NG2
New Gate Group

CONSOLIDATED FINANCIAL STATEMENTS

OF NG2 S.A. GROUP

FOR THE PERIOD OF 01.01.2009 - 31.12.2009

Table of contents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME in thousands of PLN	**Note number**	**period from 2009-01-01 to 2009-12-31**	**period from 2008-01-01 to 2008-12-31**
Sales revenue	5	922 408	754 281
Cost of sales	6	(441 206)	(348 942)
Gross profit on sales		481 202	405 339
Other revenue		21 705	19 349
Selling costs	6	(361 448)	(266 274)
Administrative expenses	6	(13 133)	(8 319)
Other expenses		(20 167)	(18 179)
Operating profit (loss)		108 159	131 916
Financial income	19	859	255
Financial costs	19	(9 341)	(9 970)
Profit before tax		99 677	122 201
Income tax	20	(16 074)	(19 738)
Net profit		**83 603**	**102 463**
Other comprehensive income:			
Exchange rate losses (gains) on the translation of foreign operations		(151)	(134)
Total comprehensive income		**83 452**	**102 329**
Earnings per share:			
basic and diluted	21	2,18 zł	2,67 zł

Due to the fact that no non-controlling interests are stated, net profit and comprehensive income are attributable to the shareholders of NG2 S.A.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION in thousands of PLN	Note No.	As at 2009-12-31	As at 2008-12-31	As at 2008-01-01
Non-current assets				
Other intangible assets	8	1 073	1 274	344
Property, plant and equipment	7	202 591	177 173	127 057
Non-current receivables	9	174	233	293
Deferred tax assets	16	6 070	5 826	2 484
Total non-current assets		**209 908**	**184 506**	**130 178**
Current assets				
Inventories	10	242 693	230 471	121 800
Trade and other receivables	9	37 629	61 262	60 371
Cash and cash equivalents	11	60 895	15 358	10 887
Current assets in total		**341 217**	**307 091**	**193 058**
Total assets		**551 125**	**491 597**	**323 236**
Equity				
Share capital	12	3 840	3 840	3 840
Share premium	12	74 586	74 586	74 586
Exchange rate gains on consolidation	12	(142)	9	143
Retained profits	12	261 925	216 722	114 259
Equity		**340 209**	**295 157**	**192 828**
Non-current liabilities				
Non-current loans and borrowings	15	80 000	12 500	-
Trade and other payables	13	89	91	-
Retirement benefits and service anniversary awards	18	901	909	989
Non-current provisions	17	155	157	-
Non-current liabilities under finance lease	13	216	166	213
Total non-current liabilities		**81 361**	**13 823**	**1 202**
Current liabilities				
Current provisions	17	1 609	1 977	1 321
Trade and other payables	13	81 297	73 217	41 234
Income tax liabilities	13	6 536	11 453	1 932
Current liabilities under finance lease	13	127	69	63
Current loans and borrowings	15	39 986	95 901	81 790
Derivatives	25	-	-	2 866
Total current liabilities		**129 555**	**182 617**	**129 206**
Total equity and liabilities		**551 125**	**491 597**	**323 236**

amounts expressed in thousand of zloty, unless otherwise specified

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Retained profits	Translation reserve	Total equity
As at 1 January 2008	**3 840**	**74 586**	**114 259**	**143**	**192 828**
Result for the year	-	-	103 496	-	103 496
Other comprehensive income					
Foreign exchange losses on translation	-	-	-	(134)	(134)
Total comprehensive income	**-**	**-**	**103 496**	**9**	**103 362**
As at 31 December 2008	**3 840**	**74 586**	**217 755**	**9**	**296 190**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Retained profits	Translation reserve	Total equity
As at 1 January 2009	**3 840**	**74 586**	**217 755**	**9**	**296 190**
Adjustment of errors			**(1 033)**	**-**	**(1 033)**
As at 1 January 2009	**3 840**	**74 586**	**216 722**	**9**	**295 157**
Result for the year	-	-	83 603	-	83 603
Other comprehensive income					
Foreign exchange losses on translation	-	-		(151)	(151)
Total comprehensive income	**-**	**-**	**83 603**	**(151)**	**83 452**
Transactions with owners					
Dividend payment	-	-	(38 400)	-	(38 400)
As at 31 December 2009	**3 840**	**74 586**	**261 925**	**(142)**	**340 209**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS in thousands of PLN	**period from 2009-01-01 to 2009-12-31**	**period from 2008-01-01 to 2008-12-31**
Gross profit (loss)	99 677	122 201
Adjustments	24 982	(78 642)
Depreciation and amortisation	18 346	13 026
Interest and share in profits (dividends)	(1 460)	
Gains (losses) on measurement of derivatives		(2 866)
Foreign exchange gains / losses	478	(1 838)
Profit / loss on investing activities	200	(321)
Interest expense	7 247	7 742
Change in provisions	(1 660)	1 985
Change in inventories	(12 406)	(107 672)
Change in receivables	24 251	589
Change in current liabilities, excl. loans and borrowings	9 816	24 643
Change in prepayments and accruals	(273)	
Income tax paid	(19 557)	(13 930)
Net cash flows from operating activities	**124 659**	**43 559**
Cash flows from investing activities		
Interest received	1 460	
Proceeds on disposal of property, plant and equipment	72	401
Proceeds on loans granted to third parties	8 500	
Expenses on loans granted to third parties	(8 500)	
Purchase of intangible assets	(67)	(1 154)
Purchase of property, plant and equipment	(46 303)	(56 936)
Net cash flows from investing activities	**(44 838)**	**(57 689)**
Cash flows from financing activities		
Proceeds from loans and borrowings	152 033	59 955
Dividends and other payments to owners	(38 400)	
Repayment of loans and borrowings	(140 446)	(33 200)
Payments on account of finance lease agreements	(231)	(66)
Interest	(7 240)	(8 088)
Net cash flows from financing activities	**(34 284)**	**18 601**
Total cash flows	**45 537**	**4 471**
Net increase (decrease) in cash and cash equivalents	45 537	4 471
Cash and cash equivalents at beginning of period	**15 358**	**10 887**
Cash and cash equivalents at end of period	**60 895**	**15 358**

amounts expressed in thousand of zloty, unless otherwise specified

EXPLANATORY NOTES

GENERAL INFORMATION

Name of the Parent:	**NG2 Spółka Akcyjna**
Seat of the Parent:	**Polkowice**
Address:	**ul. Strefowa 6, 59-101 Polkowice**
Telephone:	+42 (076) 845 84 00
Telefax:	**+42 (076) 845 84 31**
Electronic mail:	**ng2@ng2.pl**
Website:	**www.ng2.pl**
Registration:	**District Court for Wrocław –Fabryczna, 9th Economic Division of the National Court Register.**
KRS (National Court Register) No.:	**0000211692**
State statistical number Regon:	**390716905**
Tax identification number NIP:	**692-22-00-609**
Company's business:	The Group's core activities consist in, pursuant to the European Classification of Activity, wholesale and retail trade in clothing and footwear (ECA 5142).

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

ACCOUNTING PRINCIPLES AS APPLIEB BY THE GROUP

The most significant accounting principles applied while compiling these consolidated financial statements have been presented below: These principles have been applied continuously in all prior financial years, unless otherwise specified (note 27).

2.1. Basis for preparation

The consolidated financial statements of NG2 S.A. Group have been compiled in line with International Financial Reporting Standards approved by the European Union (IFRS approved by the EU), IFRIC interpretations and the Accounting Act within the scope effective for enterprises preparing statements pursuant to IFRS. The consolidated financial statements have been prepared in line with the historical cost principle with adjustments resulting from revaluation of land and buildings to their fair value through profit or loss.

Significant accounting estimates have to be made in order to prepare financial statements in accordance with IFRS. Also, to that purpose, the Management Board has to make its own measurements under the accounting principles adopted by the Group.

The financial statements have been drawn up with the assumption of the Company operating as a going concern throughout the period of 12 months and longer. No circumstances exist that would indicate any serious threats to the continued operation of the Group

New standard or interpretation not applied before

As of 1 January 2009 the Companies of the Group accepted new and revised IFRSs.

IFRS 7 “Financial instruments: Disclosures” (revised) – in force as of 1 January 2009 The revision involves the extension of the scope of information regarding measurement in fair value and liquidity risk. In particular, the revisions requires that the measurement be presented at fair value as per hierarchy levels of measurement at fair value. As the revision of the accounting principles results only in presentation of additional information, it does not affect earnings per share.

IAS 1 (amendment) – "Presentation of Financial Statements" – in force as of 1 January 2009
The amended standard forbids presentation of revenue and costs (i.e. non-owner changes in equity) in the statement of changes in equity, but it requires that "non-owner changes in equity" be presented separately from owner changes in equity in the statement of comprehensive income. Thus, the group recognizes all owner changes in equity in the consolidated statement of changes in equity, and all non-owner changes in equity are stated in the consolidated statement of comprehensive income. The comparable data has been adjusted in such a manner that it also corresponds to the requirements of the amended standard. As the revision of the accounting principles pertains only to the presentation of additional information, it does not affect earnings per share.

IAS 23 (revision) – "Borrowing costs" – in force as of 1 January 2009
In the case of incurring borrowing costs regarding eligible assets whose depreciation and amortization date falls on or after 1 January 2009, the Group capitalizes borrowing costs related directly to the purchase, development or manufacturing of an eligible asset under the manufacturing cost of such an asset. Previously, the Group did not recognize the borrowing costs in eligible assets.

IFRS 2 (revision) – "Share-based payments" – Payments in shares within the group settled in cash equivalents - for periods beginning on 1 January 2009 The amended standard regulates issues related to vesting and cancellation conditions. It specifies that vesting conditions include only service and performance conditions. Other features of share-based payment will not be treated as vesting conditions.
Such features require recognition at fair value at the date of vesting employees and other persons providing similar services; yet they do not affect the number of considerations whose performance may be expected after the date of granting, nor the their then measurement. Cancellation of considerations, effected by the entity or by other persons should always be treated in the same way for accounting purposes. The Group and the Company adopted IFRS 2 (revision) as of 1 January 2009. The revision affects directly neither the Group's nor the Company's financial statements.

Standards, revisions and interpretations of existing standards which are not yet in force and have not been previously applied by the Companies of NG2 S.A. Group.

The following standards and revisions of existing standards have been published and are effective for financial periods of the Group's Companies beginning on or after 1 January 2010, but the Companies of the Group did not opt for their early application.

IAS 39 (revision) "Financial instruments: Recognition and Measurement" - "The conditions for hedge accounting". The revision was published by the International Accounting Standard Board on 31 July 2008 and apply to the annual periods beginning on or after 1 July 2009. The amendments specify the manner of applying, under particular circumstances, of principles determining whether the hedged risk or portion of cash flows meet the criteria for hedge accounting. A ban was introduced on hedging inflation as a component of a debt instrument of fixed interest rate. The amendments also forbid inclusion of the time value into unilaterally hedged risk when options are treated as a hedging instrument. The Group shall apply amendments to IAS 39 as of 1 January 2010. The amendments do not affect financial statements.

Amendments to IFRS 2009
On 16 April 2009, the International Accounting Standards Board published "Amendments to IFRS 2009" which will change 12 standards. The amendments provide for changes in the presentation, recognition and measurement and include changes in terminology and edition. Most of the amendments will apply to annual periods beginning on 1 January 2010. The Group will implement amendments to IFRS in line with temporary provisions. The Management Board is in the course of estimating the impact of amendments on financial statements.

IFRS 2 (revision) – "Share-based payment". Amendments to IFRS 2 "Share-based payments" have been published by the International Accounting Standards Board on 18 June 2009, and are effective for annual periods beginning on or after 1 January 2010. The amendments detail recognition of payment through shares settled in cash inside the group. The amendments specify the scope of IFRS

2 and regulate combined application of IFRS 2 and other standards. The amendments introduce issues regulated previously in interpretations IFRIC 8 and IFRIC 11 to the standard. IFRS 2 does not affect the financial statements of the Group.

IFRS 1 (revision) "First-Time Adoption of International Financial Reporting Standards" have been published by the International Accounting Standards Board on 23 July 2009, and are effective for annual periods beginning on or after 1 January 2010. The amendments introduce additional exclusions from asset measurement as at the date of switching to IFRS for the companies operating in the oil and gas industries. The Group will implement amendments to IFRS 1 pursuant to the temporary provisions. As at the date of preparation of these consolidated financial statements, amendments to IFRS 1 have not been approved by the European Union yet. The amendments do not affect these financial statements.

IAS 32 (revision) "Classification of Rights Issues" have been published by the International Accounting Standards Board on 8 October 2009, and are effective for annual periods beginning on or after 1 February 2010. The amendments pertain to the accounting of rights issues (rights, options, warrants), denominated in other currency than the issuer’s functional currency. Pursuant to the amendments, when some particular conditions are met, the rights issue is to be classified as equity irrespective of the currency of the price at which the right is to be realized. The Group shall apply amendments to IAS 32 as of 1 January 2011. The amendments do not affect financial statements.

IAS 24 (revision) "Related Party Transactions" have been published by the International Accounting Standards Board on 4 November 2009, and are effective for annual periods beginning on or after 1 January 2011. The amendments introduce simplifications within the scope of requirements as regards disclosures made by entities related to state institutions, and detail the definition of the related entity. The Group will implement amendments to IAS 24 pursuant to temporary provisions. As at the date of preparation of these consolidated financial statements, amendments to IAS 24 have not been approved by the European Union yet. The Management Board is in the course of estimating the impact of amendments on financial statements.

IFRS 9 “Financial Instruments” has been published by the International Accounting Standards Board on 12 November 2009, and is effective for annual periods beginning on or after 1 January 2013. The standard introduces only one model accounting for only two classification categories: amortised cost and fair value. IFRS 9 approach is based on the business model used by the entity to manage assets and on conventional properties of financial assets. IFRS 9 also requires that one method of asset impairment measurement is used. The Group applies IFRS 9 pursuant to the temporary provisions. As at the date of preparation of these consolidated financial statements, IFRS 9 has not been approved by the European Union yet. The Management Board is in the course of estimating the impact of amendments on financial statements.

IFRS 1 (revision) "Limited exemption from comparative IFRS 7 disclosures for first-time adopters of IFRS” has been published by the International Accounting Standards Board on 28 January 2010, and are effective for annual periods beginning on or after 1 July 2010. Amendments introduce additional exemptions for first-time adopters of IFRS concerning disclosures required by amendments to IFRS 7 issued in March 2009 within the scope of measurement at fair value and liquidity risk. The Group will implement amendments to IFRS 1 pursuant to the temporary provisions. As at the date of preparation of these consolidated financial statements, amendments to IFRS 1 have not been approved by the European Union yet. IFRS 1 does not affect the financial statements of the Group.

The IFRIC 12 interpretation was issued by the International Financial Reporting Committee on 30 November 2006 and is effective for annual periods beginning on or after 29 March 2009. This interpretation provides guidance on application of the existing standards by the entities participating in concession agreements on services between the public and private sectors. IFRIC 12 pertains to agreements in which the ordering party controls what services will be provided by the operator by means of infrastructure, in whose favour the services will be provided and at what price. The Group will apply IFRIC 12 as of 1 January 2010. In the opinion of the Management Board, the impact of this new interpretation on the financial statements is not material.

The IFRIC 15 interpretation was issued by the International Financial Reporting Committee on 3 July 2008 and is effective for annual periods beginning on or after 1 January 2010. This interpretation contains general guidelines on how construction services agreement should be estimated in order to determine whether its consequences should be presented in the financial statements pursuant to IAS 11 Construction Contracts or IAS 18 Revenue. Also, IFRIC 15 indicates at what point of time a construction service revenue should be recognized. The Group will apply IFRIC 15 as of 1 January 2010. In the opinion of the Management Board, IFRIC 15 does not affect the financial statements of the Group.

The IFRIC 16 interpretation was issued by the International Financial Reporting Committee on 3 July 2008 and is effective for annual periods beginning on or after 1 July 2009. This interpretation provides guidance on determining whether there is a risk of foreign exchange rate fluctuation in functional currency of a foreign operation and presentation currency for the needs of the consolidated financial statements of the Parent. Also, IFRIC 16 explains which entity in the group may state a hedge instrument under net investment hedge in foreign operation, and in particular whether the Parent maintaining the net investment in a foreign operation also has to maintain a hedge instrument. IFRIC 16 also specifies the manner in which an entity should determine the amounts subject to reclassification from equity to profit and loss both for the hedging instrument and the position hedged as the entity disposes of an investment. The Group will apply IFRIC as of 1 January 2010. The amendment does not affect the financial statements.

IFRIC 17 “Distribution of Non-cash Assets to Owners (effective on or after 1 November 2009). The IFRIC 17 interpretation was issued by the International Financial Reporting Committee on 27 November 2008 and is effective for annual periods beginning on or after 1 November 2009. This interpretation provides guidance on the timing of dividend recognition, dividend measurement and recognition of the difference between the dividend paid and the carrying amount of the assets distributed in profit or loss. The Group will apply IFRIC 17 as of 1 January 2010. IFRIC 17 does not affect the financial statements.

The IFRIC 18 interpretation was issued by the International Financial Reporting Committee on 29 January 2009 and is effective for annual periods beginning on or after 1 November 2009. This interpretation provides guidance on the recognition of transfer of assets from customers, i.e. situations when the definition of an asset is met, identification of separately identifiable services (services provided in return for the asset transferred), recognition of revenue and recognition of cash transfers from customers. The Group will apply IFRIC 18 as of 1 January 2010. In the opinion of the Management Board, the impact of IFRIC 18 on the financial statements is not material.

Amendments to the IFRIC 14 interpretation were issued by the International Financial Reporting Committee on 26 November 2009 and are effective for annual periods beginning on or after 1 January 2011. This interpretation provides guidance on recognition of earlier payment of contributions for covering minimum funding requirements as assets in the contributing entity. The Group applies IFRS 14 pursuant to the temporary provisions. As at the date of preparation of these consolidated financial statements, amendments to IFRIC 14 have not been approved by the European Union yet. IFRIC 14 does not affect the financial statements of the Group.

The IFRIC 19 interpretation was issued by the International Financial Reporting Committee on 26 November 2009 and is effective for annual periods beginning on or after 1 July 2010. This interpretation clarifies accounting principles used in the situation when due to renegotiation by the entity of the terms of its financial liabilities, the debt becomes settled by issuance of equity instruments in favour of the creditor. This interpretation requires the equity instruments to be measured at fair value and profit or loss to be recognized as a difference between the book value of the liability and the fair value of the equity instrument. The Group applies IFRIC 14 pursuant to the temporary provisions. As at the date of preparation of these consolidated financial statements, IFRIC 19 has not been approved by the European Union yet. IFRIC 19 does not affect the financial statements of the Group.

IAS 27 (revision), “Consolidated and Separate Financial Statements” (effective as of 1 July 2009). The revised standard requires that the results of all transactions with non-controlling interest holders be carried through equity if there is no change in control, and, thus, the transactions will no longer affect the goodwill or profit and loss. The standard also specifies recognition in the books in case of control loss The interest in entity is redefined at fair value, and the profit and loss are recognized in the income statement. The Group will start applying IAS 27 (revised) prospectively to transactions with non-controlling interest as of 1 January 2010.

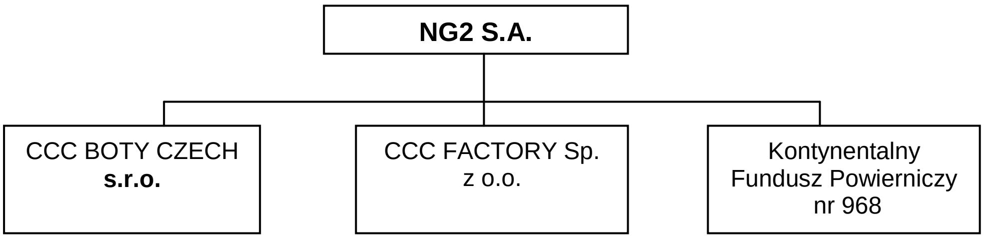
amounts expressed in thousand of zloty, unless otherwise specified

IFRS 3 (revision), “Business Combinations” (effective as of 1 July 2009). The revised standard continues to apply the acquisition method to business combinations but with certain important amendments. E.g. all payments made to purchase a business should be recognized at fair value at acquisition date, and conditional payments classified as a liability are subject to remeasurement through profit or loss at a later time. In the case of each individual purchase, there is a possibility of choosing the measurement of non-controlling interest in the acquired entity either at fair value or at pro-rata participation in net assets of the acquired entity due to non-controlling interest holders. All costs related to the acquisition should be recognized in profit or loss. The Group shall apply IFRS 3 (revised) prospectively to all business combinations as of 1 January 2010.

The standards and interpretations effective as of 1 January 2009 did not affect the accounting principles applied by the Group, thus, the accounting principles used while preparing these consolidated financial statements are uniform with the accounting principles applied while preparing the consolidated financial statements for the year ended 31 December 2008 and the ones specified therein except for those detailed in note 28.

2.2. Consolidation

NG2 S.A. is the Parent in the NG2 Group. The organizational structure of NG2 S.A. is as follows:



Subsidiaries are all entities (including special-purpose vehicles) with respect to which the company has the right to control the financial an operational policy, which usually means holding the number of shares ensuring more than 50% of the general voting rights. While assessing whether the Group controls a given entity, the existence and impact of possible voting rights which can be exercised at a given point of time or converted into shares is taken into consideration. Subsidiaries are subject to full consolidation from the day the Group takes control over them. The consolidation is discontinued as of the day the control ceases. Acquisition of subsidiaries by the Group is settled through acquisition method. The acquisition cost is determined as the fair value of the assets transferred, equity instruments issued and liabilities incurred or taken over as at the day of exchange - increased by the costs directly related to acquisition. Identifiable purchased assets and liabilities and contingent liabilities acquired under business combination are at first measured at their fair value as at the acquisition date irrespective of the value of possible non-controlling interest. The surplus of acquisition cost over the fair value of the Group’s participation in identifiable acquired net assets is recognized as goodwill. If the acquisition cost is lower than the fair value of net assets of the acquired subsidiary, the difference is carried directly through profit or loss.
The following items are eliminated: revenue and costs, settlements and unrealized profits on transactions between the companies within the Group. Unrealized losses are also subject to elimination. Wherever deemed appropriate, accounting principles applied by subsidiaries are subject to change to ensure compliance with the accounting standards applied by the Group.

The chart below presents the subsidiaries of NG2 S.A.:

Subsidiaries of NG2 S.A.	**Seat/Country**	**Participation in share capital of the subsidiary (%)**	**Nominal value of shares**
CCC Factory Sp. z o.o.	Polkowice, Poland	100	PLN 15,036,000
CCC Boty Czech s.r.o.	Prague, Czech Republic	100	CZK 75,000,000
Kontynentalny Fundusz Powierniczy nr 968	USA	100	USD 10

**the remaining contribution to the fund is an asset /plane/ of USD 3,762,880*

The subsidiaries of NG2 S.A. are consolidated according to the method of full consolidation.

2.3. Segment reporting

Identification of operating segments Operating segments are presented in the manner consistent with internal reporting submitted to the chief operating decision-maker – the Management Board of the Parent. Operating segments consist of stores and wholesale contracting parties.

Identification of reportable segments. Separated operating segments (stores, contracting parties) are aggregated in reportable segments as they meet the aggregation criteria specified in IFRS 8. NG2 S.A. Group identifies two reportable segments ("retail activity", **"franchise and other activity"**) pursuant to IFRS 8 "Operating segments". In the reported segments, NG2 S.A. Group pursues business activity by obtaining revenue and incurring expenses. Segment performance is examined on a regular basis by chief operating decision-makers (persons making crucial operating decisions). Financial information concerning identified segments is also available.

Segment "retail activity" – "retail" The segment "retail activity" encompasses, above all, the sales of shoes, shoe care products, clothing accessories. The sale is performed by NG2 S.A. in its own outlets within the territory of Poland and Czech Republic and is directed to retail customers. Retail sale is effected under 3 chains: CCC, BOTI, QUAZI. Each individual outlet operating under one of the chains and analyzed separately by chief operating decision-maker is considered an operating segment. Due to the similarities between the long-term average gross margins, as well as a similar nature of goods (e.g. shoes, shoe care products, clothing accessories), manner of goods distribution and recipients categories (sales performed in own outlets and directed towards retail customers), the segment "retail activity" includes financial information altogether for the CCC, BOTI, QUAZI chains, and operating segments have been aggregated pursuant to IFRS 8, thus creating reportable segment "retail activity".

Segment "franchise and other activity" – "franchise and other". The 'franchise and other activity" segment includes mostly the sale of shoes, shoe care products, clothing accessories, services, as well as the value of the goods sold (e.g. shoes) to the Companies not belonging to NG2 S.A. Group. The sale is carried out by NG2 S.A. and CCC Factory Sp. z o.o. on the territory of Poland and is directed towards domestic wholesale recipients (including, above all, sales in franchise outlets of CCC and BOTI) and foreign wholesale recipients. Each individual recipient operating under one of the chains and analyzed separately by chief operating decision-maker is considered an operating segment. Due to the similarities between the long-term average gross margins, as well as a similar nature of goods (i.a. shoes, shoe care products, clothing accessories) and services provided (i.a. re-invoicing transportation services), manner of goods distribution and recipients categories (sales directed towards wholesale customers), the "franchise and other activity" segment includes financial information for all contracting parties aggregated in accordance with IFRS 8 to create a reportable segment **"franchise and other activity"**

The accounting principles applied to operating segments are the same as the accounting principles pursuant to which the Companies of NG2 S.A. Group compile financial statements. The Group estimates segment performance based on operating profit or loss before tax.

Other disclosures referring to reportable segments. The following items do not occur: revenue on transactions with other operating segments of the same entity, entity's share in profit or loss of associated entities and common undertakings and significant non-cash items other than depreciation and amortization.

2.4. Measurement of values expressed in foreign currencies

Functional and reporting currency

The items included in financial statements of particular Group entities are measured in the currency of the primary economic environment in which a given entity operates ("functional currency"). Consolidated financial statements are presented in the PLN currency which is a functional and presentation currency of the Group.

Transactions and balances

Gains and losses on exchange rate differences pertaining to loans and cash and cash equivalents are recognized in profit or loss in the "financial income or cost" item. All other profits or losses are recognized in profit or loss in the "other (losses)/profits – net".

Companies in the Group

The results and financial standing of all of the entities of the Group (of which none pursues activity in hyperinflation conditions) whose functional currencies differ from the presentation currency, are translated into presentation currency in the following manner

- assets and liabilities in each presented balance sheet are translated according to the closing rate effective at that balance sheet date;
- income and expenses in each income statement are translated according to average exchange rates (yet in case the average exchange rate is not a reasonable approximation of the aggregated impact of exchange rates - then income and expenses are translated according to the rates of the transaction dates); and
- all resulting exchange rate differences are recognized as a separate component of equity.

Upon consolidation, the foreign exchange differences on translation of net investments in foreign operations as well as loans and other currency instruments intended to hedge such investments are recognized in equity. At disposal of a foreign operation (including partial disposal), such foreign exchange differences are recognized in income statement as a portion of profit or gain on disposal.
Goodwill and adjustments to fair value arising on acquisition of a foreign operation are treated as assets and liabilities of a foreign operation, and are translated as per closing rate at the balance sheet date..

2.5. Property, plant and equipment

Property, plant and equipment are presented at cost less depreciation charges and impairment losses, if any. Land is not subject to depreciation.
Property, plant and equipment are recognized in the balance sheet at cost less impairment losses, if any. The borrowing costs are subject to capitalization and recognized as an increase in the value of a non-current asset.
Depreciation of a non-current asset begins at the time it is deemed ready to be used, and is performed in line with adopted principles. Depreciation is calculated by the straight-line method by estimating the useful life of a given asset which is as follows for the below groups:

- buildings	-	from 10 to 40 years
- machinery and equipment	-	from 3 to 15 years
- vehicles	-	from 5 to 10 years
- other property, plant and equipment		from 5 to 10 years

Non-current assets under finance lease have been recognized in the balance sheet in a manner similar to other non-current components, and are subject to depreciation on the same principles.
Depreciation method and its period are verified as at each balance sheet date.

2.6. Intangible assets

The Group applies the (historical) cost model to all components of a given class. The cost (initial) less amortisation charges and impairment losses. The principles of amortisation of intangible assets are identical as in the case of property, plant and equipment.
It is assumed that the useful life of intangible assets does not exceed 20 years from the date when the asset is available for use. Amortisation of intangible assets is calculated by the straight-line method.
In the case of occurrence of events or changes indicating that the carrying amount of intangible assets may not be recoverable, they are subject to verification with respect to their possible impairment.

2.7. Revaluation of non-financial assets

Assets subject to depreciation are analyzed with respect to impairment whenever any event or changes indicate the possibility of failure to realize their carrying amount. Impairment loss is recognized as the amount by which the carrying amount of a given asset exceeds its recoverable value. Recoverable value is the higher of the two amounts: fair value of assets less selling costs, or useful value. For impairment loss analysis, assets are aggregated at the lowest level with respect to which there are identifiable separate cash flows (cash generating centres) Non-financial assets, other that goodwill, with respect to which an impairment loss has been previously recognized, are measured as at each balance sheet date with a view to verifying whether it is possible to reverse an impairment loss.
As at each balance sheet date, the Group performs analysis in terms of impairment loss of the assets related to the retail trade conducted. Profit/loss on sales achieved by each retail entity is estimated. In case an asset is classified as not generating economic benefits, the Group makes an impairment loss being the equivalent of total investment outlays in the costs of operating activity.

2.8. Financial assets

The financial assets of the Group are as follows:

- financial assets measured at fair value through profit or loss,
- loans and receivables,
- available-for-sale financial assets.

Profits and losses on one of financial assets measured at fair value through profit or loss are recognized in the statement of comprehensive income in the period in which they were achieved or incurred.
Profits and losses on a financial asset classified as "available for sale" are recognized in equity, except for impairment loss and the profits and losses on exchange rate differences arisen for monetary assets. When an asset classified as "available for sale" is removed from accounting books, total profits and losses previously recognized in equity are reclassified to profit or loss except for investments in financial assets available for sale.

Loans and receivables as well as held-to-maturity investments are measured at amortized cost at effective interest rate.

2.9. Revaluation of financial assets

At each balance sheet date, an estimation is made as to impairment of financial asset components.

If there is any evidence indicating the possibility of occurrence of impairment of loans and receivables or investments held-to maturity, measured at amortised cost, the write-down is determined as the difference between the carrying amount of assets and the current value of estimated future cash flows discounted by original interest rate for these assets (i.e. effective interest rate calculated as at initial recognition for assets based on a fixed interest rate, as well as effective interest rate determined as at last revaluation for assets based on variable interest rate.) Impairment loss is recognised in profit or loss. The reversal of the write-down is recognized if, over the subsequent periods, impairment is decreased and it is attributable to the events occurring after the write-down has been stated. As a result of reversal of the write-down, the carrying amount of financial assets cannot exceed amortised cost which would have been established, had the write-down not been recognized. The write-down reversal is stated in profit or loss.

2.10. Inventories

Inventories are carried at the lower of cost or net realisable value.
In case the circumstances which caused a decrease in inventories cease, a reversing operation is carried out, i.e. restoring the value of inventories.
The following are recognized in profit or loss:

- book value of inventories sold in the period in which the revenues were recognized,
- write-downs to net realizable value in the period in which the write-down was made.

Depreciation charges on inventories adjust cost of sales.
The same FIFO method is applied to the consumption of all inventories of the similar type and purpose.

2.11. Trade receivables

Trade receivables are amounts due from the customers for the goods or services sold or performed in the course of ordinary business activity of the enterprise. If the receivables are expected to be collected within one year, they are classified as current assets. Otherwise, they are recognized as non-current assets.
Trade receivables are at first stated at fair value, and then measured at amortised cost, by applying the method of effective interest rate, less impairment loss.

2.12. Cash and cash equivalents

Cash and cash equivalents include cash in hand, bank deposits payable on demand, other short-term investments of high liquidity and primary maturity date up to three months, as well as overdrafts. Overdrafts are recognized in the balance sheet as a component of short-term loans and receivables under current liabilities.

2.13. Equity

Equity is stated in accounting books broken down into types and in compliance with provisions of law and stipulations of the Statutes.

Type of equity:

- Share capital of the Parent is stated at the amount specified in the Statutes and entered in court register.
- supplementary capital consists of share premium less issuance costs
- retained earnings are created based on distribution of financial result, non-distributed financial result and net profit (loss) for the period the financial statements pertain to.

2.14. Trade payables

Trade payables are liabilities for goods and services acquired from suppliers in the course of ordinary business activity of the enterprise. Trade payables are classified as current liabilities if payment date falls within one year (or ordinary cycle of business activity of the enterprise, if longer). Otherwise, they are recognized as non-current liabilities.
Trade payables at first are recognized at fair value, and later on they are stated at amortised cost by applying effective interest rate.

2.15. Loans and borrowings

Loans and borrowings are stated at cost corresponding to the fair value of cash received less expenses related to obtaining the loan and borrowing. Interest and commission on loans are carried through profit or loss save for interest and commission related to financing non-current assets

2.16. Current and deferred income tax

The result is obligatorily charged with current tax (CIT) and deferred tax.
Current tax liabilities are calculated based on the result for the given reporting period. Tax liabilities are calculated on the basis of interest rates effective in the given tax year.
Deferred tax is calculated as a tax to be paid or reimbursed in the future on differences between the carrying amounts of assets and equity and liabilities, and tax values corresponding to them, used to calculate tax base.

Income tax provision

Provision for deferred tax is established in the amount of income tax payable in the future in connection with the occurrence of temporary differences, i.e. the differences which will increase the tax base in the future. The amount of the provision is established using income tax rates effective in the year when the tax obligation was incurred.

Deferred tax assets

Deferred tax assets are determined in the amount designated to be deducted from income tax due to negative temporary differences which will decrease tax base in the future, and tax loss possible to be deducted, specified in compliance with the prudence principle.

The Group recognizes the deferred tax asset and provision in the net amount.

2.17. Employee benefits

In the financial year, the Group pays obligatory contributions in compliance with the national pension program, dependent on the amount of gross remuneration paid, pursuant to effective provisions of law. Financing of the state program is based on the redistribution principle “pay-as-you-go”, i.e. the Group is obliged to pay contributions on a percentage basis in relation to remuneration only when they are due, and in case it ceases to employ persons covered by the system, the obligation to pay any further benefits expires. The state program is a defined pension scheme. The contribution costs are recognized in profit or loss in the same period as related remuneration, in the “Costs of employee remuneration and benefits" line.
The Group determines the provision for future pension benefits and service anniversary awards based on the actuarial measurements.
In accordance with the terms and conditions of a collective agreement, some employees are entitled to service anniversary awards depending on their seniority. The entitled employees receive a lump sum of 100% of the assessment basis for monthly remuneration after 10 years, a lump sum of 150% of the assessment basis for monthly remuneration after 15 years, a lump sum of 200% of the assessment basis for monthly remuneration after 20 years, and a lump sum of 250% of the assessment basis for monthly remuneration after 25 years.
In case of retiring, en employee is entitled to a lump sum benefit of one monthly salary.
The Group recognizes unused employee holiday leaves. The provision is established as a product of the number of unused holiday days and average daily remuneration in the companies of the Group.

The Group recognizes provision for bonuses due for the financial period, and being subject to calculation and paid after the end of the financial year. The amount is set forth after the end of the financial year.

2.18. Provisions

The Companies of the Group create provisions for expected returns and complaints.
The amount recognized as a provision should be the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Estimates of the result and financial effects are made by way of judgement of the company's management, supported by previous experience in similar transactions and - in certain cases - reports of independent experts.
Provisions are verified as at each balance sheet date and adjusted to reflect the current, best estimate. If it is no longer probable that the outflow of funds containing economic benefits will be necessary to settle the obligation, the provision is released.
The provision for expected returns and complaints is recognized as an estimate of average level of returns on the basis of historical data.
After making calculation for several periods and based on experience gained by the Group, in order to simplify estimates made, an average complaint ratio is calculated regarding previous periods. A variable determining possible returns of products sold, on which the value of possible complaints depends, is sales revenue in the period.
In subsequent periods, provision adjustments are made through increase or release depending on the sales revenue obtained.

2.19. Revenue recognition

Sales revenue is recognized at fair value of the payment, obtained or due, for goods and services sold in the ordinary course of business activity of the Company. Revenue is recognized after deducting tax on goods and services, returns, discounts, and after elimination of inter-segmental sales within the Group.
Sales revenue is recognized as revenue from the sale of goods, products and services obtained in the ordinary course of business activity (i.e. revenue on the sale of goods, materials, finished goods less discounts, VAT and other sale-related taxes).
Revenue on the sale of goods - wholesale
The Group pursues the sale of footwear and leather accessories on the wholesale domestic and foreign markets. On the domestic market, the sale is carried out based on concluded franchise agreements. Sales revenue is recognized at the time when material risks and rewards related to the ownership of goods are transferred to the contracting party. The contracting party incurs all risks related to aging of goods and after-sale maintenance in favour of the retail customer.
Revenue on the sale of goods – retail trade
The Group sells footwear and leather accessories through its own chain of stores located all over the country. Sales revenue is recognized at the time when the goods are sold to the customer. Retail sale is most often effected in return for cash or payment card. The Group applies the policy of accepting returns from customers within 30 days of the purchase date. Estimation of the quantity of returns and recognition of related provision is made on the basis of the previous experience.
Revenue on the sale of services
The Group is a party to agreements on lease and sublease of premises used to carry out retail activity. Sublease agreements are entered into with contracting parties cooperating with the Group based on franchise agreements. Thus, the Group re-invoices lease costs to the contracting party carrying out business in a given location. In the financial statements, the amount recognized by the Group as revenue is decreased by the costs of revenue. Sales revenue is stated for the period to which lease or sublease pertain.

2.20. Leasing

As at the commencement of the lease term, the Group recognizes finance lease in the balance sheet as assets and liabilities at fair value of the object established as at the date of lease inception or in the amounts equalling current minimum lease payments settled as at the date of lease commencement, if lower than fair value. While calculating the present value of minimum lease payments, the discount rate employed is the lease interest rate, if its determination is possible. Otherwise, lessee's marginal interest rate is applied. The initial direct costs of the lessee increase the amount recognized as an asset.

2.21. Dividend

Dividend payment in favour of Issuer's shareholders is recognized as a liability in the financial statements, in the period in which it was accepted by the Issuer's shareholders.

FINANCIAL RISK MANAGEMENT

The activity pursued by NG2 S.A. Group is exposed to many various risks. The following have been defined as material risks by the Management Board:

- Risk of foreign exchange rate fluctuations Due to the fact that most of the NG2 S.A. Group's revenue is realised in zloty, and most costs are incurred in foreign currencies, exchange rates of USD and EUR (almost all Group's imports are denominated in these currencies, as well as high percentage of premises lease costs) will affect the cost structure, possible change of sources of supply and recognition of translation differences in profit or loss. Since as of the last year the main supply market for NG2 S.A. Group is the Chinese market, the exchange rate of the Chinese currency against major world currencies remains crucial. Its appreciation may worsen the conditions at which goods are imported. Some costs resulting from exchange rate fluctuations can be passed on to customers, yet the Company does not use any hedging instruments securing it against the risk of foreign exchange rate fluctuations. In the longer period of time, persisting fluctuations of foreign exchange rates would exert material impact on the Company's consolidated results.

- Interest rate fluctuations risk NG2 S.A. Group is exposed to interest rate fluctuations risk related to executed credit facility agreements. The credit facilities are charged variable interest based on WIBOR. Increased interest rates will affect the amount of interest paid by the parent on credit facilities, as well as interest on lease liabilities and bank deposits, where the impact is insignificant.

  The Group does not use any hedging instruments reducing the impact of cash flows changes caused by interest rate fluctuations on the financial result .
  Types of interest rate risks the Group is exposed to:
  - Cash flow risk (variable interest) – loans and borrowings

- Liquidity risk - prudent management of liquidity accounts for maintaining sufficient cash and cash equivalents as well as availability of further financing by guaranteeing funds under credit lines.

- Credit risk – the risk related to uncertainty whether the receivables will be settled and when. Wholesale activities of NG2 S.A. Group include sales with deferred term of payment, which means that the Group is exposed to the risk of financing recipients. In order to keep the position of the leader on the footwear market, NG2 S.A. uses trade crediting, which additionally enhances the value of the Company form the perspective of wholesale contracting parties. Receivables maturity structure has been presented in note 9. Other sale is performed in exchange for cash, thus, credit risk in this respect is insignificant. Available cash is deposited only in current and deposit bank accounts of renown Polish banks. The Group maintained fixed-term deposit accounts in reliable banks with high ratings.

Details have been described in note 25.

Capital risk management
The objective of the Group within capital risk management is ensuring that its operations are continued in such a manner that value is created for shareholders and benefits for other interested parties, and an optimal capital structure is maintained in order to lower its cost.
In order to maintain or adjust capital structure, the Group may change the amounts of dividend declared to be paid to shareholders, reimburse capital to shareholders, issue new shares or dispose of assets to reduce debt.
As is the practice in the industry, the Group monitors the capital by employing the debt ratio. The ratio is calculated as a proportion of net debt to total equity. Net debt is calculated as the total of loans and borrowings (including current and non-current loans and borrowings indicated in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as equity recognized in the consolidated balance sheet along with net debt.

Debt ratios of the Group as at 31 December 2009 and 2008 are as follows:

amounts expressed in thousand of zloty, unless otherwise specified

	31.12.2009	31.12.2008
Total loans and borrowings (note 15)	120 151	108 401
Less: cash and cash equivalents	60 895	15 358
Net debt	59 256	93 043
Total equity	340 209	295 157
Capital employed	399 465	388 200
Debt ratio	**14,8%**	**23,9%**

The decreased debt ratio is the result of the net profit obtained in 2009, and is acceptable by the Group.

NG2 Group in the presence of financial crisis
The present liquidity crisis which began in 2007 caused i.a. a decline in financing through capital markets, decrease in liquidity in the financial sector, and even – increase in interest rates on an interbank market and strong fluctuations on share markets. Uncertainty prevailing on global financial markets lead to the fall of banks and bank rescue programs in the United States, West Europe, Russia and other countries. As at today we cannot predict all consequences of the present financial crisis nor entirely protect ourselves against them.

Impact on liquidity:
Credit availability has deteriorated significantly recently. These circumstances may affect the possibility of obtaining new credit facilities by the Group and refinancing the ones previously taken out on the terms and conditions similar to those in earlier transactions.

Impact on clients/borrowers
Worsening of the liquidity situation may affect wholesale customers of the Group, which, in turn, may impact their ability to settle liabilities. Worsened business environment conditions in which the customers operate may also influence the estimates of the Management Board concerning cash flows and financial and non-financial asset impairment . However, it should be borne in mind that wholesale is not the core revenue-generating activity of the Group. In its estimate of asset impairment, the Management Board included revised evaluations of future cash flows, depending on data availability.

The Management Board is not able to reliably estimate the impact of possible further liquidity deterioration on financial markets and increased volatility on currency and capital instrument markets on the Group’s financial position. The Management Board believes that it undertakes all measures necessary to support the stability and development of the Group’s business activity under present circumstances.

MATERIAL ESTIMATES OF THE MANAGEMENT BOARD

Employee benefits
The Group measures retirement and service anniversary liabilities, which are established by the actuarial methods based on a series of assumptions. Assumptions applied while determining (income) net cost for benefits include the discount rate. All amendments to those assumptions will affect the budget value of liabilities on account of employee benefits. Calculation details have been described in note 18.
Operating segments
Details regarding analysis and estimate of operating segments are included in note 2.3.

Impairment of non-financial assets
Once a year the Group examines property, plant and equipment as regards impairment pursuant to the accounting policy described in note 2.7. For assets related to particular points of sale, as for cash generating centres, operating for at least two years and disclosing negative results, an analysis of present values of future cash flows is carried out based on present budgets. The amount obtained in this way is compared to the value of assets, and in case it is not covered, an impairment is recognized. In the period of 12 months ending on 31 December 2009 and 31 December 2008, no impairment loss was recognized according to information included in note 7.
OPERATING SEGMENTS

I-XII 2009	Retail activity	Franchise and other	Unassigned items	Total

		activity		
Revenue	801 639	120 769	-	922 408
- obtained on the territory of Poland	*749 114*	*120 769*	-	*869 883*
- obtained outside the territory of Poland (the Czech Republic)	*52 525*	-	-	*52 525*
Cost of sales	(354 379)	(80 928)	(5 899)	(441 206)
Gross profit on sales	447 260	39 841	(5 899)	481 202
Selling and administrative costs	(367 143)	(6 286)	79	(373 350)
Balance of other operating income and expenses	16	291	-	307
Operating profit	80 133	33 846	(5 820)	108 159
Balance of financial income and expense	(7 062)	(1 420)	-	(8 482)
Profit before tax	73 071	32 426	(5 820)	99 677
Income tax			(16 074)	(16 074)
Net profit				83 603
Net profit recognized in the consolidated statement of comprehensive income				***83 603***

Assets, of which:	329 733	65 887	155 505	551 125
Non-current assets in compliance with IFRS 8	167 232	36 583	-	203 815
- on the territory of Poland	*152 859*	*36 583*	-	*189 442*
- outside the territory of Poland (the Czech Republic)	*14 373*	-	-	*14 373*

Interest income	-	-	612	612
Interest expense	(5 978)	(1 146)	(123)	(7 247)
Depreciation and amortisation	(12 000)	(1 074)	(5 272)	(18 346)

I-XII 2008	**Retail activity**	**Franchise and other activity**	**Unassignedd items**	**Total**
Revenue	612 276	142 005	-	754 281
- obtained on the territory of Poland	*576 644*	*142 005*	-	*718 649*
- obtained outside the territory of Poland (the Czech Republic)	*35 632*	-	-	*35 632*
Cost of sales	(252 696)	(90 317)	(5 656)	(348 942)
Gross profit on sales	359 307	51 688	(5 656)	405 339
Selling and administrative costs	(262 855)	(11 052)	(686)	(274 593)
Balance of other operating income and expenses	(1 925)	(755)	-	(1 170)
Operating profit	98 377	39 881	(6 342)	131 916
Balance of financial income and expense	(8 203)	(2 283)	771	(9 715)
Profit before tax	90 174	37 598	(5 571)	122 201
Income tax			(19 738)	(19 738)
Net profit				102 463
Net profit recognized in the consolidated statement of comprehensive income				***102 463***

Assets	289 898	82 721	118 978	491 597
Non-current assets in compliance with IFRS 8	137 561	40 886	-	178 447
- on the territory of Poland	*127 649*	*40 886*	-	*168 535*
- outside the territory of Poland (the Czech Republic)	*9 912*	-	-	*9 912*
Interest income			147	147
Interest expense	(5 988)	(1 647)	(107)	(7 742)
Depreciation and amortisation	(7 715)	(263)	(5 048)	(13 026)

Reclassification of comparable amounts

The Companies of the Group changed the manner of presenting reportable segments by reclassifying:

- selling costs

amounts expressed in thousand of zloty, unless otherwise specified

- operating and financial income/expense Previously, selling costs generated by organizational units working for particular segments were assigned by using a certain pattern. The costs of organizational units unrelated to separated segments were recognized in the “unassigned” item. In 2009, the costs of organizational units unrelated directly to separated segments were assigned to reportable segments by special patterns.

Previously, the balance of operating and financial income/costs was presented in the “unassigned” item. In 2009, the two items were assigned to reportable segments by using relevant patterns.
The comparable data was presented in accordance with the new principles.

I-XII 2009	**Poland**	**The Czech Republic**	**Total**
Sales revenue	869 883	52 525	922 408
Non-current assets other than financial instruments	189 465	14 373	203 838
Deferred tax assets	2 059	4 585	6 644

I-XII 2008	**Poland**	**The Czech Republic**	**Total**
Sales revenue	718 649	35 632	754 281
Non-current assets other than financial instruments	168 768	9 912	178 680
Deferred tax assets	4 319	2 467	6 786

COSTS BY TYPE

	31.12.2009	**31.12.2008**
Depreciation and amortisation	18 092	12 772
Consumption of materials and energy	76 807	83 252
Lease costs	150 940	97 989
Third-party services	27 007	25 295
Taxes and charges	3 701	2 903
Payroll	138 072	102 170
Employee benefit expense	21 287	17 814
Entertainment and advertising expense	7 308	12 996
Other expense	4 848	5 270
Change in prepayments and accruals	(45)	(1 398)
Cost of sales	367 770	264 472
Total	**815 787**	**623 535**

amounts expressed in thousand of zloty, unless otherwise specified

PROPERTY, PLANT AND EQUIPMENT

	Land, buildings and structures	Machinery and equipment	Vehicles	Other	Property, plant and equipment under construction	Total
GROSS VALUE						
As at 1 January 2009	149 736	17 942	18 805	8 965	17 841	213 289
Foreign exchange differences	(53)	(28)	(1)	-	-	(82)
Increase:	29 720	16 697	2 071	1 296	39 320	89 104
- outlays in foreign facilities	-	-	-	-	36 010	79 905
- completed investments - transfer	29 681	14 214	564	-	-	44 459
- own investment outlays	23	-	-	-	2 804	2 827
- purchase	16	2 352	1 507	1 296	-	5 171
- lease	-	131	-	-	-	131
- disclosures/revaluations	-	-	-	-	506	506
Decrease:	1 119	514	376	73	44 459	46 541
-liquidation	784	498	-	73	-	1 355
- disposal	335	16	373	-	-	724
- charge adjustment	-	-	3	-	-	3
- completed investments - transfer	-	-	-	-	44 459	44 459
As at 31 December 2009	**178 284**	**34 097**	**20 499**	**10 188**	**12 702**	**255 770**
DEPRECIATION AND IMPAIRMENT						
As at 1 January 2009	19 760	7 266	5 645	3 322	123	36 116
Foreign exchange differences	(2)	(6)	-	-	-	(8)
Depreciation for the period from 01.01 – 31.12	11 432	2 721	2 556	1 323	-	18 032
Decreases due to disposal or liquidation	220	338	340	63	-	961
As at 31 December 2009	**30 970**	**9 643**	**7 861**	**4 582**	**123**	**53 179**
NET VALUE						
As at 1 January 2009	**129 976**	**10 676**	**13 160**	**5 643**	**17 718**	**177 173**
As at 31 December 2009	**147 314**	**24 454**	**12 638**	**5 606**	**12 579**	**202 591**

	Land, buildings and structures	Machinery and equipment	Vehicles	Other	Property, plant and equipment under construction	Total
GROSS VALUE						
As at 1 January 2008	108 041	13 543	18 261	6 498	5 280	151 623
Foreign exchange differences	596	250	-	-	-	846
Increase:	41 923	4 508	1 195	2 939	53 726	104 291
- outlays in foreign facilities	-	-	-	-	53 677	53 677
- completed investments - transfers	37 452	3 713	-	-	-	41 165
- own investment outlays	1 347	-	-	-	-	1 347
- purchase	3 124	770	1 195	2 185	49	7 323
- lease	-	25	-	-	-	25
- disclosures/revaluations	-	-	-	754	-	754
Decrease:	824	359	651	472	41 165	43 471
-liquidation	824	358	-	472	-	1 654
- disposal	-	1	651	-	-	652
- charge adjustment	-	-	-	-	-	-
- completed investments - transfer	-	-	-	-	41 165	41 165
As at 31 December 2008	**149 736**	**17 942**	**18 805**	**8 965**	**17 841**	**213 289**
DEPRECIATION AND IMPAIRMENT						
As at 1 January 2008	12 220	5 627	3 951	2 645	123	24 566
Foreign exchange differences	20	62	-	-	-	82
Depreciation for the period from	8 007	1 926	2 268	1 119	0	13 320

amounts expressed in thousand of zloty, unless otherwise specified

01.01 – 31.12 Decreases due to disposal or liquidation	487	349	574	442	-	1 852
As at 31 December 2008	**19 760**	**7 266**	**5 645**	**3 322**	**123**	**36 116**
NET VALUE						
As at 1 January 2008	**95 821** **976976**	**7 916**	**14 310**	**3 853**	**5 157**	**127 057**
As at 31 December 2008	**129 976**	**10 676**	**13 160**	**5 643**	**17 718**	**177 173**

The Group did not make any write-downs on property, plant and equipment under construction.

Property, plant and equipment as collaterals in credit facilities	31.12.2009	31.12.2008
Cap mortgage on real estate up to	50 000	111 400
Cap and ordinary mortgage on real estate up to the total of	40 000	-

Machines and technical equipment used based on finance lease agreements where the Company is a lessee	31.12.2009	31.12.2008
Outlays on non-current assets under finance lease	423	568
Accumulated depreciation	(232)	(347)
Net book value	**191**	**221**

INTANGIBLE ASSETS

	Patents and licences	Trademarks	Total
GROSS VALUE			
As at 1 January 2009	**1 684**	**357**	**2 041**
Foreign exchange differences	-	-	-
Increases in the period from 01.01 - 31.12.	64	3	67
Decreases in the period from 01.01 - 31.12.	-	-	-
As at 31 December 2009	**1 748**	**360**	**2 108**
AMORTISATION			
As at 1 January 2009	**674**	**93**	**767**
Foreign exchange differences	-	-	-
Amortisation in the period from 01.01 - 31.12.	267	1	268
Adjustment of amortisation in the period from 01.01 - 31.12.	-	-	-
As at 31 December 2009	**941**	**94**	**1 035**
NET VALUE			
As at 1 January 2009	**1 010**	**264**	**1 274**
As at 31 December 2009	**807**	**266**	**1 073**

	Patents and licences	Trademarks	Total
GROSS VALUE			
As at 1 January 2008	**743**	**137**	**880**
Foreign exchange differences	6	-	6
Increases in the period from 01.01 - 31.12.	935	220	1 155
Decreases in the period from 01.01 - 31.12.	-	-	-
As at 31 December 2008	**1 684**	**357**	**2 041**

AMORTISATION			
As at 1 January 2008	**444**	**92**	**536**
Foreign exchange differences	3	-	3
Amortisation in the period from 01.01 - 31.12.	227	1	228
Adjustment of amortisation in the period from 01.01 - 31.12.	-	-	-
As at 31 December 2008	**674**	**93**	**767**
NET VALUE			

As at 31 December 2008	**1 010**	**264**	**1 274**

TRADE AND OTHER RECEIVABLES

	31.12.2009	31.12.2008	01.01.2008
Trade receivables	25 256	33 739	37 016
Advance payments towards supplies	7 811	18 920	18 562
Other current receivables	2 071	5 231	1 507
Accruals	2 491	3 372	3 286
Interest on borrowing	-	-	-
Total	**37 629**	**61 262**	**60 371**

The carrying amount of receivables is similar to fair value, and it is the maximum value of receivables exposed to credit risk.

Past due trade receivables (gross) – broken down into receivables unpaid in the period of:

	31.12.2009	31.12.2008	01.01.2008
a) up to one month	480	6 149	11 194
b) over 1 month to 3 months	1 076	4 306	3 643
c) over 3 moths to 6 months	236	1 073	2 831
d) over 6 months	1 982	3 661	9 376
Total	**3 774**	**15 189**	**27 044**
e) allowance for uncollectible accounts, past due	1 978	1 941	2 598
Past due trade receivables in total (net)	**1 796**	**13 248**	**24 446**

Change in allowance for current receivables

	31.12.2009	31.12.2008	01.01.2008
At beginning of period	1 941	2 026	1 898
a) increase	586	660	198
b) decrease	549	745	70
use of allowance	1	-	70
release	548	745	-
Balance of allowance for current receivables at end of period	**1 978**	**1 941**	**2 026**

Allowance for receivables is created based on maturity analysis. Past due receivables not included in the allowance in 2009 are irrelevant.
The impairment loss on financial assets was carried through operating costs of the current period. The write-down was measured on the basis of previous experience of the Group. Te Group's position is that past due receivables not covered by a write-down will be paid by contracting parties.

amounts expressed in thousand of zloty, unless otherwise specified

Non-current receivables

	31.12.2009	31.12.2008	01.01.2008
Long-term prepayments	174	233	293
Total	**174**	**233**	**293**

INVENTORIES

	31.12.2009	31.12.2008	01.01.2008
Materials	6 830	8 261	9 923
Work in progress	1 806	2 352	2 344
Goods	234 371	220 171	108 635
Activated cost of packaging	216	579	1 794
Inventory write-down	(530)	(892)	(896)
Total	**242 693**	**230 471**	**121 800**

Change in inventory write-downs	31.12.2009	31.12.2008	01.01.2008
At beginning of period	892	896	859
a) increases	-	303	82
b) decreases	362	307	45
Balance of inventory write-downs at end of period	**530**	**892**	**896**

The value of created and released write-downs on inventories was recognized as an adjustment of selling costs of the current period.

CASH

	31.12.2009	31.12.2008	01.01.2008
Cash in hand and at bank	10 819	13 632	10 446
Short-term deposits	50 076	1 726	441
Total	**60 895**	**15 358**	**10 887**

Cash at bank and in hand consists of the cash held by the Companies of the Group and short-term bank deposits maturing within the period of 3 months. The book value of those assets corresponds to their fair value.

EQUITY

Share capital	number of shares	(including ordinary shares)	share nominal value	basic capital
as at 1 January 2008	**38 400 000**	**31 700 000**	**0,10 PLN**	**3 840**
as at 31 December 2008	**38 400 000**	**31 700 000**	**0,10 PLN**	**3 840**
as at 31 December 2009	**38 400 000**	**31 750 000**	**0,10 PLN**	**3 840**

All issued shares have been fully paid up.

Pursuant to the resolution of the Management Board of NG2 S.A. dated 20 January 2010, 50,000 preference shares were converted into ordinary bearer shares. To that date, the number of ordinary bearer shares was 31,700,000 (RB 7/2010).
The number of preference registered shares is 6,650,000. The shares are privileged with respect to the voting rights in that each share carries two voting rights. Shareholders are entitled to preemption right regarding registered preference shares to be disposed of.

As at the date of submission of the annual report, the list of shareholders holding at least 5% of the general number of votes at the Issuer's General Meeting has been presented in the chart below:

Shareholder	Number of shares owed	Participation in share capital (%)	Number of votes at the General Meeting	Participation in the total number of votes at the

				General Meeting (%)
Dariusz Miłek, of which:	18 000 000	46,88	22 750 000	50,50
-directly,	*4 750 000*	*12,37*	*9 500 000*	*21,09*
- indirectly, through the Luxprofi s.a.r.l. subsidiary	*13 250 000*	*34,51*	*13 250 000*	*29,41*
Leszek Gaczorek	4 200 000	10,94	5 950 000	13,21
ING OFE	2 477 486	6,45	2 477 486	5,50
PIONEER Investment Management	3 271 877	8,52	3 271 877	7,26

As at the date of preparing the financial statements for 2009, NG2 S.A. did not hold information about other shareholders with the number of votes at the General Meeting equaling at least 5%.

Share premium	value
as at 1 January 2008	**74 586**
as at 31 December 2008	**74 586**
as at 31 December 2009	**74 586**

Retained profits	value
as at 1 January 2008	**114 259**
as at 31 December 2008 following adjustments	**216 722**
dividend payment	**(38 400)**
net profit for the period	**83 603**
as at 31 December 2009	**261 925**

Translation differences on consolidation	value
as at 1 January 2008	**143**
as at 31 December 2008	**9**
as at 31 December 2009	**(142)**

TRADE AND OTHER LIABILITIES

Current liabilities	31.12.2009	31.12.2008	01.01.2008
Trade liabilities	48 176	37 086	21 016
Customs duty and tax:	19 368	20 367	18 557
- VAT	11 323	-	2 581
- customs duty	1 302	6 511	1 487
- other	6 743	13 856	14 489
Liabilities to employees	13 176	12 811	2 960
Other liabilities	7 113	14 406	633
Total	**87 833**	**84 670**	**43 166**

13.1. Non-current liabilities

Non-current liabilities	31.12.2009	31.12.2008	01.01.2008
Trade and other payables	89	91	-
Total	**89**	**91**	**-**

13.2. Liabilities due under finance lease

	31.12.2009	31.12.2008	01.01.2008
Liabilities due under finance lease Maturing within:	343	235	276
- one year	127	69	63
-two to five years	216	166	213
- over five years	-	-	-
Total	**343**	**235**	**276**
Decreased by future interest	-	-	-
Current value of future liabilities	**343**	**235**	**276**
Decreased by the amount maturing within 12 months (recognized in current liabilities)	127	69	63

amounts expressed in thousand of zloty, unless otherwise specified

Liabilities maturing after the period of 12 months	**216**	**166**	**213**

The Companies of the Group use office facilities according to finance lease agreements with the purchase option.
Future minimum lease payments under these agreements and the current value of the minimum lease payments have been presented in the chart below.
Future minimum lease payments do not diverge materially from the current value of minimum lease payments.
All liabilities under lease are denominated in Polish zloty.

MINIMUM FUTURE PAYMENTS UNDER OPERATING LEASE

Minimum payments expected under operating lease agreements where there is no possibility of early termination are as follows:

	31.12.2009	31.12.2008	01.01.2008
- up to one year	130 503	81 694	68 808
- within 2-5 years	652 515	408 470	344 041
- over 5 years	130 503	81 694	68 808
Total	**913 521**	**571 858**	**481 657**

In the case of many stores (especially those in shopping centres) rent is composed of two elements: regular fixed payment and conditional payment dependent on the store's revenue. Conditional payment most often varies from 5% to 7% of the store's revenue.
The Group is also the party to sublease agreements on the basis of operating lease. The revenue due to sublease payments based on operating lease for the period of 12 months of 2009 and 2008 are as follows:

	31.12.2009	31.12.2008	01.01.2008
Operating sublease revenue	16 447	14 434	14 372

LOANS AND BORROWINGS

Non-current loans	31.12.2009	31.12.2008	01.01.2008
Non-current bank loan	80 000	12 500	-
Current loans	**31.12.2009**	**31.12.2008**	**-**
Overdraft	39 986	17 901	31 790
Bank loan	-	78 000	50 000
Total current loans	**39 986**	**95 901**	**81 790**
Total loans and borrowings	**119 986**	**108 401**	**81 790**

amounts expressed in thousand of zloty, unless otherwise specified

As at 31 December 2009

Name of the Bank	Name of entity	Type of loan	Limit amount	Amount used	Expiry date	Financial conditions	Collaterals
Bank Handlowy w Warszawie SA	CCC Factory	Overdraft	5 000	7	07.05.2010	WIBOR + margin	Surety
Bank Handlowy w Warszawie SA	NG2 SA	Revolving credit	55 000	50 000	09.03.2011	WIBOR + margin	
Bank Handlowy w Warszawie SA	NG2 SA	Overdraft	40 000	0	09.03.2010	WIBOR + margin	Cap mortgage, pledge on inventories
Bank Handlowy w Warszawie SA	NG2 SA	Gurantee limit	20 000	8 657	17.10.2010*	commission	
Bank Handlowy w Warszawie SA	NG2 SA	Paylink card limit	7 000	5 687	unspecified	WIBOR + margin	Surety
Bank Millennium SA	NG2 SA	Overdraft	20 000	0	22.09.2010	WIBOR + margin	Pledge on inventories
Societe Generale SA	NG2 SA	Guarantee and L/C limit	10 000	0	unspecified	commission	none
Alior Bank	NG2 SA	Guarantee and L/C limit	5 000	0	unspecified	commission	none
ING Bank Śląski SA	NG2 SA	Revolving credit	50 000	50 000	29.01.2012	WIBOR + margin	Pledge on inventories
PKO BP SA	NG2 SA	Overdraft	20 000	19 980	01.09.2010	WIBOR + margin	Pledge on inventories

* The balance consists of many guarantees extended, of which the last expires on 17.10.2010.
The financial conditions of extended credit facilities do not diverge materially from market conditions.

As at 31 December 2008

Name of the Bank	Name of entity	Type of loan	Limit amount	Amount used	Expiry date	Financial conditions	Collaterals
BZ WBK SA	NG2 SA	Overdraft	30 000	9 180	31.03.2009	WIBOR + margin	Real estate mortgage, pledge on inventories
BZ WBK SA	NG2 SA	Revolving credit	72 500	72 500	31.03.2010	WIBOR + margin	Real estate mortgage, pledge on inventories
BZ WBK SA	NG2 SA	Guarantee limit	20 000	17 915	31.03.2009	commission	Real estate mortgage, pledge on inventories
BZ WBK SA	CCC Factory	Overdraft	5 000	3 754	31.03.2009	WIBOR + margin	Surety
ING Bank Śląski S.A.	NG2 SA	Overdraft	20 000	18 000	15.01.2009	WIBOR + margin	Cap mortgage
Bank Handlowy w Warszawie S.A.	NG2 SA	-	-	12	-	debit balance	-
Bank Handlowy w Warszawie S.A.	NG2 SA	Guarantee limit	8 000	6 982	29.05.2009	commission	Cap mortgage, pledge on inventories
Bank Handlowy w Warszawie S.A.	NG2 SA	Paylink card limit	7 230	6 235	09.03.2010	WIBOR + margin	Surety
Bank Millennium S.A.	NG2 SA	Overdraft	5 000	4 956	22.09.2009	WIBOR + margin	pledge on inventories
Societe Generale	NG2 SA	Guarantee and L/C limit	10 000	6 011	unspecified	commission	none

The financial conditions of extended credit facilities do not diverge materially from market conditions.

DEFERRED TAX

The items given below are major items of deferred tax provisions and assets recognized by the Group and their changes in the current and prior reporting periods. Pursuant to IAS 12, the Group recognizes net deferred tax provisions and assets in financial statements.

Deferred tax provision	31.12.2009	31.12.2008	01.01.2008
Accelerated tax depreciation	561	753	595
Interest	42	207	344
Other	-	-	-
Deferred tax provision	**603**	**960**	**939**

Deferred tax assets	31.12.2009	31.12.2008	01.01.2008
Costs after balance sheet date	395	2 621	1 695
Provisions	995	1 207	348

amounts expressed in thousand of zloty, unless otherwise specified

Impairment of assets	681	519	311
Consolidation adjustment to margin on inventories	1 813	524	1 069
Tax losses	2 772	1 912	-
Other	17	3	-
Deferred tax assets	**6 673**	**6 786**	**3 423**

The tax will be settled within 12 months.

The Group identified all assets on which deferred income tax should be recognized.

PROVISIONS

Provision for guarantee repairs	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008
As at 1 January	**2 134**	**1 321**
Provision created in the year	489	1 492
Release of provision	579	579
Provision used	280	100
As at 31 December	**1 764**	**2 134**
Provisions up to 1 year	**1 609**	**1 977**
Provisions of more than 1 year	155	157

The Group creates provision for planned guarantee repairs of goods sold within last financial year, based on the number of guarantee repairs and returns reported in the prior year.

EMPLOYMENT AND EMPLOYEE BENEFITS

The chart below presents data on average employment (including the Management Board):

Number of employees	31.12.2009	31.12.2008
Employees - administration	339	302
Employees in trade outlets	4 251	2 692
Employees in the production department	522	503
Employees in warehouses	501	262
Total	**5 613**	**3 759**
Employment costs	**31.12.2009**	**31.12.2008**
Payroll	138 072	102 170
Social insurance contributions	18 535	15 921
Other employee benefits	2 752	1 893
Total	**159 359**	**119 984**

Provisions for employee benefits

Actuarial assumptions accepted for measurement provide for the discount rate of 5.75% (5.5% in 2008) and expected annual employee rotation of 17.55%.

Provision for employee benefits	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008
As at 1 January	909	989
Provision created in the year	217	396
Release of provision	225	452
Provision used	-	-
As at 31 December	**901**	**909**
Provisions up to 1 year	-	-
Provisions of more than 1 year	901	909

FINANCIAL INCOME AND EXPENSE

Financial income	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008
Income – interest on current account and other	738	147
Other financial income:	121	108
Total	**859**	**255**

Financial expense	01.01.2009 to 31.12.2009	01.01.2008 to 31.12.2008
Interest on loans and borrowings	7 386	8 398
Finance lease interest	20	18

amounts expressed in thousand of zloty, unless otherwise specified

Exchange rate losses	211	251
Commission paid	360	711
Other financial expense	1 364	592
Total	**9 341**	**9 970**

INCOME TAX

Income tax	31.12.2009	31.12.2008
Profit before tax	99 677	122 201
Tax at the rate of 19%	18 939	23 218
Effects of excluding non-deductible income and expense	(2 621)	(140)
Current income tax	16 318	23 078
Deferred income tax	(244)	(3 340)
Income tax	**16 074**	**19 738**

Pursuant to the provisions of law, the Tax Office may inspect the Group's tax returns within 5 years. Therefore, there is a possibility that the Group will be charged additional tax with fines and interest.
Currently, the Issuer is a party to tax proceedings for the year 2007, carried out by the Treasury Control Office, as a result of which a back tax of PLN 542 thousand along with interest was determined.

EARNINGS PER SHARE

Earnings	31.12.2009	31.12.2008
Net profit of the given year used to calculate earnings per share subject to distribution between owners of the parent	83 603	102 463
Profit recognized for calculation of diluted earnings per share	**83 603**	**102 463**

Number of issued shares	31.12.2009	31.12.2008
Weighted average number of shares recognized for calculation of ordinary earnings per share	38 400 000	38 400 000
Weighted average number of ordinary shares recognized for calculation of diluted earnings per share	**38 400 000**	**38 400 000**

Earnings per share	31.12.2009	31.12.2008
Ordinary	2,18 PLN	2,67 PLN
Diluted	2,18 PLN	2,67 PLN

In the reportable period, no events occurred affecting diluted earnings.

DIVIDEND

	Year 2009	Year 2008
Dividend paid-out	38 400 000 PLN	-
Value per share	1,00 PLN	-

TRANSACTIONS WITH RELATED PARTIES

	31.12.2009	31.12.2008
Entities dependent on a member of management		
MGC INWEST Sp. *z* o.o.		
Sale to a related party	108	329
Purchase from a related party	-	-
Receivables from a related party	-	-
Liabilities against a related party	-	-

Libra Project Sp. z o.o.:		
Sale to a related party	-	-
Purchase from a related party	108	98
Receivables from a related party	-	-
Liabilities against a related party	6	5

Transactions with related parties have been settled on an arm's length basis.

Remuneration of the management

First name and surname:	Position	Gross remuneration for 2009	Gross remuneration for 2008
Dariusz Miłek	President of the Management Board	450 000 PLN	264 744 PLN
Lech Chudy	Vice-President of the Management Board	355 200 PLN	223 856 PLN
Mariusz Gnych	Vice-President of the Management Board	355 200 PLN	223 479 PLN
Piotr Nowjalis	Vice-President of the Management Board	355 200 PLN	9 691 PLN
total		**1 515 600 PLN**	**721 770 PLN**

Remuneration of the supervising staff

First name and surname:	Position	Gross remuneration	Gross remuneration
Henryk Chojnacki	Chairman of the Supervisory Board	24 000 PLN	24 000 PLN
Rafał Chwast	Member of the Supervisory Board	18 000 PLN	17 523 PLN
Wojciech Fenrich	Member of the Supervisory Board	9 143 PLN	-
Martyna Kupiecka	Member of the Supervisory Board	18 000 PLN	18 000 PLN
Paweł Tamborski	Member of the Supervisory Board	18 000 PLN	18 000 PLN
Marek Wiza	Member of the Supervisory Board	8 929 PLN	18 000 PLN
Włodzimierz Olszewski	Member of the Supervisory Board	-	472 PLN
total		**96 072 PLN**	**95 995 PLN**

The managing and supervising persons do not receive other remuneration than the one indicated hereinabove for holding functions in the companies of NG2 S.A. Group

CONTINGENT ASSETS AND CONTINGENT LIAILITIES

Contingent assets and liabilities (in thousands of PLN)	**31.12.2009**	**31.12.2008**
I. **Contingent assets**	**40 450**	**25 650**
from other entities (in respect of)	40 450	25 650
- guarantees and sureties received	40 450	25 650
II. **Contingent liabilities**	**59 768**	**40 042**
towards other entities (in respect of)	59 768	40 042
- customs bonds	22 500	8 500
- other guarantees	30 268	24 312
- collaterals granted	**7 000**	**7 230**

Customs bonds are employed to secure the payment of customs liabilities related to maintaining bonded warehouses by the Company, and their maturity date falls on 30. 06.2010.
Other guarantees secure premises lease agreements entered into, and their maturity date falls in the period from 31.12.2009 to 31.12.2010.
The collaterals granted are related to the Paylink credit line opened in Bank Handlowy in favour of franchise clients, and their maturity date has not been defined.

FINANCIAL INSTRUMENTS

amounts expressed in thousand of zloty, unless otherwise specified

Derivatives:

	31.12.2009	31.12.2008	01.01.2008
Derivatives	-	-	(2 866)

Financial instruments as per type:

Assets as per balance sheet

Loans and receivables	
31 December 2009	
Non-current	**174**
Loans and receivables	174
Current	**88 222**
Receivables other than advance payments	27 327
Cash and cash equivalents	60 895
Total	**88 396**
31 December 2008	
Non-current	**233**
Loans and receivables	233
Current	**54 328**
Receivables other than advance payments	38 970
Cash and cash equivalents	15 358
Total	**54 561**

Liabilities as per balance sheet

Other financial liabilities	
31 December 2009	
Non-current	**80 216**
Loans and borrowings	80 000
Liabilities due under finance lease	216
Current	**108 577**
Loans and borrowings	39 986
Liabilities due under finance lease	127
Trade and other payables other than tax liabilities	68 464
Total	**188 793**
31 December 2008	
Non-current	**12 666**
Loans and borrowings	12 500
Liabilities due under finance lease	166
Current	**160 273**
Loans and borrowings	95 901
Liabilities due under finance lease	69
Trade and other payables other than tax liabilities	64 303
Total	**172 939**

Risk of foreign exchange rate fluctuations
If foreign exchange rates expressed in the period of 12 months ended 31 December 2009 were 5% higher/lower, the profit for the period would be lower/higher by 1,476,000 (in the period of 12 months ended 31 December 2008 – PLN 1,657,000).

Interest rate fluctuation risk
Susceptibility to interest rate fluctuation risk pertains to financial instruments as per statement below:

Instruments with a variable interest rate	31.12.2009	31.12.2008
Financial liabilities		
Loans and borrowings	119 986	108 401
Total	**119 986**	**108 401**

amounts expressed in thousand of zloty, unless otherwise specified

If loan interest rates expressed in Polish zloty in the period of 12 months ended 31 December 2009 were 1 p.p. higher/lower, the profit for the period would be lower/higher by 1,433,000 (in the period of 12 months ended 31 December 2008 – PLN 1,046,000).

Liquidity risk
The chart below contains the analysis of the Group's financial liabilities that will be settled on a net basis through relevant age brackets, based on the period remaining to contractual maturity date as at the balance sheet date. The amounts presented in the chart are contractual non-discounted cash flows.
The maturity structure of current and non-current loans and borrowings as at 31 December 2009 and 31 December 2008 has been presented below:

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

year 2008	installment	interest and other charges	Total
up to 1 year	95 901	6 222	102 123
from 1 to 2 years	12 500	1 519	14 019
from 2 to 5 years	-	-	-
over 5 years	-	-	-
Total	**108 401**	**7 741**	**116 142**

Credit risk
Maximum exposure to credit risk has been presented below:

	31.12.2009	31.12.2008
Trade and other receivables	27 327	38 970
Cash and cash equivalents	60 895	68 017
Total	**88 222**	**106 987**

The maturity structure of receivables as per maturity dates along with information on allowance for uncollectible accounts has been presented in note 9.
The main financial assets of the Company are funds in bank accounts, cash, trade receivables, other receivables which represent maximum exposure to credit risk in relation to financial assets. Credit risk is mostly attributable to trade receivables.
The amounts recognized in the balance sheet are net amounts accounting for allowances for doubtful receivables, estimated by the Management Board on the basis of previous experience and assessment of present economic environment. The receivables refer to the regular customers of the Group, and, in the Group's opinion, the risk is insignificant.
Credit risk related to financial instruments regarding cash and cash equivalents is limited because the parties to the transactions are banks of high credit rating awarded by international rating agencies (the main banks with which the Group cooperates have the following ratings as per Moody's Investors Service agency: PKO BP S.A. – the A2 rating with a stable perspective, Bank Zachodni WBK S.A. – the A1 rating with a stable perspective, Bank Handlowy w Warszawie S.A. – the P2 rating. The Company is not exposed to a substantial credit risk. The risk is spread onto numerous partners and customers.

SIGNIFICANT EVENTS AFTER 2009

In order to create mechanisms within the Company motivating Company's members of the Management Board, key employees and associates to take action ensuring both the Company's

growth in the long-term perspective and a stable increase in net profit, as well as to retain managerial staff, the Company decided to launch an incentive program of subscription warrants. The program offers its participants the possibility to take up the Company's shares in the future.
As regards the foregoing, on 12 November 2009 the Extraordinary General Meeting of Shareholders approved Resolution No. 4 on conditional increase in the Company's share capital and issuance of subscription warrants entirely excluding the shareholders' pre-emption right with respect to shares issued under contingent capital and subscription warrants, and amendments to the Statutes.
Pursuant to § 3 (2) of the resolution, the Supervisory Board was authorized to make a decision, by way of resolution, on compiling the list of Authorized Persons and to specify details of issuance of Subscription Warrants and their performance.
Since the program was launched only in 2010, the Company did not measure the program as the balance sheet date.
As at the date of signing the financial statements, the Supervisory Board did not approve the list of Authorized Persons and did not set forth the principles referred to above. Thus, it was not possible to measure the Program at fair value and the possible effect of Program measurement was not recognized in the financial statements for 2009.

On 23 December 2009, NG2 S.A. entered into an agreement with Polska Agencja Rozwoju Przedsiębiorczości (PARP) on providing partial funding under action 4.4. New investments of high innovative potential of priority axis 4 *Investments in innovative undertakings Innovative Economy Operational Program for 2007-2013*. The subject-matter of the agreement is granting the Issuer the funding for the performance of the "Implementation of Innovative Technology of Shoes Storing and Distribution" project. The value of the agreement, i.e. amount of PARP funding is PLN 38,800,000, which is 40% of the total amount of expenditures qualifying for funding. Pursuant to the provisions of the Agreement, the Project expenditures in order to qualify shall be incurred in the period from 1 October 2009 to 30 September 2011.
After completing the investment, the Issuer is obliged to maintain the investment over the period of 5 years.
The provisions of agreement with PARP are compliant with the standard effective for this type of agreements.
Obtaining funds in full amount is dependent on the completion by the Company of the investment project in accordance with the provisions of the agreement on partial funding signed by PARP. Partial/total loss is possible only in the case of gross negligence with respect to contractual terms and conditions or misappropriation of funds.

On 23 December 2009 the Company concluded an agreement with BRE Bank S.A. on long-term investment credit facility of PLN 30,000,000 with the purpose of financing a logistic and warehouse centre. Contractual provisions stipulate interest based on the WIBOR variable interest rate increased by the bank's margin.
Simultaneously, the Company opened an overdraft facility of PLN 10,000,000 charged with interest based on the WIBOR variable interest rate increased by the bank's margin. The final repayment date for the facility is 2 January 2013.
A mortgage has been established on the Company's property as a collateral for the above mentioned credit facilities.
As at the balance sheet date, the credit facilities in questions were not made available to NG2 S.A.

On 7 October 2009 a resolution was adopted by the Management Board on opening a branch of the Company with its seat in Chróstnik (dolnośląskie province). The branch will pursue activity consisting in the management of trademarks owned by the Company. The position of the Director of the Company's Branch, holding the power of attorney to manage the affairs of the Branch, was entrusted to Mr Piotr Nowjalis, Vice-president of the Management Board of NG2 S.A.

EVENTS AFTER BALANCE SHEET DATE

On 28 February 2010, Mr Lech Chudy resigned as Member of the Management Board and Vice-President of the Management Board of NG2 S.A.

On 6 January 2010, NG2 S.A. signed an agreement with BRE Bank S.A. on providing guarantee for reimbursement of advance payment arising out of the agreement executed by NG2 S.A. with Agencja

Rozwoju Przedsiębiorczości (Polish Agency for Enterprise Development) up to the amount of PLN 13,500,000. The guarantee shall be valid till 31 January 2012.

On 5 February 2010, the Issuer entered into an agreement with TGW Systems Integration GmbH on the performance and delivery of the Miniload logistic solution related to the carrying out of the "Implementation of innovative technology for footwear warehousing and distribution" project. The value of the agreement is EUR 13,43m. The deadline for the project is 5 August 2011.

After the balance sheet date, the Company entered into an agreement with Mr Rafał Chwast on providing consulting services within the scope of IT organization. The agreement has been executed for a definite period of time from 1 January 2010 to 31 December 2010. The remuneration settled for the performance of the agreement is PLN 11,000 net a month plus VAT.

ADJUSTMENTS TO PREVIOUS PERIODS

The Group has made adjustments to comparable periods as per statement below:

Title	Adjustments to previous periods	31.12.2008 Dt	31.12.2008 Ct	01.01.2008 Dt	01.01.2008 Ct
Netting of the costs re-invoiced to franchisees with the revenue obtained on this account	Sales revenue	14 731			
	Cost of goods		14 731		
Introduction provision for rent contingent on turnover	Trade and other payables		1 033		
	Selling costs/Retained profits	1 033			
Recognition of deliveries in transit the risks for which were transferred to the Company	Inventories	27 275		19 512	
	Trade and other payables		27 275		19 512
Netting of advance payments on deliveries in transit	Trade and other receivables		26 748		21 887
	Trade and other payables	26 748		21 887	
Netting of deferred tax	Deferred tax asset		960		939
	Deferred tax provision	960		939	
Reclassification of trade liabilities from current provisions	Trade payables		11 561		1 083
	Current provisions	11 561		1 083	
Reclassification of employee benefit provision to non-current items	Retirement benefit and anniversary awards liabilities		41		343
	Current provisions	41		343	
Reclassification within equity	Retained profits		217 748		114 259
	Other supplementary capital	24 799		24 799	
	Retained profit (loss)	89 453		41 807	
	Net profit	103 496		47 653	
Transfer of employee benefit liabilities from non-current provisions	Non-current provisions	868		645	
	Retirement benefit and anniversary awards liabilities		868		645

Comparison of the balance sheet and the statement of comprehensive income/income statement announced as at 31.12.2008 and 01.01.2008 as well as adjusted:

BALANCE in thousands of PLN	**as at 2009-12-31**	**as at 2008-12-31** after adjustments	**as at 2008-12-31** before adjustments	**as at 2008-01-01** after adjustments	**as at 2008-01-01** before adjustments
Non-current assets					
Other intangible assets	1 073	1 274	1 274	344	344
Property, plant and equipment	202 591	177 173	177 173	127 057	127 057
Non-current receivables	174	233	233	293	293
Deferred tax assets	6 070	5 826	6 786	2 484	3 423
Total non-current assets	**209 908**	**184 506**	**185 466**	**130 178**	**131 117**
Current assets					
Inventories	242 693	230 471	203 196	121 800	102 288
Trade and other receivables	37 629	61 262	88 010	60 371	82 258
Cash and cash equivalents	60 895	15 358	15 358	10 887	10 887
Current assets in total	**341 217**	**307 091**	**306 564**	**193 058**	**185 433**
Total assets	**551 125**	**491 597**	**492 030**	**323 236**	**326 550**
Equity					
Share capital	3 840	3 840	3 840	3 840	3 840
Share premium	74 586	74 586	74 586	74 586	74 586
Exchange rate gains (losses) on consolidation	(142)	9	16	143	143
Other capitals			24 799		24 799
Retained earnings			89 453		41 807

Net profit (loss)			103 496		47 653
Retained profits	261 925	216 722		114 259	
Equity	**340 209**	**295 157**	**296 190**	**192 828**	**192 828**
Non-current liabilities					
Non-current loans and borrowings	80 111	12 500	12 500		
Trade and other payables	89	91	91		
Retirement benefits and service anniversary awards	901	909	-	989	
Provision for deferred income tax		-	960		939
Non-current provisions	155	157	1 025		645
Non-current liabilities under finance lease	105	166	166	213	213
Total non-current liabilities	**81 361**	**13 823**	**14 742**	**1 202**	**1 797**
Current liabilities					
Current provisions	1 609	1 977	13 579	1 321	2 747
Trade and other payables	81 297	73 217	60 097	41 234	42 527
Income tax liabilities	6 536	11 453	11 453	1 932	1 932
Current liabilities under finance lease	73	69	68	63	63
Current loans and borrowings	40 040	95 901	95 901	81 790	81 790
Derivatives	-	-	-	2 866	2 866
Total current liabilities	**129 555**	**182 617**	**181 098**	**129 206**	**131 925**
Total equity and liabilities	**551 125**	**491 597**	**492 030**	**323 236**	**326 550**

STATEMENT OF COMPREHENSIVE INCOME/ INCOME STATEMENT in thousands of PLN	**period from 2009-01-01 to 2009-12-31 after adjustments**	**period from 2008-01-01 to 2008-12-31 after adjustments**	**period from 2008-01-01 to 2008-12-31 before adjustments**
Sales revenue	922 408	754 281	769 011
Cost of goods	(441 206)	(348 942)	(363 673)
Gross profit on sales	**481 202**	**405 339**	**405 338**
Other operating revenue	21 705	19 349	19 349
Selling costs	(361 448)	(266 274)	(265 241)
Administrative expenses	(13 133)	(8 319)	(8 319)
Other operating costs	(20 167)	(18 179)	(18 179)
Operating profit (loss)	**108 159**	**131 916**	**132 948**
Financial income	859	255	256
Financial expense	(9 341)	(9 970)	(9 970)
Profit before tax	**99 677**	**122 201**	**123 234**
Income tax	(16 074)	(19 738)	(19 738)
Net profit	**83 603**	**102 463**	**103 496**
Other comprehensive income:			
Exchange rate losses on the translation of foreign operations	(151)	(134)	
Total comprehensive income	**83 452**	**102 329**	
Earnings per share:			
basic and diluted	2,18 zł	2,67 zł	

EXPLANATION OF DIFFERENCES BETWEEN SELECTED ASSETS AND EQUITY AND LIABILITIES ITEMS AS RECOGNIZED IN BALANCE SHEET AND STATEMENT OF CASH FLOW

	as at 31.12.2008	**as at 31.12.2007**	**net change in cash**	**change in CF**	**difference**
Inventories	**230 471**	**121 800**	**(108 671)**	**(107 671)**	**1 000**
- adjustment of prepayments for packaging					**(1 216)**

amounts expressed in thousand of zloty, unless otherwise specified

- adjustments corresponding to equity					**216**
Receivables	**61 262**	**60 371**	**(891)**	**589**	**1 480**
- adjustment of prepayments					**(1 081)**
- other adjustments					**(399)**
Liabilities	**73 217**	**41 234**	**31 983**	**24 643**	**7 340**
- adjustment of income tax					**(7 497)**
- other adjustments					**157**

	as at 31.12.2009	as at 31.12.2008	net cash flow	change in CF	differenc e
Inventories	**242 693**	**230 471**	**(12 222)**	**(12 406)**	**(184)**
- adjustment of prepayments for packaging					**184**
Receivables	**37 629**	**61 262**	**23 633**	**24 251**	**618**
- other adjustments					**(618)**
Liabilities	**81 297**	**73 217**	**8 080**	**9 815**	**(1 735)**
- adjustment - change of investment liabilities					**1 735**

The consolidated financial statements were approved for announcement by the Management Board of the Parent on 29 April 2010 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON ENTRUSTED WITH KEEPING THE COMPANY'S BOOKS		
Edyta Banaś	Chief Accountant	
SIGNATURES OF ALL MEMBERS OF THE MANAGEMENT BOARD		
Dariusz Miłek	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Piotr Nowjalis	Vice-President of the Management Board	

Polkowice, 29 April 2010.