INTERIM REPORT

ON THE OPERATIONS OF

THE NG2 S.A. CAPITAL GROUP AND NG2 S.A.

FOR THE PERIOD

FROM 1 JANUARY 2012 TO 30 JUNE 2012

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

As on 30 June 2012, the NG2 S.A. Capital Group was composed of:

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

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

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

Table 1. Entities comprising the NG2 S.A. Capital Group as on 30 June 2012.

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

2. Information about markets and supply sources.

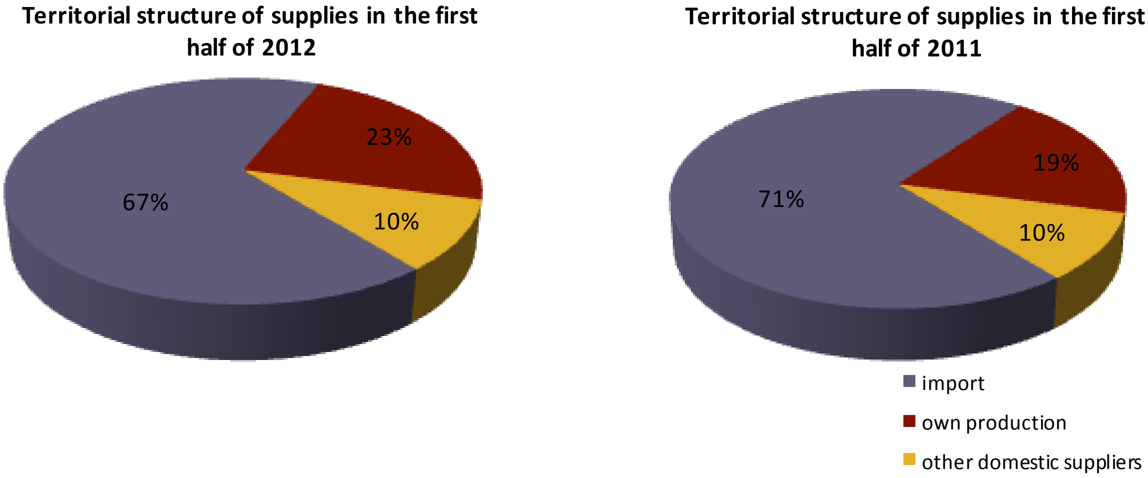
In the first half of 2012 the share of retail sales in total sales amounted to 94.6 per cent (89.6 per cent in the first half of 2011). Developing retail salons is an important factor in improving business profitability due to the higher retail margin it offers. In the case of franchises, the dominant entity generates a lower wholesale margin. The sales structure of the NG2 S.A. Capital Group is presented in table 2.

Table 2. Sales structure of the NG2 S.A. Capital Group by distribution channel

CATEGORY	1st half of 2012		1st half of 2011	
	thousands PLN	percentage share	thousands PLN	percentage share
Retail sales	551 773	94.6	433 989	89.6
Franchise and other sales	31 243	5.4	50 268	10.4
Total	**583 016**	**100.0**	**484 257**	**100.0**

2. Information about markets and supply sources. (continued)

Figure 1. Major sources of product supplies for the NG2 S.A. Capital Group (value)



The NG2 S.A. Capital Group's primary supply sources are Polish vendors, its own factory and imports. The supply structure (Poland, imports) remains constant. Depending on the economic situation, the Group is able to quickly change its foreign supply sources. The footwear imported from China comes from several dozen manufacturers.

3. Primary business and financial figures disclosed in the abbreviated interim consolidated financial statements, in particular, a description of the factors and circumstances, including non-typical factors and circumstances, which materially affect the Group's business and the profits generated or losses incurred by the Group in the financial year, as well as growth prospects for the Group's business, at least for the next financial year.

As on 30 June 2012, the NG2 S.A. Capital Group's sales network comprised 708 locations, which included:

- 340 CCC retail stores in Poland, including: 28 agency stores, (282 - as on 30 June 2011),
- 35 QUAZI boutiques (46 boutiques as on 30 June 2011),
- 190 own BOTI stores (216 stores as on 30 Jun 2011),
- 85 franchise stores, including: 54 BOTI stores, 23 CCC salons in Poland, 5 CCC salons in Russia, 1 CCC salon in Latvia, 1 CCC salon in Romania and 1 CCC salon in Kazakhstan (117 stores, including 67 BOTI stores as on 30 June 2011),
- 56 CCC retail salons in the Czech Republic (47 salons as on 30 June 2011),
- 3 CCC retail salons in Slovakia.

The retail space in its own shops increased by 16.7 per cent and amounts to 167,800 sq. m as on 30 June 2012 (including 148,600 sq. m in Poland) in comparison to 143,800 sq. m as on 30 June 2011 (including 129,100 sq. m in Poland).
The franchise space decreased by 25.2 per cent and amounts to 15,400 sq. m as on 30 June 2012 (including 12,400 sq. m in Poland) in comparison to 20,600 sq. m as on 30 June 2011 (including 20,200 sq. m in Poland).

3. Primary business and financial figures (…) (continued)

Key values and business and financial figures are contained in the tables below:

Table 3. Key business and financial figures of the NG2 S.A. Capital Group

Figure	1st half of 2012 (thousands PLN)	1st half of 2011 (thousands PLN)	percentage difference
net revenue from sale	583 016	484 257	20.39%
gross earnings from sale	296 447	269 898	9.84%
cost of sales and management	234 622	211 966	10.69%
profit loss on operating activity (EBIT)	58 953	55 561	6.11%
gross profits	51 773	51 826	-0.10%
net profits	45 453	41 683	9.04%
shareholders' equity	468 690	410 481	14.18%
liabilities and provisions	496 997	405 988	22.42%
long-term liabilities and long-term provisions	162 200	135 788	19.45%
short-term liabilities and short-term provisions	334 797	270 200	23.91%
total assets	965 687	816 469	18.28%
non-current assets	379 361	323 824	17.15%
current assets	586 326	492 645	19.02%
inventory	452 989	333 732	35.73%
short-term receivables	82 297	99 781	-17.52%

In the first half of 2012 the NG2 S.A. Capital Group generated a revenue from sales of PLN 583,016,000 (+20.4 per cent year on year). Revenue from retail sales amounted to PLN 551,773,000 compared to PLN 433,989,000 in the first half of 2011 (+27.1 per cent year on year). In the same period, the proceeds from franchise and other sales amounted to PLN 31,243,000 (-37.8 per cent year on year). The change in the structure of sales revenue sources is consistent with the Group's growth strategy.

Lower growth of the gross earnings from sale (9.8 per cent year on year) than in the case of revenue from sales is a consequence of weakening of the Polish currency with respect to USD and EUR (higher costs of purchasing goods).

In the period under discussion, the cost of sales and management increased by PLN 22,656,000 (+10.7 per cent year on year). The ratio of the cost of sales and management to revenues from sales improved and amounted to 0.402 (0.438 – 30 June 2011).

3. Primary business and financial figures (…) (continued)

The balance sheet of the NG2 S.A. Group as on 30 June 2012 shows a total amount of assets and liabilities of PLN 965,687,000. The balance sheet sum increased by 18.3 per cent compared to its value as on 30 June 2011. The growth on the tangible asset side was primarily caused by the dynamic growth in tangible fixed assets by PLN 13,789,000 (+4.2 per cent year on year) related to the construction of a new logistic centre and development of the sales network.
Material changes in current assets included an increase in inventory by PLN 119,257,000 (+35.73 per cent year on year), caused, among other things, by expansion of the sales network and an earlier than in the previous period delivery of the fall/winter season products.
Trade receivables and other receivables dropped to PLN 80,340,000 (PLN 99,781,000 as on 30 June 2011).
On the liabilities side, major changes included an increase in liabilities under long-term and short-term loans to PLN 291,738,000 (PLN 206,286,000 as on 30 June 2011). The increase in liabilities ensues from higher share of financing the NG2 S.A. Capital Group's activities with external capital. Trade liabilities and other liabilities dropped to PLN 165,111,000 (PLN 174,533,000 as on 30 June 2011).

Table 4. Profitability ratios

Figure	1st half of 2012 (per cent)	1st half of 2011 (per cent)	percentage difference
gross profit margin on sales	50.85	55.73	-8.8%
operating profitability (EBIT)	10.11	11.47	-11.9%
gross profitability	8.88	10.70	-17.0%
net profitability	7.80	8.61	-9.4%
return on assets (ROA)	4.71	5.11	-7.8%
return on equity (ROE)	9.70	10.15	-4.4%

Definitions:

a) **gross profit margin on sales** – ratio of gross margin on sales to sales revenue,
b) **operating profitability (EBIT)** – ratio of operating profit to sales revenue,
c) **gross profitability** – ratio of gross profit to sales revenue,
d) **net profitability** – ratio of net profit to sales revenue,
e) **return on assets (ROA)** – ratio of net profit to the position of assets,
f) **return on equity (ROE)** – ratio of net profit to the position of equity.

Table 5. Liquidity ratios

Figure	1st half of 2012	1st half of 2011	percentage difference
acid test ratio	1.75	1.82	-3.8%
quick liquidity ratio	0.40	0.59	-32.2%
stock rotation ratio (days)	295	246	19.9%
liabilities rotation ratio (days)	25	32	-21.9%
trade liabilities rotation ratio (days)	56	53	5.7%

3. Primary business and financial figures (…) (continued)

Definitions:

a) **acid test ratio** – ratio of total current assets to the value of short-term liabilities and short-term provisions,
b) **quick liquidity ratio** – ratio of total current assets less provisions to the value of short-term liabilities and short-term provisions,
c) **stock rotation ratio** – ratio of mid-sized stock to the cost of goods and services sold, multiplied by the number of days in the reference period,
d) **receivables rotation ratio** – ratio of mid-range trade receivables and other receivables to sales revenue, multiplied by the number of days in the reference period,
e) **liabilities rotation ratio** – ratio of mid-range liabilities to the cost of goods and services sold, multiplied by the number of days in the reference period.

Table 6. Debt and asset financing ratios

Figure	1st half of 2012 (per cent)	1st half of 2011 (per cent)	percentage difference
share of own funds in the financing of current assets (per cent)	79.94	83.32	-4.1%
ratio of coverage of fixed assets with shareholders' equity	123.55	126.76	-2.5%
overall debt ratio	51.47	49.72	3.5%
long-term debt ratio	16.80	16.63	1.0%
short-term debt ratio	34.67	33.09	4.8%
ratio of liabilities to shareholders' equity	106.04	98.91	7.2%

Definitions:

a) **share of own funds in the financing of current assets** – ratio of own funds to current assets,
b) **ratio of coverage of fixed assets with shareholders' equity** – ratio of shareholders' equity to fixed assets,
c) **overall debt ratio** – ratio of the total value of liabilities and provisions to the value of assets,
d) **long-term, short-term debt ratio** – ratio of, respectively, long-term liabilities, long-term provisions, short-term liabilities, and short-term provisions to the balance sheet sum,
e) **ratio of liabilities to shareholders' equity** – ratio of total liabilities and provisions as at the end of the reference period to the value of shareholders' equity.

The Management Board of NG2 S.A. has assessed highly the Company's ability to discharge any obligations incurred thereby.

4. Description of material risks and threats, and the extent to which the Capital Group Companies are affected by these risks and threats.

In the opinion of the Management Board of the dominant entity, the activity of NG2 S.A. Capital Group Companies is affected by the following factors:

1. Internal factors:

- Strengthening of own sales network. The NG2 Capital Group retail sales network is planned to be expanded in 2012 by approximately 20 per cent (30,000 sq. m).
- Efforts to increase brand recognisability and value. Appropriate advertising and promotional tools, store décor and presence in high-profile venues should help consistently enhance and strengthen the image of the brands owned by the NG2 S.A. Capital Group.

2. External factors:

- Currency exchange rates. Due to the fact that NG2 S.A. Capital Group Companies generate revenues in PLN, CZK and EUR, and the majority of their costs is incurred in foreign currencies, the exchange rates of CZK, USD and EUR (practically the entire Group imports are denominated in these currencies, as is a considerable portion of leases) will affect the cost structure, and the potential change of supply sources and recording currency exchange differences in the overall income statement. As the Chinese market is the primary supply market for the NG2 S.A. Capital Group, the exchange rate of the Chinese currency to world's major currencies is also very important. Its appreciation may affect import terms. Some of the costs resulting from currency fluctuations may be transferred to the consumer.

- Interest rate changes. The NG2 S.A. Capital Group is exposed to the risk of interest rate changes in relation to the loan agreements concluded. The loans are subject to a variable interest rate based on WIBOR. Interest rate increases will affect the value of interest on the loans to be paid.
- Credit risk. This risk derives from the uncertainty as to whether and when amounts due will be repaid. Wholesale also includes deferred payment sale, which exposes the NG2 S.A. Capital Group to the risk of financing customers. To remain the leader on the footwear market, the NG2 S.A. Capital Group uses the sales credit feature, which enhances the company's appeal to wholesalers.
- Overall economic situation in Poland. The majority of the revenues of the NG2 S.A. Capital Group is generated in Poland. Therefore, the Group attaches great importance to the buying power of Polish consumers and their willingness to purchase. Any worsening of the economic situation in Poland may affect the operating results and financial standing of the Issuer, and consequently, of the Group.
- Overall economic situation in the Czech Republic and Slovakia. A portion of the revenues of the NG2 S.A. Capital Group is generated in the Czech Republic and Slovakia. Therefore, the Group pays attention to the buying power of Czech and Slovakian consumers and their willingness to purchase. Any worsening of the economic situation may affect the operating results and financial standing of the subsidiaries, and consequently, of the Group.

4. Description of material risks and threats, and the extent (...) (continued)

- Seasonal nature of sales and weather conditions. Sales and the value of inventory depend on the seasonal nature of demand (demand peaks in the spring and autumn seasons). A disruption of weather conditions may cause consumers to postpone their shopping decisions or may shorten the peak sales season. Having its own manufacturing capacity strengthens the NG2 S.A. Capital Group's immunity to seasonal and weather factors. The Group is able to quickly adapt production and supply stores with goods that reflect expectations and current weather conditions.
- Store locations. Strengthening market standing through dynamic growth of the store chain may be associated with the risk of an unsuccessful store location or a limited number of successful new locations.
- Fashion trends and failed collections. The NG2 S.A. Capital Group is exposed to the risk of launching failed footwear collections. A factor that can mitigate this risk is the dominant entity's many years of market experience, monitoring European and global fashion trends (participating in international footwear fashion fairs, e.g. in Milan, Garda, Dusseldorf).

The Management Board of the dominant entity of the NG2 S.A. Capital Group states that in the reference period in question, there were no factors or circumstances of non-typical nature that would significantly affect the Group's operations.

5. Factors that, in the Issuer's view, will affect its results.

In the Issuer's view, the major factors that will affect its performance in the near future are:
- volume of sales completed and margins generated,
- continued growth of the NG2 S.A. Capital Group sales network,
- weather conditions,
- currency exchange rates.

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

On 26 January 2012 CCC Obuv Sk with registered office in Bratislava was registered (the Issuer took up shares in that company on 20 December 2011). The purpose of the subsidiary is to distribute goods in Slovakia.
On 21 August 2012 the Issuer adopted a resolution on establishing a subsidiary CCC Hungary Shoes Kft. with registered office in Budapest, Hungary. NG2 S.A. will take up 100 per cent of shares in the above company, which account for 100 per cent of votes at the General Meeting. The value of the subsidiary's share capital will be HUF 10,000,000 (say: ten million forints). The basic line of business of the newly established company will be distribution of goods supplied by NG2 S.A. in Hungary.

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

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

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

No 2012 projections were published.

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

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

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

Not applicable.

11. Information on loan sureties or warranties granted by the Issuer or its subsidiary.

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

12. Shareholders holding, whether directly or indirectly through subsidiaries, at least 5 per cent of the overall number of votes at the Issuer's General Meeting as on the date of submitting the semi-annual report, stating the number of shares held by these entities, their percentage share in the share capital, the number of votes they carry and their percentage share in the overall number of votes at the General Meeting, and any changes in the ownership of major blocks of the Issuer's shares since the submission of the previous quarterly report.

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

Table 7. List of shareholders holding at least 5 per cent of the total number of votes at the Issuer's General Meeting of Shareholders

Shareholder	Number of shares held (quantity)	Percentage share in the share capital	Number of votes at the General Meeting (quantity)	Share in the overall number of votes at the General Meeting (per cent)
Dariusz Miłek, of which: *- directly,* *- indirectly through a subsidiary, Luxprofi S.a.r.l.*	15 360 000 *4 750 000* *10 610 000*	40.00 *12.37* *27.63*	20 110 000 *9 500 000* *10 610 000*	44.64 *21.09* *23.55*
Leszek Gaczorek	3 010 000	7.84	4 760 000	10.57
ING OFE	2 477 486	6.45	2 477 486	5.50
Aviva OFE	2 305 389	6.00	2 305 389	5.12

On 11 July 2012 the Management Board of NG2 S.A. received a notification from investment funds being managed by PKO Towarzystwo Funduszy Inwestycyjnych about the sale of shares in NG2 S.A. Prior to the change the investment funds being managed by PKO Towarzystwo Funduszy Inwestycyjnych S.A. held a total of 2,265,997 ordinary bearer shares, which accounted for 5.90 per cent of the share capital of NG2 S.A. and provided 2,265,997 votes at the General Meeting of Shareholders (5.03 per cent of the total number of votes).

12. Shareholders holding (...) (continued)

After the transaction, as on 5 July 2012, the investment funds being managed by PKO TFI S.A. held a total of 1,916,010 ordinary bearer shares (4.99 per cent of the share capital), providing 1,916,010 votes at the General Meeting of Shareholders (4.25 per cent of the total number of votes).

As on the date of preparing the statements for the 1st half of 2012, the NG2 S.A. Capital Group did not have any information about any other shareholders holding at least 5 per cent of the votes at the General Meeting.

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

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

Table 8. Breakdown of the holding of the issuer’s shares or rights thereto by members of the Issuer's management and supervisory boards

Position/function name and surname	Shares held as on the date of submitting the report S.A.- PS 2012	Shares held as on the date of submitting the report QSr –I /2012
President of the Management Board - Dariusz Miłek*	4 750 000	4 750 000
Vice-President of the Management Board - Mariusz Gnych	120 000	120 000

*Mr. Dariusz Miłek is also the dominant entity at Luxprofi S.a.r.l., which, as on the date of submitting the report SA-PS 2012, holds 10,610,000 shares in NG2 S.A.

14. Information concerning the issue, purchase and repayment of non-equity securities.

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

15. Material events after the balance sheet date.

Between 20 and 25 August 2012 NG2 S.A. opened up 20 boutiques under the Lasocki brand name. These stores have been established in place of the existing QUAZI boutiques. The remaining 13 locations will continue operating under the Quazi brand name. The aim of these measures is to increase the effectiveness of the existing stores.

16. Statement by the Management Board of the dominant entity of the NG2 S.A. Capital Group

Pursuant to Article 90.1.4 and 90.1.5 of the Regulation of the Minister of Finance on current and periodical information provided by issuers of securities and the conditions of equivalency of information required by the legislation of non-member states of 19 February 2009, the Management Board of the dominant entity of the NG2 S.A. Capital Group hereby states that:
- to its best knowledge, the abbreviated interim consolidated financial statements as well as the comparable data and the abbreviated interim individual statements and the comparable data, were prepared in accordance with the applicable accounting standards and reflect truly, accurately and clearly the assets, financial standing and financial performance of the Issuer and the capital group,
- the semi-annual report on operations of the Issuer's capital group presents a true picture of the growth, accomplishments and situation of the Issuer's capital group, including the major threats and risk factors,
- the entity authorised to audit financial statements, reviewing the abbreviated interim consolidated financial statements and the abbreviated interim individual financial statements was appointed in accordance with the applicable laws. Furthermore, the entity and the auditors reviewing the abbreviated interim consolidated financial statements and the abbreviated interim individual financial statements met the prerequisites for issuing an impartial and independent opinion about the audited abbreviated interim consolidated and individual financial statements in accordance with the applicable regulations and professional standards.

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS		
Dariusz Miłek	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Piotr Nowjalis	Vice-President of the Management Board	

Polkowice, 27 August 2012