future. There are no circumstances indicating threats to the Group's continuing as a going concern.
The parent company NG2 S.A. of the Capital Group prepares and publishes the consolidated financial statements of the Capital Group.
The financial statements include:

- Balance sheet;
- Profit and loss account;
- Statement of changes in equity;
- Cash flow statement;
- Notes on adopted accounting principles (policy) and other notes;
- Financial assets prepared by the management with a description and explanations of main financial components, business results of the companies of the Capital Group, their financial standing and principal uncertainties concerning the NG2 S.A. Capital Group;
- Condensed semi-annual financial statements.

5.2 Statement of compliance

These financial statements were prepared in accordance with the International Financial Reporting Standards and related interpretations published by way of regulations of the European Commission.

5.3 Functional and reporting currency

The functional currency of the Company and the reporting currency in the financial statements shall be PLN. The data presented are expressed as thousands PLN.

5.4 Relevant accounting standards

The financial statements were drawn up according to the International Financial Reporting Standards in force as at 30 June 2008.

The financial statements were prepared according to the historical cost model with the exception of financial instruments which were measured at fair value.

The NG2 S.A. Capital Group draws up the profit and loss account in the multiple-step variant. The value of income from the sale of goods and materials is set against the value of the goods and materials sold at the acquisition or purchase price and the costs of manufacture of products sold as well as all the selling (commercial) costs and overheads.

Income from sales

The item of income from the sale of goods and materials includes the income from the sale of goods, and materials earned during normal business operations (i.e. income from sale of goods, materials, finished products less rebates, VAT and other sale-related taxes).
The item of income from sales includes also profits/losses on fair valuation of settled derivative instruments which hedge future cash flows in that part which constitutes effective hedge.

Value of goods and services sold

The item of "value of goods and materials sold" presents:

- value of goods sold as at the moment of handing them over to the recipient at the acquisition price;
- value of packaging released for sale;
- liquidation of goods complained about;
- direct costs (particularly materials and labour) and indirect production costs connected with the manufacturing of finished products and rendering of services;
- revaluation write-offs for stock;
- impairment write-offs on fixed assets and intangible assets used in the production of goods or while providing services (amortization and depreciation of production machinery);
- profits/ losses on factoring transactions;

Other operating income

Other operating income includes income from business activities other than the basic operating activities of the Capital Group's undertakings. This item comprises mainly:
- profit from sale of tangible fixed assets, including recoveries from liquidation of fixed assets;
- profit from sale of intangible assets;
- reimbursement of costs by the insurer;
- state subsidies received and other donations;
- write-down of expired or extinct receivables;
- release of unused reserves;
- fines and penalties imposed;
- recognized unsettled excess of tangible assets and cash assets;
- income from rent of investment real estate;
- foreign exchange differences.

Cost of sales

Cost of sales includes the cost of maintaining shops and other sales outlets. This item includes mainly:
- amortization and depreciation of fixed assets;
- amortization and depreciation of intangible assets;
- cost of outsourcing;
- cost of remuneration;
- other costs;
- revaluation write-offs for trade receivables.

Overheads

Overheads include the cost of managing the whole business activity of the NG2 S.A. Capital Group and overheads of the companies of the Capital Group.

Other operating costs

Other operating costs include the costs of the business other than the basic operating activities of the undertakings. This item includes mainly:

- losses from sale of tangible assets and liquidation costs;
- losses from sale of intangible assets;
- write-down of fixed assets under construction, including those with no economic effect;
- costs of maintenance of investment real estate;
- donations provided;
- write-down of expired and extinct liabilities;
- establishing reserves for disputable cases, penalties, damages, and other directly connected with the operating activities;
- fines and penalties paid;
- unintentional shortages of assets and act-of-god damage (relative to tangible assets, tangible working assets, money assets);
- other operating costs;
- foreign exchange differences.

Other investment profits and losses

Other investment profits and losses include:

- interest income from bank deposits;
- decrease of the fair value of investments held for trading due to the sale of the investments;
- decrease of the fair value of financial assets held for trading held until the balance sheet date;
- profit from sale of financial assets available for sale;
- profit from foreign exchange differences only on liabilities relative to the sources of financing the business activities of the undertaking;

Financial costs

The item of financial costs shows the costs of financing the business activities of the undertaking, in particular:

- current account credit interest and bank credit and loan interest;
- interest on financial lease contracts liabilities;
- loss on trading of derivative instruments;
- loss from foreign exchange differences only on liabilities relative to the sources of financing the business activities of the undertaking.

The companies comprising the Capital Group perform the valuation of off-balance items in the following manner:

Tangible assets

Tangible assets are shown at the acquisition price or cost of manufacture less any possible impairment write-offs. Land is not subject to amortization and depreciation.
Fixed assets under construction are presented in the balance sheet at the cost of manufacture less depreciation and impairment write-offs. External financing costs are recognized as period cost in the profit and loss account.
Plant and machinery and other fixed assets are presented in the balance sheet at historical cost less depreciation and impairment write-offs.
Amortization commences once the assets are accepted for use and are amortized according to the principles adopted. Amortization is written off by the linear method by estimating the useful life of a particular asset, i.e.:

- buildings	- from 10 up to 20 years
- plant and machinery	- from 5 up to 15 years
- means of transport	- from 5 up to 10 years
- other tangible assets	- from 5 up to 10 years

Fixed assets under financial lease contracts were recognized in the balance sheet alongside other fixed assets and are subject to depreciation according to the same principles.

Intangible assets

The companies apply the historical cost model to all items within particular types of assets. The (initial) cost less depreciation and impairment write-offs. The method of amortization of intangible assets is analogous to the amortization of tangible assets.
It is assumed that the useful life of intangible assets is not longer than 20 years from the moment at which a particular asset is usable. Amortization of intangible assets is provided on a straight-line basis.
Intangible assets made by an undertaking on its own are not recognized as assets and the outlays on production thereof are debited to the profit and loss account in the year in which they were borne.
If events or changes in circumstances indicate that the carrying value of intangible assets may not be recoverable, they are reviewed for any possible impairment.

Patents and trademarks

Patents and trademarks are recognized in the balance sheet at acquisition price less depreciation through the straight-line method for their useful life and less depreciation write-offs, if any.

Stocks

Stocks are recognized at the lower of acquisition price (or cost of manufacture) and net selling price. If circumstances which caused the depreciation of stocks cease to exist, an opposite operation is performed, i.e. restoration of the value of the stocks.
The profit and loss account includes:

- book value of stocks sold in the period in which income from sales was credited;
- relation between the write-off of stocks and the net selling price in the period in which the write-off was made.

Revaluation write-offs adjust the cost of goods sold.
The FIFO method is applied to all stocks of similar type and purpose.

Loans and receivables

Trade receivables with a general maturity period from 30 up to 180 days are recognized at the amount invoiced originally.
Other receivables are recognized at amount due.

Receivables are recognized at nominal value adjusted for relevant revaluation write-offs. Receivables are revaluated allowing for the likelihood of them being paid.
Loans as at the balance sheet date are recognized at adjusted acquisition price and estimated with the use of effective interest rate.
Revaluation write-offs for receivables are classified as cost of sales.

Cash and cash equivalents
Cash is recognized at nominal value, but the cash deposited in bank accounts includes also capitalized interest added to the bank account balance.
Interest accrued on deposits of the Company Social Benefits Fund increases the Fund, in other cases it constitutes the Company's financial income.
Foreign currencies deposited in the undertakings' currency account and paid out in the year are recognized at the exchange rate on the date of the transaction (at the exchange rate applied by the bank which maintains the account). As at the balance sheet date, foreign currencies are recognized at the average exchange rate published by the National Bank of Poland as at the balance sheet date.

Derivative instruments
In order to ensure protection from financial risks connected with changes in exchange rates, forward and option contracts are employed. Those instruments did not meet the hedging conditions. Valuation amounts are shown in the profit and loss account. The amounts are valuated at market values of equivalent on instruments as at the balance sheet date.
Derivative instruments (forwards, options) are entered in the account books as at the execution date at fair value of the value of assets received.
As at the balance sheet date futures are recognized at fair value measured reliably.

Deferred expenditure
The companies of the NG2 S.A. Capital Group recognize deferred expenditure if it pertains to future reporting periods. The companies' deferred expenditure is effected according to the principle of commensurability, which allows to ensure commensurability of income and related costs. This allows to avoid the distortion of the financial results for particular reporting periods.
Deferred expenditure is recognized if it pertains to future reporting periods. Minor or irrelevant expenditure, even if it relates to several reporting periods, is not deferred but charged directly to costs when incurred.
The companies recognize accrued expenditure in the amount of probable liabilities relating to the current reporting periods.
Liabilities recognized as accrued expenditure and the principle of its evaluation result from the generally recognized business practice.

Equity
Equity is recognised in the account books broken down by type and according to principles as stipulated by law and the statute.
Equity types:
- share capital of the NG2 S.A. Capital Group is recognized at the value laid down in the statute and court register;
- capital reserves made up of the surplus of the sale value over the nominal value of shares less the issue costs;
- other capitals due to reclassification of profit or loss brought forward to be covered;
- profit (loss) brought forward;
- net profit (loss).

Corporate income tax

The mandatory tax burden on financial results comprises the current tax (CIT) and deferred tax.
The current tax is calculated on the basis of the tax-related result for a particular reporting period.
The tax burden is measured on the basis of tax rates in force in a given fiscal year.
Deferred tax is calculated as a tax payable or refundable in the future in relation to the differences between the carrying values of assets and liabilities and related tax values used to calculate the tax base.

Income tax reserve

Deferred tax reserves are established in the amount of income tax to be paid in the future due to temporary differences, i.e. such differences which will result in the increase of the base for estimating the income tax in the future. The reserves are estimated subject to income tax rates in force in the year in which the tax liability arose.

Deferred income tax assets

Deferred income tax assets are established in the amount which will presumably be deducted from income tax with regard to negative temporal differences which will result, in the future, in reducing the income tax base and a deductible tax loss determined in a conservative manner.

Other reserves

The companies of the NG2 S.A. Capital Group establish reserves for:

- anticipated returns and complaints;
- future pension benefits and anniversary awards;
- unused employee leaves;
- pending court proceedings.

The amount with which a reserve is established should be the best estimate of outlays required to meet the present liability as at the balance sheet date. The estimates of the financial result and effect are determined through the judgement of the management of the company, supplemented by experience of similar transactions and - in some cases - reports of independent experts.

Reserves should be reviewed at each balance sheet date and adjusted in order to reflect the current best estimate. If it is no longer likely that an outflow of resources with economic benefits will be required to meet the liability, then the reserve is released.
A reserve for anticipated returns and complaints is established as an estimate of an average of returns based on historical data.
With calculations made for several periods and thanks to the experience gained, the Companies calculate the average index of complaints for the previous periods. The variable which indicates any possible returns on sales and which influences the value of any possible complaints expresses the value of income from sales for those months to which the returns apply. The return-on-sales index for the previous months is calculated by dividing the value of returns by income from sales for the period to which a given complaint applies.
A reserve is appropriately adjusted in the next periods by increasing or releasing such a reserve, depending on the income from sales.
A reserve for future pension benefits and anniversary awards is established on the basis of actuarial calculation.
A reserve for unused annual leaves is calculated as the product of all the unused days of an annual leave and the average remuneration per day in the companies of the Capital Group.

Credits and loans
Credits and loans are recognized at acquisition value corresponding to the fair value of cash received less costs connected with the obtaining of a credit or loan.

Trade liabilities and other
Liabilities include the balance of all liabilities connected with the purchase of goods and services for the operating activities, including the purchase of works from domestic and foreign providers.
Trade liabilities are recognized in the account books at the amount due.

Employee benefits liabilities
Such liabilities include, but are not limited to, remunerations, social and health insurance, and also liabilities relative to the Labour Fund and the Guaranteed Employment Benefit Fund, the Company Social Benefits Fund.

Income tax related liabilities
Income tax related liabilities include the Company's corporate and personal income-tax related liabilities towards the state budget.

Lease contracts
As of the beginning of a lease contract period, the Companies recognize financial lease contracts in the balance sheet as assets and liabilities amounting to the fair value of an item established as at the date of the beginning of the lease contract or amounting to the present value of the minimal lease rent established as at the date of the beginning of the lease contract, provided that it is lower than the fair value. The present value of the minimal rents is calculated with the use of a discounted interest rate being the lease interest rate, if it is possible to determine. Otherwise, the marginal interest rate of the leaseholder is applied. The leaseholder's initial direct costs increase the amount recognized as an asset.

Foreign currency transactions

Initial valuation
Business operations denominated in foreign currencies are recognized in the account books as at the date of their execution at buying and selling rates applied by the bank servicing the companies, as regards the operations of buying and selling currencies and paying liabilities or receivables.
Regardless of the fact whether cash expressed in foreign currency was credited to the company's bank domestic currency account or foreign currency account, it is valuated at:

- buying rate of the bank servicing the company if foreign receivables are credited to the account;
- selling rate of the bank servicing the company if foreign currencies are purchased.

Outgoings from the domestic bank account is valuated at:

- buying rate of the bank servicing the company if foreign liabilities are satisfied;
- buying rate of the bank servicing the company if foreign currencies are sold.

In the case of:

- importing or exporting goods and materials and investment goods – they are valuated at the rate set out in the SAD document (or other valid document);
- importing or exporting services, purchase of rights, and financial assets (shares in other undertakings and securities purchased) – they are valuated at the average rate established by the National Bank of Poland as at that date;
- intra-Community transactions – at the average rate established by the National Bank of Poland as at the transaction date (date of issuing of an invoice).

Balance sheet valuation

As at the balance sheet date assets and liabilities, denominated in foreign currencies and recognized in the account books as at that date, are valuated at the average exchange rate published by the National Bank of Poland for a particular currency as at that date.
Data from the statements of the undertakings are presented in the functional currency (PLN). The data of balance sheet items are valuated at the average exchange rate of the National Bank of Poland, except for capitals valuated at historical rates. Items of the profit and loss account are valuated at the average rate of the average rates of the National Bank of Poland as at the end of each month of the reporting period.

Events occurring after the balance sheet date

The companies adjust amounts shown in the financial statements to recognize the events that occur after the balance sheet date and which must be adjusted.
The NG2 S.A. Capital Group does not adjust amounts shown in the financial statements to reflect such events occurring after the balance sheet date which are referred to as "requiring no adjustments."

5.5 New standard or interpretation that has not been applied so far

The Companies has not yet decided whether to apply standards and interpretations published:

a) IFRS 8 "Operating Segments"

IFRS 8 was published by the International Accounting Standards Board on 30 November 2006 and applies for annual periods beginning 1 January 2009 or after this date. IFRS 8 replaces IFRS 14 "Segment Reporting." The standard sets out new requirements as to the disclosure of information on business segments as well as information on products and services, geographical areas where business activities are carried out, and customers. IFRS 8 requires a "management" approach to the reporting of financial results of business segments.

The Companies did not decide to apply IFRS 8 in the presented financial statements.

b) IFRS 23 "External financing costs"

On 29 March 2007 the International Accounting Standards Board published IFRS 23 as amended. This standard refers to accounting treatment of debt costs relative to assets where the period of bringing them to a selling or usable condition is significant. In the light of the amended IFRS 23, debt costs borne in such circumstances are subject to capitalization (before the amendment they were entered directly into the profit and loss account).
The standard is applicable to annual periods beginning 1 January 2009.

The Companies did not decide to apply IFRS 23 in the presented financial statements.

c) IFRIC 13 "Loyalty programmes"

The interpretation IFRIC 12 was published by the International Financial Reporting Interpretations Committee and is applicable to annual periods beginning 1 July 2008 or after that date. The interpretation may also be applied before the said date.

The Companies did not decide to apply IFRIC 13 in the presented financial statements.

5.6 Standards applied by the NG2 S.A. Capital Group for the first time

The NG2 S.A. Capital Group applied the following standards for the first time:

a) IFRS 21 "Effects of changes in foreign exchange rates"

During the reporting period, the company changed the principles of valuation of advances on supplies. According to IFRS 21 non-cash items should be valuated as per the historical cost model expressed in a foreign currency and converted with the use of exchange rate as at the transaction date. The company made adjustments for errors in the current period and previous years. Since it is impossible to valuate the adjustment for the previous reporting periods, the Company made adjustments through the capital adjustments.

As a result of the adjustments, receivables and profit (loss) brought forward decreased by PLN 1,717,000.

b) IFRS 37 "Reserves, contingent liabilities and contingent assets"

The company changed the manner of presentation of the off-balance items. Off-balance receivables and liabilities have been recognized as off-balance items so far. IFRS 37 defines the term of contingent liabilities and indicates that a contingent liability is:

1) a possible obligation which arises as a result of future events whose existence was confirmed only until one or more uncertain future events occur, or fail to occur, which are not fully controlled by a business undertaking; or

2) a current obligation which arises as a result of future events but is not shown in the statements because:

   - it is unlikely that funds with economic benefits are required to be spent so that the obligation is satisfied; or
   - the obligation (liability) cannot be valuated sufficiently fairly.

The items presented by the Company as contingent fail to meet the above provisions, therefore after adjustments for off-balance liabilities and receivables are presented as others by the Company. Relevant adjustments were made in comparable periods.

5.7 Effects of adjustments from previous years

As a result of adjustments for errors of the previous years, the NG2 S.A. Capital Group adjusted the financial statements for 2007. The value of stocks and profit (loss) brought forward decreased by PLN 216,000.

5.8 Judgements of the Management Board

In order to prepare financial statements, the Management Board must use certain accounting estimates and make assumptions as to future events which may influence the value of assets and liabilities in the current and future financial statements. Such estimates and assumptions are subject to a constant assessment, based on the best knowledge of the Management Board, historical experience and expectations regarding future events which seem justifiable in a particular situation. Nevertheless, there may be some error margin and the actual results may be different from the assumptions.

Main estimates may refer to the following off-balance items: fixed assets and intangible assets (as regards useful life and impairment of items), reserves for employee benefits (bonuses, pension benefits, outstanding annual leave benefits), deferred income tax assets and reserves.

5.9 Investments in subsidiary undertakings, co-controlled undertakings and affiliated undertakings

Initial valuation of financial assets
According to IFRS 39, at the moment of the initial presentation of a financial asset, the parent company valuates it at acquisition price, i.e. the fair value of the payment made. The definition of an acquisition price says that transaction costs are included in the initial value of financial assets.

Valuation of financial assets for the balance sheet
Financial assets are valuated at fair value as at the balance sheet date. The valuation does not allow for transaction costs which must be borne if an asset is sold, also if the costs are significant. If the undertaking cannot estimate the fair value in a reliable manner (such a situation takes place as regards investments in shares of non-listed companies), the items are valuated at acquisition price less impairment write-offs, if any.
Valuation for the balance sheet is carried out in such a manner which results from economic events. The positive difference from revaluation resulting in an increase in the value of a particular long-term investment from the original and established acquisition price up to the market price as at the balance sheet date is entered on the credit side of the "Revaluation reserve" account. Otherwise, if the value of the already revaluated investment decreased as a result of a fall in the market value of a given asset down to the amount by which and as a consequence of the fall the revaluation reserve was increased (and which had not been settled up to the balance sheet date), then the investment and the revaluation reserve would decrease in their value only down to the surplus between the market price and the acquisition price. The remaining part of the surplus is recognised as financial costs.

VI. NOTES TO THE FINANCIAL STATEMENTS

NOTE NO. 1 - INCOME AND COSTS

Note 1A	Income from sales	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
Income from sale of services		9,488	8,314
Sale of goods and products		330,479	243,454
- wholesale		72,855	66,937
- retail		257,624	175,037
Total income from sales		**339,967**	**250,288**

Note 1B	Other operating income	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
Profit on sale of fixed assets			31
Release of reserves		183	203
Positive foreign exchange differences		13,119	694
Inventory reconciliation		251	109
Interest on overdue receivables		258	447
Other income		1,302	588
Total operating income from sales		**15,113**	**2,072**

Note 1C	Other operating costs	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
Loss on sale of fixed assets		16	
Establishment of reserves		4,452	49
Negative foreign exchange differences		8,172	3,919
Inventory reconciliation		452	227
Interests on liabilities		61	15
Other operating cots		2,347	454
Total other operating costs		**15,500**	**4,664**

Note 1D	Financial income	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
Income from interest on current account and deposits		42	180
Income from sale of currency (selling options contracts)			
Reassessment to fair value of option contract			4,947
Other financial income		57	45
Total financial income		**99**	**5,172**

Note 1E	Financial costs	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
Interest on loans and credits		4,131	1,256
Interest on financial lease contracts		10	15
Reassessment to fair value of option contract			11,085
Other financial costs		1,517	710
Total financial costs		**5,658**	**13,066**

Note 1F	Value of goods, products and services sold	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
The manufacture costs relative to goods, products and services sold include:			
Costs of manufacture of services sold		7,998	6,686
Costs of manufacture of goods and products sold		148,233	114,056
- wholesale		38,807	34,492
- retail		109,426	79,564
Revaluation write-off for stocks		1,504	1,548
Total cost of sales		**157,735**	**122,290**

Note 1G	Cost of sales	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
Cost of sales includes:			
Amortization and depreciation		4,416	3,137
Consumption of materials and energy		8,213	4,813
Outsourcing		50,049	33,868
Taxes and charges		1,199	773
Employee costs		43,951	30,810
Advertising costs		5,773	5,774
Other costs		1,052	751
Revaluation write-offs for receivables		55	48
Movements in prepayments and accruals		(868)	10
Total cost of sales		**113,840**	**79,984**

Note 1H	Overheads	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-06-30 PLN '000
Overheads include:			
Amortization and depreciation		702	296
Consumption of materials and energy		357	229
Outsourcing		974	1,061
Taxes and charges		226	59
Employee costs		1,671	1,197
Other costs		80	117
Total overheads		**4,010**	**2,959**

NOTE NO. 2 – COSTS OF EMPLOYMENT

The table below includes information on the average employment (including the management):

	2008-01-01 2008-06-30 No. of employees	2007-01-01 2007-12-31 No. of employees	2007-01-01 2007-06-30 No. of employees
Administrative employees	293	264	243
Employees of sales outlets	2,402	2,287	1,993
Shop-floor employees	484	381	371
Warehouse employees	261	229	236
Total	**3,440**	**3,161**	**2,843**
Costs of employment:			
Salaries and wages	49,912	67,764	30,075

Social insurance contributions	7,872	13,243	5,826
Other employee benefits	1,893	346	1,552
Total	**53,677**	**81,354**	**37,453**

NOTE NO. 3 – INCOME TAX

	2008-01-01 2008-06-30 No. of employees	2007-01-01 2007-12-31 No. of employees	2007-01-01 2007-06-30 No. of employees
Profit before tax	58,436	63,559	34,569
19%-rate tax	11,102	12,076	6,568
Tax exemptions	(2,591)		
Tax effect of expenditure other than operating expenditure	2,457	(111)	2,234
Current income tax	10,968	11,965	8,802
Deferred tax	(1,343)	(1,873)	(2,460)
	9,625	**10,092**	**6,342**

The current income tax was calculated at 19%, 19% in 2007.
In the reporting period the effective tax rate was 16.47%.

DEFERRED TAX

The deferred income tax for the 1st six months of 2008, ending 30 June 2008, results from the following items.

Reserves for deferred income tax	30.06.2008 PLN '000	31.12.2007 PLN '00	30.06.2007 PLN '000
Accelerated tax depreciation	601	595	567
Interest accrued	286	344	172
Other changes			121
Total	**887**	**939**	**860**

Deferred tax assets	30.06.2008 PLN '000	31.12.2007 PLN '00	30.06.2007 PLN '000
Costs after the balance sheet date	1,770	1,695	695
Reserves for liabilities	1,105	348	
Impairment of assets	399	311	2
Adjustment for margin on stocks	618	1,069	
Other changes	72		2,623
Total	**3,964**	**3,423**	**3,320**

NOTE NO. 4 – PROFIT PER SHARE

Profits	2008-01-01 2008-06-30 PLN '000	2007-01-01 2007-12-31 PLN '000	2007-01-01 2007-06-30 PLN '000
Net profit for a given year for the purpose of calculating profit per share subject to distribution between the shareholders of the parent undertaking	48,811	53,467	28,227
Effect of diluting of number of shares:			
Interest on bonds convertible into shares (after tax)			
Profit recognized for the purpose of calculating diluted profit per share	**48,811**	**53,467**	**28,227**

Number of shares issued	30.06.2008	31.12.2007	30.06.2007
Weighted average of number of shares recognized for the purpose of calculating ordinary profit per share	38,400,000	38,400,000	38,400,000
Effect of diluting a potential number of ordinary shares:			
Options to shares			
Bonds convertible into shares			
Weighted average of number of shares recognized for the purpose of calculating diluted profit per share	**38,400,000**	**38,400,000**	**38,400,000**
Profit per share			
- ordinary	1.27	1.39	0.74
- diluted	1.27	1.39	0.74

Dividends	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Payments made to shareholders of the Company during the year:			
Final dividend for the year ending 31.12.06 amounting to PLN 1 per share		**38,400,000**	**0**
Final dividend for the year ending 31.12.07 amounting to PLN 1 per share	**0**		

NOTE NO. 5 – INTANGIBLE ASSETS

	Patents and licences PLN '000	Trademarks PLN '000	Total PLN '000
GROSS AMOUNTS			
As at 1 January 2007	561	136	697
Increase in the period 01.01. – 30.06.	143	1	144
Decrease in the period 01.01. – 30.06.	-	-	-
As at 30 June 2007	**704**	**137**	**841**
As at 1 January 2008	743	137	880
Movements due to foreign exchange differences	1		1
Increase in the period 01.01. – 30.06.	1,077	102	1,179
Decrease in the period 01.01. – 30.06.			
As at 30 June 2008	**1,821**	**239**	**2,060**
DEPRECIATION			
As at 1 January 2007	344	76	420
Amortization in the period 01.01. – 30.06.	52	8	60
As at 30 June 2007	**396**	**84**	**480**
As at 1 January 2008	444	92	536
Movements due to foreign exchange differences	1		1
Amortization in the period 01.01. – 30.06.	97	15	112
As at 30 June 2008	**542**	**107**	**649**

NET AMOUNTS

As at 30 June 2008	**1,279**	**132**	**1,411**
As at 30 June 2007	**308**	**53**	**361**

NOTE NO. 6 – TANGIBLE ASSETS

	Land, buildings, premises PLN '000	Plant and machinery PLN '000	Means of transport PLN '000	Other PLN '000	Tangible assets under construction PLN '000	Total PLN '000
INITIAL VALUE OR VALUATION						
As at 1 January 2007	**65,327**	**10,195**	**7,156**	**3,073**	**13,552**	**99,303**
Movements due to foreign exchange differences	(109)	(55)		(1)		(165)
Increase	27,294	1,069	12,059	1,577	28,075	70,074
Decrease		193	274		37,989	38,456
As at 30 June 2007	**92,512**	**11,016**	**18,941**	**4,649**	**3,638**	**130,756**
As at 1 January 2008	111,729	13,543	18,262	6,507	1,591	151,632
Movements due to foreign exchange differences	142	60				202
Increase (as a result of):	7,591	2,206	251	1,594	17,118	28,760
- outlays in foreign facilities	4,545				17,118	21,663
- Investments building of NG2	14					14
- purchase	3,032	2,206	251	1,594		7,083
- lease contracts						
- revaluation						
Decrease (as a result of):	325	29		272	4,056	4,682
- liquidation of outlays in foreign facilities	82	29		262		373
- sales	35					35
- write-off adjustments						
- investments completed	208			10	4,056	4,274
As at 30 June 2008	**119,137**	**15,780**	**18,513**	**7,829**	**14,653**	**175,912**
DEPRECIATION AND IMPAIRMENT						
As at 1 January 2007	**7,416**	**4,311**	**2,226**	**2,140**		**16,093**
Movements due to foreign exchange differences		(10)		(4)		(14)
Amortization 01.01. - 30.06.	2,084	532	771	209		3,596
Decrease as a result of sales or liquidation		101	247			348
As at 30 June 2007	**9,500**	**4,732**	**2,750**	**2,345**		**19,327**
As at 1 January 2008	12,344	5,627	3,951	2,645		24,567
Movements due to foreign exchange differences	4	15				19
Amortization 01.01. - 30.06.	3,633	846	1,126	403		6,008
Decrease as a result of sales or liquidation	272	29		262		563
As at 30 June 2008	**15,709**	**6,459**	**5,077**	**2,786**		**30,031**
NET AMOUNTS						
As at 30 June 2008	**103,428**	**9,321**	**13,436**	**5,043**	**14,653**	**145,881**
As at 30 June 2007	**83,012**	**6,284**	**16,191**	**2,304**	**3,638**	**111,429**

NOTE NO. 7 – LONG-TERM INVESTMENTS

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Shares in non-listed companies	0	0	0
	0	0	0

NOTE NO. 8 – LONG-TERM RECEIVABLES

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Long-term prepayments and accruals	263	293	323
Total	**263**	**293**	**323**

NOTE NO. 9 – STOCKS

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Materials	14,489	9,923	6,435
Work in progress	3,857	2,343	3,525
Goods	156,310	89,123	84,528
Finished products			
Revaluation write-offs for stocks	(1,064)	(896)	(709)
Total stocks	**173,592**	**100,493**	**93,779**

As at the balance sheet date, stocks of a book value of PLN 84.8 mln (2007: PLN 52.4 mln) constituted a security for credits and loans.

Movements in write-offs for stocks	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Opening balance as at the beginning of period	896	859	859
a) increase (as a result of)	168	82	30
b) decrease (as a result of)		45	180
use			
release		45	
Balance of write-offs for stocks at the end of period	**1,064**	**896**	**709**

NOTE NO. 10 – TRADE RECEIVABLES AND OTHER

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Trade receivables	101,820	80,803	71,042
Other current receivables	1,327	1,507	2,392
Prepayments and accruals	4,053	5,081	2,682
Loan and interest on loan			347
	107,245	**87,391**	**76,463**

Statutory interest accrues after the maturity date. The Company made a revaluation write-off for the balance of receivables amounting to PLN 1,857,300. Revaluation write-offs for receivables are entered in the costs of sales item. The write-offs were estimated on the basis of the previous experiences of the Company.

(Gross) trade receivables overdue broken down into receivables not repaid:

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
a) up to 1 month	20,739	13,521	13,449
b) over 1 month up to 3 months	6,421	3,643	4,032
c) over 3 months up to 6 months	3,510	2,831	1,164
d) over 6 months	2,858	9,376	1,945
	33,528	**29,371**	**20,590**
e) revaluation write-offs for trade receivables overdue	(1,857)	(2,598)	(1,945)
Total (net) trade receivables overdue	**31,671**	**26,773**	**18,645**

Movements in revaluation write-offs for short-term receivables

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Opening balance as at the beginning of period	2,598	3,094	3,094
a) increase (as a result of)	3	198	63
b) decrease (as a result of)	744	694	1,212
use		694	1,196
release	744		16
Balance of revaluation write-offs for receivables as at the end of periof	**1,857**	**2,598**	**1,945**

Trade receivables (currency structure)

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
a) in PLN	48,948	39,053	40,567
b) in foreign currencies (as per the currencies and converted to PLN)	54,729	44,348	32,420
- USD	15,487	13,536	9,562
- converted to PLN	36,485	32,961	26,763
- EUR	5,298	3,179	1,502
- converted to PLN	18,244	11,387	5,657
Total short-term receivables	**103,677**	**83,401**	**72,987**

In the previous years, the Company extended a loan to the Zbigniew Spruch Sport Development Support Fund amounting to PLN 300,000 with a maturity up to 31.12.2007. As at the date of submitting the statements the loan was accounted for.

Short-term loans	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Balance as at the beginning of period	0	300	300
- associated undertakings			
- other undertakings		300	300

a) increase	0		
- associated undertakings			
- other undertakings			
b) decrease	0	300	300
- associated undertakings			
- other undertakings		300	300
Balance as at the end of period	**0**	**0**	**0**

NOTE NO. 11 – DERIVATIVES

FX derivatives. The parent company of the NG2 S.A. Capital Group used fx derivatives to secure significant future transactions and cash flows. The instruments did not meet the conditions for regarding them as securing. Valuation amounts were shown in the profit and loss account. The amounts were estimated on the basis of market values of equivalent derivatives as at the balance sheet date.

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Derivatives	0	(2,866)	(3,114)

NOTE NO. 12 – CASH AND CASH EQUIVALENTS

	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Cash in hand and at bank	9,966	10,446	4,127
Short-term deposits	103	441	14,113
	10,068	**10,887**	**18,240**

Cash in hand and at bank includes cash held by the NG2 S.A. Capital Group and short-term bank deposits with a maturity of up to 3 months. The book value of these assets corresponds to the fair value.

Credit risk. The main financial asset of the Company is bank deposits, cash, trade receivables, other receivables which reflect the maximum exposition to credit risk in relation to financial assets.
The credit risk to which the company is exposed is mainly connected with trade receivables.
The amounts in the balance sheet are net amounts allowing for revaluation write-offs for doubtful receivables estimated by the management board of the company on the basis of previous experience and assessment of the present economic environment.
The credit risk relative to financial derivatives is limited because the parties to transactions are banks with a high credit rating granted by international rating agencies.
The Company has no significant concentration of credit risk. The risk is distributed between numerous partners and customers.

NOTE NO. 13 – SHARE CAPITAL

	number of shares	number of shares	number of shares
As at 30 June 2007	**38,400,000**	**31,650,000**	**3,840,000**
As at 31 December 2007	**38,400,000**	**31,650,000**	**3,840,000**
As at 30 June 2008	**38,400,000**	**31,650,000**	**3,840,000**

All the shares issued were fully paid up.

Share premium

	PLN '000
As at 30.06.2007	74,586
As at 31.12.2007	74,586
As at 30.06.2008	74,586

Other capitals

	PLN '000
As at 30.06.2007	24,799
As at 31.12.2007	24,799
As at 30.06.2008	24,799

Profit (loss) brought forward

	PLN '000
As at 30.06.2007	41,807
As at 31.12.2007	39,873
As at 30.06.2008	92,592

Net profit (loss)

	PLN '000
As at 30.06.2007	28,227
As at 31.12.2007	53,467
Profit distribution	(53,467)
Net profit for the period	48,811
Coverage of loss from previous years	0
As at 30.06.2008	48,811

NOTE NO. 14 – CREDITS AND LOANS

Long-term credits and loans	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Bank credit	17,500		
	17,500	**0**	**0**

A credit with a maturity on 9 March 2011 was extended by BZ WBK S.A. at WIBOR floating rate plus a bank margin. According to the credit agreement the credit limit is PLN 30,000,000. A security for the credit is a mortgage on real estate and registered pledge on stocks. The long-term part of the credit was PLN 17,500,000 as at the balance sheet date.

Short-term credits and loans	30.06.2008 PLN '000	31.12.2007 PLN '000	30.06.2007 PLN '000
Current account credit facility	36,500	31,790	6,112
Bank credit	60,000	50,000	40,210
	96,500	**81,790**	**46,322**

A current account credit facility with a maturity on 31 March 2009 was extended by BZ WBK S.A. at WIBOR floating rate plus a bank margin. According to the credit agreement the credit limit is PLN 30,000,000. A security for the credit is a mortgage on real estate.

The current account credit facility with a maturity on 14 November 2008 was extended by Bank Handlowy w Warszawie S.A. at WIBOR floating rate plus a bank margin. According to the credit agreement the credit limit is PLN 5,000,000. A security for the credit is a transfer of stocks.

A revolving working capital credit with a maturity on 31 March 2009 was extended by BZ WBK S.A. at WIBOR floating rate plus a bank margin. According to the credit agreement the credit limit is PLN 50,000,000. A security for the credit is a mortgage on real estate.

A credit with a maturity on 9 March 2011 was extended by BZ WBK S.A. at WIBOR floating rate plus a bank margin. According to the credit agreement the credit limit is PLN 30,000,000. A security for the credit is a mortgage on real estate and registered pledge on stocks. The short-term part of the credit was PLN 12,500,000 as at the balance sheet date.

The subsidiary CCC Factory Sp. z o.o. took out a current account credit facility with a maturity on 31.03.2009. According to the credit agreement the credit limit is PLN 5,000,000. A security for the credit is a guarantee issued by the parent company.

NOTE NO. 15 – RESERVES

	Reserve for service under guarantee PLN ‘000	Reserve for employee benefits PLN ‘000	Reserve for unused annual leaves PLN ‘000	Reserve for auditing the balance sheet PLN ‘000	Prepayments and accruals PLN ‘000	Total PLN ‘000
As at 31 December 2007	**1,322**	**989**	**494**	**111**	**477**	**3,393**
Establishing reserve during the year	5	466			5,427	5,898
Releasing reserve	376		183			559
Reserve used	55		269	27	477	819
As at 30 June 2008	**896**	**1,455**	**51**	**84**	**5,427**	**7,913**
Reserves up to 1 year	896	925	51	84	5,427	7,383
Reserves over 1 year		530				530

Reserve for service under guarantee

The company establishes reserves for anticipated guarantee service of products sold during the last financial year basing on the service repairs under guarantee and returns recorded in the previous years.

Reserve for employee benefits

The company establishes reserves for future pension benefits and anniversary awards basing on an actuarial calculation.

Prepayments and accruals

The company established reserves for commissions due under an agency service agreement.

NOTE NO. 16 – LEASE CONTRACTS LIABILITIES

	Minimum Lease rents			Present value of minimum lease rents		
	30.06.2008	**31.12.2007**	**30.06.2007**	**30.06.2008**	**31.12.2007**	**30.06.2007**
	PLN '000	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**
Financial lease contracts liabilities due:	258	276	305	0	0	0
within one year	76	63	59			
within two or five years	182	213	246			
over five years						
	258	276	305	0	0	0
Less future interest:				N/A	N/A	N/A
Present value of future liabilities	**258**	**276**	**305**	0	0	0
Less amount due within 12 months (recognized in short-term liabilities)	**76**	**63**	**59**			
Liabilities due after 12 months	**182**	**213**	**246**	0	0	0

The company uses machinery and means of transport under financial lease contracts with a purchase option. The future minimum lease rents under the said contracts and the present value of the minimum lease rents are as presented herein above.

Any lease contracts liabilities are denominated in PLN.

NOTE NO. 17 – TRADE LIABILITIES AND OTHER

Long-term liabilities	**30.06.2008 PLN '000**	**31.12.2007 PLN '000**	**30.06.2007 PLN '000**
Trade liabilities			
Other	94		
	94		

Short-term liabilities	**30.06.2008 PLN '000**	**31.12.2007 PLN '000**	**30.06.2007 PLN '000**
Trade liabilities	52,138	22,309	17,079
Other	16,479	20,218	55,670
	68,617	**42,527**	**72,749**

NOTE NO. 18 – TRANSACTIONS WITH RELATED UNDERTAKINGS

Transactions of the parent undertaking with related undertakings: as at 30.06.2008

	CCC Factory	**CCC Boty Czech**
Trade receivables	16	17,045
Trade liabilities	16,306	9
Loans granted		
Interest accrued		1,391

Transactions of the parent undertaking with related undertakings: as at 31.12.2007

	CCC Factory	CCC Boty Czech
Trade receivables	5	18,561
Trade liabilities	5,263	
Loans granted		
Interest accrued		1,653

Transactions of the parent undertaking with related undertakings: as at 30.06.2007

	CCC Factory	CCC Boty Czech
Trade receivables	1	12,695
Trade liabilities	7,205	
Loans granted		
Interest accrued		650

NOTE NO. 19 – OFF-BALANCE ITEMS
List of securities for liabilities contracted as at 30.06.2008

No.	Subject matter of agreement	Amount of agreement (limit available) in thousands PLN	Limit used in thousands PLN	Party extending facility	Security	Expiry Date
1.	Current account bank credit	30,000.00	27,771.00	BZ WBK S.A.	Bail mortgage on real estate in Polkowice up to PLN 36 mln	31.03.2009
2.	Revolving working capital credit	50,000.00	50,000.00	BZ WBK S.A.	Bail mortgage on real estate up to PLN 24 mln	31.03.2009
3.	Long-term credit	30,000.00	17,500.00	BZ WBK S.A.	Mortgage and registered pledge on stocks	09.03.2011
4.	Current account bank credit	5,000.00	4,019.00	Bank Handlowy w Warszawie S.A.	Footwear stocks up to PLN 12.1 mln	14.11.2008
5.	Limit for guarantees	18,000.00	15,230.00	BZ WBK S.A.	Bail mortgage on real estate up to PLN 15.4 mln	31.03.2009
6.	Limit for guarantees	8,000.00	6,026.00	Bank Handlowy w Warszawie S.A.	Footwear stocks	29.05.2009
7.	Master agreement on issuing and using PayLink cards	6,270.00	6,270.00	Bank Handlowy w Warszawie S.A.	Statement of surrender to enforced collection up to PLN 6.3 mln	30.12.2008

Under the agreement between Bank Handlowy w Warszawie S.A. and the parent company of the NG2 S.A. Capital Group, on the basis of which the bank finances our distribution channels, the bank was granted a guarantee amounting to PLN 6,270,000. The guarantee is recognized as an off-balance liability to the bank.

NOTE NO. 20 – CLASSIFICATION OF FINANCIAL INSTRUMENTS AND SENSITIVITY ANALYSIS

Classification of financial instruments

Long-term	2008-06-30	2007-12-31	2007-06-30
Financial assets valuated at fair value through financial results	-	-	-
a) designated as valuated at fair value upon initial recognition			
b) held for trading			
Financial instruments held to maturity			
Shares in subsidiary and affiliated undertakings			
Loans and receivables			
Financial liabilities valuated at fair value through financial results	-	-	-
a) designated as valuated at fair value upon initial recognition			
b) held for trading			
Financial liabilities valuated at amortised cost	(182)	(213)	(246)
	(182)	(213)	(246)

Short-term	2008-06-30	2007-12-31	2007-06-30
Financial assets valuated at fair value through financial results	-	-	-
a) designated as valuated at fair value upon initial recognition			
b) held for trading			
Financial instruments held to maturity			
Shares in subsidiary and affiliated undertakings			
Loans and receivables	105,873	87,602	71,389
Financial liabilities valuated at fair value through financial results		(2,866)	(3,114)
a) designated as valuated at fair value upon initial recognition			
b) held for trading		(2,866)	(3,114)
Financial liabilities valuated at amortized cost	(155,880)	(106,973)	(65,026)
	(50,007)	**(22,237)**	**3,249**

Credit risk

Maximum exposure to credit risk	2008-06-30	2007-12-31	2007-06-30
Financial assets valuated at fair value through financial results		(2,866)	(3,114)
Financial instruments held to maturity			
Shares in subsidiary and affiliated undertakings			
Loans and receivables	105,873	87,602	71,389
Cash and cash equivalents	10,068	10,887	18,240
Other financial instruments			
	115,941	**95,623**	**86,515**

Structure of trade liabilities by maturity

	Total as at 2008-06-30	Mature as at 2008-06-30	Due by 2008-07-30	Due by 2008-09-28	Due by 2008-12-27
goods	101,820	66,434	20,739	6,421	8,226
products	-				
	101,820	**66,434**	**20,739**	**6,421**	**8,226**

	Total as at 2007-12-31	Mature as at 2007-12-31	Due by 2008-01-30	Due by 2008-03-30	Due by 2008-06-28
goods	80,803	54,030	13,521	3,643	9,609
products	-				
	80,803	**54,030**	**13,521**	**3,643**	**9,609**

	Total as at 2007-06-30	Mature as at 2007-06-30	Due by 2007-07-30	Due by 2007-09-28	Due by 2007-12-27
goods	71,042	48,507	13,449	4,032	5,054
products	-				
	71,042	**48,507**	**13,449**	**4,032**	**5,054**

Age structure of trade receivables	2008-06-30	2007-12-31	2007-06-30
Gross amounts			
Non-overdue	66,434	54,030	48,507
Overdue	**37,243**	**29,371**	**24,481**
1-30 days	20,739	13,521	13,449
31-90 days	6,421	3,643	4,032
91-180 days	3,510	2,831	1,164
181-365 days	6,573	9,376	5,836
over 1 year			
	103,677	**83,401**	**72,987**
Depreciation			
Non-overdue			
Overdue	**1,857**	**2,598**	**1,945**
1-30 days			
31-90 days			
91-180 days			
181-365 days	1,875	2,598	1,945
over 1 year			
	1,875	**2,598**	**1,945**
Net amounts			
Non-overdue	66,434	54,030	48,507
Overdue	35,739	29,773	22,535
1-30 days	20,739	13,521	13,449
31-90 days	6,421	3,643	4,032
91-180 days	3,510	2,831	1,164
181-365 days	4,715	9,778	3,890
over 1 year			
	101,820	**80,803**	**71,042**

The main financial asset of the NG2 S.A. Capital Group is bank deposits, cash, trade receivables, other receivables which reflect the maximum exposition to credit risk in relation to financial assets.
The credit risk to which the company is exposed is mainly connected with trade receivables.
The amounts in the balance sheet are net amounts allowing for revaluation write-offs for doubtful receivables estimated by the management board of the company on the basis of previous experience and assessment of the present economic environment.
The credit risk relative to financial derivatives is limited because the parties to transactions are banks with a high credit rating granted by international rating agencies.
The NG2 S.A. Capital Group has no significant concentration of credit risk. The risk is distributed between numerous partners and customers.

Liquidity risk

Maturity analysis for credit obligations with interest

2008-06-30	Present value	Cash-flow value contracted	up to 1 year	1 to 3 years	3 to 5 years	3 to 5 years
Financial liabilities excluding derivatives	(96,138)	(96,138)	(95,956)	(182)	-	-
Financial lease contracts liabilities	(258)	(258)	(76)	(182)		
Current account bank credits	(36,500)	(36,500)	(36,500)			
Other interest bearing liabilities		-				
Trade liabilities and other	(59,380)	(59,380)	(59,380)			
Financial liabilities - derivatives				-	-	-
Currency forwards		-				
Interest rate swaps		-				
Currency options						
Other derivatives		-				
	(96,138)	(96,138)	(95,956)	(182)	-	-

2007-12-31	Present value	Cash-flow value contracted	up to 1 year	1 to 3 years	3 to 5 years	3 to 5 years
Financial liabilities excluding derivatives	(107,186)	(107,186)	(106,973)	(213)	-	-
Financial lease contracts liabilities	(276)	(276)	(63)	(213)		
Current account bank credits	(31,790)	(31,790)	(31,790)			
Other interest bearing liabilities		-				
Trade liabilities and other	(75,120)	(75,120)	(75,120)			
Financial liabilities - derivatives	(2,866)	(2,866)	(2,866)	-	-	-
Currency forwards		-				
Interest rate swap		-				
Currency options	(2,866)	(2,866)	(2,866)			
Other derivatives		-				
	(110,052)	(110,052)	(109,839)	(213)	-	-

2007-06-30	Present value	Cash-flow value contracted	up to 1 year	1 to 3 years	3 to 5 years	3 to 5 years
Financial liabilities excluding derivatives	(37,966)	(65,272)	(65,026)	(246)	-	-
Financial lease contracts liabilities	(305)	(305)	(59)	(246)		
Current account bank credits	(19,016)	(46,322)	(46,322)			
Other interest bearing liabilities		-				
Trade liabilities and other	(18,645)	(18,645)	(18,645)			
Financial liabilities - derivatives	(3,114)	(3,114)	(3,114)	-	-	-
Currency forwards		-				
Interest rate swap		-				
Currency options	(3,114)	(3,114)	(3,114)			
Other derivatives		-				
	(41,080)	(68,386)	(68,140)	(248)	-	

Market risk

Interest rate risk

Interest rate risk exposure (maximum exposure) profile

Fixed interest rate instruments	Present value 2008-06-30	Present value 2007-12-31	Present value 2007-06-30
Financial assets			
Financial liabilities			
Floating interest rate instruments			
Financial assets			
Financial liabilities	(96,500)	(81,790)	(46,322)
	(96,500)	(81,790)	(46,322)

Analysis of the sensitivity of floating interest rate financial instruments to changes in market interest rates

	Profit (loss)		Equity	
Effect of changes in interest rates for period ending:	Increase by 1%	decrease by 1%	Increase by 1%	decrease by 1%
2008-06-30	(965)	965		
2007-12-31	(818)	818		
2007-06-30	(463)	463		

Interest rate risk exposure (maximum exposure) profile through the presentation of financial instruments broken down by currencies (data in the reporting currency)

Data of balances relative to unrelated undertakings

2008-06-30	Functional currency	EUR	USD	CZK	CHF
Other investments					
Trade receivables and other	54,729	5,298	15,487		
Interest bearing loan and credit liabilities					
Trade liabilities and other	(7,512)	(763)	(2,333)		(4)
Balance sheet exposure to interest rate risk concerning the balances to unrelated undertakings not consolidated according to the full method	**47,217**	**4,535**	**13,154**		**(4)**

2007-12-31	Functional currency	EUR	USD	CZK	Other currencies
Other investments					
Trade receivables and other	40,613	3,179	13,536	400	

Interest bearing loan and credit liabilities					
Trade liabilities and other	(898)	(211)	(58)		
Balance sheet exposure to interest rate risk concerning the balances to unrelated undertakings not consolidated according to the full method	**39,715**	**2,968**	**13,478**	**400**	

2007-06-30	**Functional currency**	**EUR**	**USD**	**PLN**	**Other currencies**
Other investments					
Trade receivables and other	32,420	1,502	9,562		
Interest bearing loan and credit liabilities					
Trade liabilities and other	(4,545)	(1,002)	(275)		
Balance sheet exposure to interest rate risk concerning the balances to unrelated undertakings not consolidated according to the full method	**27,875**	**500**	**9,287**		

Analysis of the sensitivity of financial instruments expressed in foreign currencies to changes in those currencies

	Profit (loss)		**Equity**	
Effect of changes in foreign exchange rates for period ending:	Increase in foreign exchange rates by 5%	Decrease in foreign exchange rates by 5%	Increase in foreign exchange rates by 5%	Decrease in foreign exchange rates by 5%
2008-06-30	2,361	(2,361)		
2007-12-31	1,986	(1,986)		
2007-06-30	1,394	(1,394)		

SIGNATURE OF THE PERSON AUTHORIZED TO KEEP ACCOUNT BOOKS		
Edyta Banaś	Chief Accountant	

SIGNATURES OF ALL THE MEMBERS OF THE MANAGEMENT BOARD		
Dariusz Miłek	President of the Management Board	
Lech Chudy	Vice-president of the Management Board	
Mariusz Gnych	Vice-president of the Management Board	

Polkowice, this 29th day of September 2008

VII. ADDITIONAL EXPLANATIONS

7.1 Information on applying average exchange rates of PLN, published by the National Bank of Poland, in the period reported in the financial statements and comparable financial data in relation to EUR

Financial period	Average exchange rate in the period	Minimum exchange rate in the period	Maximum exchange rate in the period	Exchange rate as at the last day of the period
01.01 – 30.06.2008	3.4776	3.3542	3.6577	3.3542
01.01 – 30.06.2007	3.8486	3.7465	3.9385	3.7658

Financial data converted to EUR in the following manner:
- particular assets and liabilities at average exchange rates published by the National Bank of Poland as at 30.06.2008 and 30.06.2007;
- particular items of the profit and loss account and cash flow statement at exchange rates being the arithmetic mean of average exchange rates published by the National Bank of Poland as at the last day of each finished month in the following reporting periods: 01.01.2008 - 30.06.2008 and 01.01.2007 – 30.06.2007.

7.2 Description of differences between the financial results presented previously

On 11 August 2008, the issuer submitted the interim report S.A. QSr II/2008 with a profit and loss account showing a consolidated net profit of PLN 49.8 mln. After controlling of the financial statements, the net profit was adjusted up to PLN 48.8 mln. The adjustments concerned particularly:
1) “cost of sales” – adjustments were made in connection with the underestimation of the deferred costs of packaging and deviations of the inventory prices of goods imported;
2) “other operating income” – contra entry of the negative valuation of advances was made;
3) “other operating costs” – reserves were re-assessed;
4) “financial costs” – contra entry of the positive balance-sheet valuation of shares was made

7.3 Statement by business and geographical segments

The basic division is a division by business segments. There are three industry segments in the Group:

- **wholesale**
- **retail**
- **services (tenancy)**

Type of goods and services in each of the business segments reported.
1. Segment: wholesale
In this segment NG2 S.A. and CCC Factory Sp. z o.o. sell shoes to wholesale customers.
2. Segment: retail
In this segment NG2 S.A. and CCC BOTY CZECH s.r.o. sell shoes to its own retail network.
3. Segment: services
In this segment NG2 S.A. sub-lets facilities (sales outlets) within the franchise network.

The NG2 S.A. Capital Group does not apply the division by geographical segments, because the international sales segment did not reach the appropriate 10% thresholds as laid down in IFRS 14.

I-VI 2008	Retail	Wholesale	Tenancy services	Unallocated items	Group
Income from sales	257,624	74,636	7,707		339,967
Cost of sales	(99,788)	(49,441)	(7,002)	(1,504)	(157,735)
Gross profit from sales	157,836	25,195	705	(1,504)	182,232
Cost of sales and overheads	(105,629)	(3,020)		(9,201)	(117,850)
Other operating income (cost) - (balance)				(387)	(387)
Operating profit	52,207	22,175	705	(11,092)	63,995
Financial income (cost) - (balance)				(5,559)	(5,559)
Profit before tax					58,436
Income tax					(9,625)
Net profit					48,811

I-VI 2007	Retail	Wholesale	Tenancy services	Unallocated items	Group
Income from sales	175,037	68,417	6,834		250,288
Cost of sales	(72,466)	(41,710)	(6,566)	(1,548)	(122,290)
Gross profit from sales	102,571	26,707	268	(1,548)	127,998
Cost of sales and overheads	(70,733)	(2,742)		(9,468)	(82,943)
Other operating income (cost) - (balance)				(2,592)	(2,592)
Operating profit	31,838	23,965	268	(13,608)	42,463
Financial income (cost) - (balance)				(7,894)	(7,894)
Profit before tax					34,569
Income tax					(6,342)
Net profit					28,227

Reclassification of comparable amounts

The companies of the Capital Group changed the business segments reclassifying in 2008:

- cost of sales
- overheads

Previously, cost of sales not directly connected with the cost incurred by own sales outlets was recognized in the “wholesale” segment. In 2008 costs generated by organizational units operating within particular segments were allocated with the use of an allocation key. The costs of the organizational units not linked with the separate segments ware included in the unallocated items.
The overheads of CCC Factory Sp. z o.o. were shown in the “wholesale” segment. In 2008 overheads were allocated with the use of an allocation key to the “retail” and “wholesale” segments.
Comparable data were presented according to new rules.

7.4 Information on credits and loans taken out as well as sureties and guarantees granted to the issuer

1) On 9 August 2005 the Issuer concluded three significant agreements with Bank Zachodni WBK S.A. with its registered office in Wrocław, ul. Rynek 9/11: current account credit agreement, revolving working capital credit agreement and limit order for bank guarantees agreement amounting to a total of PLN 64,000,000. The criterion for accepting the agreements as significant is the value of the Company's equity.

Under the current account credit agreement, NG2 S.A. was granted a current account credit facility amounting to PLN 30,000,000 to finance its current operations. The facility was extended from 30 August 2005 until its full repayment, not later, however, than by 27 August 2007. The Company will pay the Bank interest for the use of the facility at the WIBOR floating rate for one-month inter-bank PLN deposits plus a Bank margin. The other terms and conditions of the agreement are not very much different from those generally applied in agreements of this kind. On 06.08.2007, the Company concluded annexes with BZ WBK S.A. to the agreement imposing a limit on the current account credit up to PLN 35,000,000 with a maturity on 17.08.2007 and a limit of PLN 30,000,000 with a maturity on 31.03.2008 (information announced in RB [Current Report] No. 40/2007). On 31.03.2008 an annex to the agreement was signed which stipulated a new maturity as at 31.03.2009 (RB No. 15/2008).

Under the revolving working capital credit agreement, the issuer was granted a revolving working capital credit facility amounting to PLN 20,000,000 to finance shortages of working capital from 27 August 2005 until its full repayment, not later, however, than by 27 August 2007. The Company will pay the Bank interest for the use of the facility at the WIBOR floating rate for one-month inter-bank PLN deposits plus a Bank margin. The other terms and conditions of the agreement are not very much different from those generally applied in agreements of this kind. On 23.02.2007, the Company concluded an annex with BZ WBK S.A. to the revolving working capital credit agreement raising the limit on the credit up to PLN 50,000,000 and stipulating a new maturity as at 31.03.2008 (RB No. 12/2007). On 31.03.2008 an annex to the agreement was signed which stipulated a new maturity as at 31.03.2009 (RB No. 15/2008).

Under the limit order for bank guarantees agreement, the Bank granted NG2 S.A. a guarantee limit amounting to PLN 14,000,000 on the basis of which it will provide guarantees securing tenancy agreements pertaining to the renting of service provision facilities from the execution date of the agreement up to 8 August 2006. After that period, the limit will correspond to the amount of unexpired guarantees. The Company will pay the Bank a commission for granting the guarantee. The other terms and conditions of the agreement are not very much different from those generally applied in agreements of this kind.
On 06.08.2007, the Company concluded an annex with BZ WBK S.A. to the limit order for bank guarantees agreement up to PLN 16,000,000 to 30.09.2007, PLN 17,000,000 to 31.12.2007, PLN 18,000,000 to 31.03.2009.

2) On 21 November 2007, NG2 S.A. concluded a current account credit agreement, amounting to PLN 5,000,000, with Bank Handlowy w Warszawie Spółka Akcyjna with its registered office in Warsaw, ul. Senatorska 16, with a maturity on 14.11.2008. The other terms and conditions of the agreement are not very much different from those generally applied in agreements of this kind.

3) On 25 July 2005, NG2 S.A. concluded a revolving line of credit agreement with Bank Handlowy w Warszawie Spółka Akcyjna with its registered office in Warsaw, ul. Senatorska 16, to service and

finance commercial transactions. On 1 September 2008 a contribution revolving limit was established amounting to PLN 8,000,000 applicable up to 29.05.2009.

7.5 Information on credits, loans, sureties and guarantees granted

Not applicable.

7.6 Agreements concluded by and between the issuer and persons of the management, stipulating a compensation for resigning from the post or dismissal

Not applicable.

7.7 Information on agreements significant to the issuer's business

In the reporting period no agreements significant to the issuer's business were concluded.

7.8 Description of transactions with related undertakings

1) In the reporting period, the parent company concluded transactions with related undertakings concerning the purchase and sale of services and commercial goods for distribution purposes in accordance with market conditions. The value of the transactions with CCC Factory Sp. z o.o. was PLN 51,411,000. The value of the transactions with CCC BOTY CZECH s.r.o. was PLN 11,421,000.

2) In the reporting period, i.e. on 28.01.2008, the issuer was granted a loan from CCC Factory Sp. z o.o. amounting to PLN 14,500,000. The loan was repaid, as well as interest, on 23.06.2008.

3) On 25 June 2008 a resolution was adopted on increasing the initial capital of CCC Boty Czech s.r.o. through the conversion of debts of CCC BOTY CZECH s.r.o. towards NG2 S.A. The conversion amounting to CZK 40,800,000 was effected on 25.06.2008. The initial capital of CCC BOTY CZECH s.r.o. was increased from CZK 34,000,000 up to CZK 75,000,000. On 15 September 2008, the Municipal Court in Prague (the Czech Republic) registered the increase of the initial capital of CCC BOTY CZECH s.r.o. with its registered office in Prague.
After the increase was registered, NG2 S.A. holds 100% of shares in CCC BOTY Czech s.r.o., representing 100% of votes at the general meeting of shareholds.

7.9 Managing and supervising persons' remuneration

In the period from 1 January up to 30 June 2008, the managing and supervising persons' remuneration was 467,400, and the Supervising Board's was 56,500.

7.10 Information on the agreement concluded with an entity authorised to audit financial statements

On 19 May 2008 the parent company of the NG2 S.A. Capital Group concluded an agreement with BDO Numerica S.A. concerning the in-year review of separate and consolidated annual financial statements as at 31 December 2007.
Under the agreement concluded with the entity authorised to audit and review financial statements, the net remuneration for the aforementioned services is PLN 165,000.
In the previous financial year BDO Polska Sp. z o.o. received remuneration of PLN 159,600 (net).

VIII. SEPARATE FINANCIAL STATEMENTS

8.1 Separate financial highlights

SEPARATE FINANCIAL HIGHLIGHTS	in thousands PLN		in thousands PLN	
	period from 2008-01-01 up to 2008-06-30	period from 2007-01-01 up to 2007-06-30	period from 2008-01-01 up to 2008-06-30	period from 2007-01-01 up to 2007-06-30
I. Net income from the sale of goods and materials	329,165	246,237	94,653	63,981
II. Operating profit (loss)	55,710	37,070	16,020	9,632
III. Gross profit (loss)	50,661	29,448	14,568	7,652
IV. Net profit (loss)	40,877	21,826	11,754	5,671
V. Net operating cash flows	(4,088)	6,291	(1,176)	1,653
VI. Net investment cash flows	(18,346)	(22,895)	(5,275)	(5,949)
VII. Net financial cash flows	23,536	26,013	6,768	6,759
VIII. Total net cash flows	1,107	9,409	318	2,445
IX. Total assets	495,746	280,181	120,967	74,401
X. Liabilities and reserves for liabilities	192,517	126,925	57,396	33,705
XI. Long-term liabilities	19,034	1,463	5,675	388
XII. Short-term liabilities	173,483	125,462	51,721	33,316
XIII. Equity	213,229	153,256	63,571	40,697
XIV. Initial capital	3,840	3,840	1,145	1,020
XV. Number of shares (pcs.)	38,400,000	38,400,000	38,400,000	38,400,000
XVI. Profit (loss) per ordinary share (in PLN/EUR)	1,06	0,57	0,30	0,15
XVII. Diluted profit (loss) per ordinary share (in PLN/EUR)	1,06	0,57	0,30	0,15
XVIII. Book value per share (in PLN/EUR)	5,55	3,99	1,65	1,06
XIX. Diluted book value per share (in PLN/EUR)	5,55	3,99	1,65	1,06
XX. Declared or paid dividend per share (in PLN/EUR)	-	1	-	0,26

8.2 Balance sheet of NG2 S.A.

BALANCE SHEET OF NG2 S.A. (in thousands PLN)	as at 2008-06-30	as at 2007-12-31	as at 2007-06-30
Fixed assets			
Goodwill			
Other intangible assets	1,241	260	261
Tangible assets	89,620	74,437	59,941
Long-term investments	34,813	29,498	30,247
Long-term receivables	263	293	323
Financial assets available for sale			
Deferred tax assets	3,347	2,354	2,037
Total fixed assets	**129,284**	**106,842**	**92,809**
Current assets			
Stocks	158,809	91,366	84,918
Trade debtors and other amount due	112,822	96,192	86,193
Derivative financial instruments			
Cash and cash equivalents	4,831	3,742	16,261
Financial assets held for trading			
Other current assets			
Total current assets	**276,462**	**191,282**	**187,372**
Total assets	**405,746**	**298,124**	**280,181**
Equity			

Share capital	3,840	3,840	3,840
Share premium surplus	74,586	74,586	74,586
Own shares			
Other capitals	95,860	53,004	53,004
Profit (loss) brought forward	(1,934)	(1,934)	
Hedge valuation reserve and foreign currency gains/losses from consolidation			
Net profit (loss)	40,877	42,856	21,826
Total equity	**213,229**	**172,352**	**153,256**
Long-term liabilities			
Long-term bank credits and loans	17,500		
Reserves for deferred tax	821	876	754
Long-term reserves	530	510	463
Long-term financial lease contracts liabilities	183	213	246
Total long-term liabilities	**19,034**	**1,599**	**1,463**
Short-term liabilities			
Trade liabilities and other	59,795	27,735	64,314
Employee benefits	10,384	8,923	6,729
Income tax liabilities	5,751	1,390	4,373
Short-term financial lease contracts liabilities	63	63	59
Short-term bank credits and loans	91,697	81,790	46,322
Derivative financial instruments		2,866	3,114
Short-term reserves	5,793	1,406	551
Total short-term liabilities	**173,483**	**124,173**	**125,462**
Total liabilities	**405,746**	**298,124**	**280,181**

8.3 Off-balance sheet items of NG2 S.A.

OFF-BALANCE SHEET ITEMS OF NG2 S.A. (in thousands PLN)	**as at 2008-06-30**	**as at 2007-12-31**	**as at 2007-06-30**
III. Receivables	**32,935**	**32,935**	**32,935**
1. Contingent receivables			
1.1 From related undertakings (relative to)			
- guarantees and warranties received			
1.2 From other undertaking (relative to)			
- guarantees and warranties received			
2. Other receivables			
1.2 From other undertakings (relative to)	**32,935**	**32,935**	**32,935**
- guarantees and warranties received	32,935	32,935	32,935
IV. LIABILITIES	**36,026**	**33,680**	**31,387**
1. Contingent liabilities			
1.1 To related undertakings (relative to)			
- bills of security			
1.2 To other undertakings (relative to)			
- customs guarantees			
- other guarantees			
- bills of security			
- security established			
2. Other liabilities	**36,026**	**33,680**	**31,387**
2.1 To related undertakings (relative to)			
- bills of security			
2.2 To other undertakings (relative to)	**36,026**	**33,680**	**31,387**

- customs guarantees	8,500	8,500	8,500
- other guarantees	21,256	19,540	17,247
- bills of security			
- security established	6,270	5,640	5,640
Total off-balance sheet items	**68,961**	**66,615**	**64,322**

8.4 Profit and loss account of NG2 S.A.

PROFIT AND LOSS ACCOUNT OF NG2 S.A. (in thousands PLN)	**period from 2008-01-01 up to 2008-06-30**	**period from 2007-01-01 up to 2007-06-30**
Income from sales	329,165	246,237
Costs of manufacture of products sold	(163,991)	(131,841)
Gross profit (loss) on sales	**165,174**	**114,396**
Other operating income	5,816	1,583
Cost of sales	(107,890)	(75,085)
Overheads	(1,132)	(869)
Other operating costs	(6,258)	(2,955)
Operating profit (loss)	**55,710**	**37,070**
Other profit (loss) on investments	58	309
Financial costs	(5,107)	(7,931)
Profit (loss) before tax	**50,661**	**29,448**
Income tax	(9,784)	(7,622)
Net profit (loss) on continued operations	40,877	21,826
Discontinued operations		
Net loss on discontinued operations		
Net profit (loss)	**40,877**	**21,826**
Profit (loss) per share		
On continued operations		
- ordinary	1.06	0.57
- diluted	1.06	0.57

8.5 Statement of changes in equity of NG2 S.A. (in thousands PLN)

STATEMENT OF CHANGES IN EQUITY OF NG2 S.A. (in thousands PLN)	as at 2008-06-30	as at 2007-12-31	as at 2007-06-30
I. Equity at the beginning of period (opening balance)	174,286	169,830	169,830
1. Initial capital at the beginning of period	3,840	3,840	3,840
Increase (+)/ decrease (-) as a result of issue of shares			
Other increase/ decrease			
1.1 Initial capital at the end of period	3,840	3,840	3,840
2. Share premium account at the beginning of period	74,586	74,586	74,586
Increase (+)/ decrease (-) as a result of issue of shares			
Other increase/ decrease			
2.1 Share premium account at the end of period	74,586	74,586	74,586
3. Other reserves at the beginning of period	53,004	42,320	42,320
Increase (+)/ decrease (-) as a result of sale and disposal of fixed assets			
Increase (+)/ decrease (-) as a result of distribution of profits	42,856	49,084	49,084
Dividends		(38,400)	(38,400)
Other increase/ decrease			
3.1 Other reserves at the end of period	95,860	53,004	53,004
4. Foreign exchange differences on translation of subordinated undertakings			
Foreign exchange differences at the beginning of period			
Increase/ Decrease			
Foreign exchange differences at the end of period			
5. Profit (loss) brought forward at the beginning of period	40,922	49,084	49,084
Increase (+)/ decrease (-) as a result of distribution of profits	(42,856)	(49,084)	(49,084)
Adjustments for errors of previous years		(1,934)	
Reclassification of loss brought forward to be covered			
Other increase/ decrease			
5.1 Profit (loss) brought forward at the end of period	(1,934)	(1,934)	-
6. Net result	40,877	42,856	21,826
a) net profit	40,877	42,856	21,826
b) net loss			
c) write-offs from profit			
7. Net profit (loss) recognized directly in equity			
8. Total net profit (loss)	40,877	42,856	21,826
II. Equity after adjustments for the proposed distribution of profits (coverage of loss)	213,229	172,352	153,256

8.6 Cash flow statement

CASH FLOW STATEMENT OF NG2 S.A. (in thousands PLN)	period from 2008-01-01 up to 2008-06-30	period from 2007-01-01 up to 2007-06-30
Gross profit (loss)	50,661	29,448
Adjustments:	(54,744)	(23,157)
Share in net profit (loss) of affiliated undertakings		
Amortization and depreciation	4,479	3,015
Impairment of fixed assets		
Impairment of goodwill		
Profit (loss) on measure of investment real estate at fair value		
Write-off of negative goodwill to the profit and loss account for the current year		
Profit (loss) on valuation of derivative instruments	(2,866)	5,624
Foreign exchange profits (losses)	3	124
Interest and profit sharing		
Investment profits (losses)	402	(30)
Interest expense	3,577	1,218
Movements in reserves	4,407	(153)
Movements in stock	(67,443)	(24,283)
Movements in receivables	(21,495)	(7,437)
Movements in short-term liabilities except for loans and credits	31,471	11,018
Movements in prepayments and accruals	(809)	(170)
Cash generated in operations		
Income tax paid	(6,470)	(12,083)
Interest paid		
Other adjustments		
Net cash flows from operations	**(4,083)**	**(6,291)**
Investment cash flows		
Interest received	263	50
Dividends from affiliated undertakings		
Dividends from investments available for sale		
Inflows from sale of investments held for trading		
Inflows from sale of investments available for sale		
Inflows from sale of subsidiary undertaking		
Inflows from sale of intangible assets		
Inflows from sale of tangible fixed assets	35	57
Inflows from sale of investment real estate		
Purchase of investments held for trading		
Purchase of investments available for sale		
Purchase of subsidiary undertaking		
Purchase of intangible assets	1,096	120
Purchase of tangible fixed assets	17,548	12,154
Purchase of investment real estate		
Purchase of financial assets in affiliated undertaking		10,728
Net investment cash flows	**(18,346)**	**(22,895)**

Net financial cash flows		
Net inflows from issue of shares and other capital instruments and additional contributions to equity		
Inflows from credits and loans	58,407	27,305
Issue of debt securities and other securities possible to change into shares		
Interest received		
Dividends and other payments to shareholders		
Repayment of credits and loans	31,000	
Redemption of debt securities		
Payments under finance lease contracts	31	25
Interest	3,840	1,267
Other financial outlays		
Net financial cash flows	**23,536**	**26,013**

Total cash flows	**1,107**	**9,409**
Net increase / (decrease) in cash and cash equivalents	1,107	9,409
Cash and cash equivalents at the beginning of period	**3,724**	**6,852**
Cash and cash equivalents at the end of period	**4,831**	**16,261**

SIGNATURE OF THE PERSON AUTHORIZED TO KEEP ACCOUNT BOOKS		
Edyta Banaś	Chief Accountant	

SIGNATURES OF ALL THE MEMBERS OF THE MANAGEMENT BOARD		
Dariusz Miłek	President of the Management Board	
Lech Chudy	Vice-president of the Management Board	
Mariusz Gnych	Vice-president of the Management Board	

Polkowice, this 29th day of September 2008