

**NG2 after the first quarter of 2011:****A small quarterly loss without the significance on the all-season outcome**

NG2 S.A. the largest distributor and manufacturer of footwear in Poland, developed in the first quarter of 2011 over 184 million zł revenue from the sale. This level of income but was not enough to realize the net profits. The Group during this period increased the number of retail outlets in Poland and the Czech Republic to the 707.

The basics of this strategy for NG2 for the coming years is to increase the share in the domestic footwear market. The company also decided on the expansion on foreign markets, starting with the cooperation with franchisees from Eastern Europe. In mid-March its first store in Russia was opened.

NG2 FINANCIAL RESULTS after the first quarter of 2011.

Detailed financial data of NG2 are as follows:

In thousands of PLN	I quarter of 2011	II quarter of 2010	Change
Revenues of net sales	184 925	195 708	-5.5%
Operating income	9 172	-1 907	-120.8%
Net profit	5 090	-6 234	-222.5%

Sales in the first quarter of 2011 decreased by more than 5% over the same period last year. At operational level, the company recorded a loss (-) 1.907 million PLN, while at the net level (-) 6.234 million PLN.

The Company announced several times in the past that one may that the first quarter in one of subsequent fiscal years would end in a small, but still a loss. This is due to changes in the structure of sales in recent years and growing share of retail sales realized in its own shops comparing to the wholesale sales to the franchise recipients. Because the franchisees make purchases before the actual start of the season, the realized sales for this group of recipients historically was being accumulated in the first and third quarter, improving the performance of the company during the "low" season. With the decline of wholesale sales in total sales and altogether with high fixed costs of running its own stores, the revenues of the first quarter of 2011 did not allow creating the net profit.

**DEVELOPMENT OF NETWORK OF SALES**

The network sales of NG2 at the end of the first quarter of 2011 included a total of 707 units, including 587 own stores: 274 CCC stores in Poland and 45 in the Czech Republic, 220 BOTI stores and 48 QUAZI boutiques.

The company plans a further development of network sales, especially their own retail outlets, which will lead to the increased market share and the strengthened leadership position in the footwear market. Throughout the year 2011 NG2 plans to increase network sales including of at least 14 thousand m2.

In the coming years The capital Group NG2 intends to appear on the markets of Eastern Europe. In March 2011 its first CCC store in Moscow was opened, and another two stores will be open at the turn of May and June. The business development on the Russian market will be based on a model of franchise. This solution allows the Group NG2 to minimize the risk and the costs of entering new markets.

#### Number of stores of NG2 Group

Number of stores	Condition on 31 <sup>st</sup> December 2010	Condition on 31 <sup>st</sup> March 2011
CCC Poland - own stores	273	274
CCC Poland - Franchise	61	52
CCC – the Czech Republic	45	45
QUAZI	49	48
BOTI - own stores	213	220
BOTI - Franchise	62	68
The total number of units	703	707

#### NG2 INVESTMENT PLANS

In 2011, NG2 we will continue, started in 2010, works on two major projects, namely the implementation of IT systems and the construction of a new logistics and distribution center.

The project of building a modern, automated high-bay warehouse, which in the future is to handle more than one thousand stores managed by the Group of NG2, is co-financed by European funds of over 38 million PLN under the Operational Programme of Innovative Economy.

Thanks to automatization processes and using cutting edge solutions in logistics and warehousing, the competitive advantage of the company will significantly increase and logistics service costs will significantly decrease.

"I must admit that the first quarter of 2011 in our execution was not successful. The Capital Group NG2 reported, for the first time in the history, a net loss. The loss, however, is not high enough to be without effect on the year-round results. We see no reason neither to revise our budget nor to take additional action by the company. The NG2 Management Board is convinced that after the results of

the 2nd quarter we will see the execution of financial and business objectives for 2011 is not threatened. "- Said Piotr Nowjalis, The Vice President of NG2.

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The Group NG2 is a leader in the Polish retail footwear market and the largest manufacturer in Poland. The Capital Group of NG2 consists of NG2 S.A. - The company managing the network sales, CCC Factory Ltd., dealing with the production of footwear and NG2 Suisse S.a.r.l., the company managing the company trademarks. Sales of a collection is run in total in more than 700 outlets under the brands of CCC, QUAZI and BOTI. Suppliers of shoes for the Company are both foreign manufacturers (especially sewing on behalf of the NG2 Chinese producers), domestic ones as well as its own production facilities. The NG2 Group's share in the highly fragmented market of footwear is estimated at 13-14%.