

Press Release

Polkowice, 10<sup>th</sup> November 2011

#### BEFORE THE SUMMIT OF THE SEASON

NG2 SA, the largest distributor and manufacturer of footwear in Poland, developed in the third quarter of 2011 over 17 million PLN net profit with the revenues from sales of 242.6 million PLN. Operating profit amounted to 22.9 million PLN, and EBITDA was 28.9 million PLN. The Group has executed plans to expand the network of sales, which in the third quarter was increased by more than 2.4 thousand of m2.

The basis of the strategy of NG2 for the coming years is the development in Poland and the Czech Republic. The company also intends to continue started in the first quarter cooperation with franchisees in Russia.

#### FINANCIAL RESULTS OF NG2 after three quarters of 2011

Detailed financial data of NG2 are as follows:

In thousands of PLN	III quarter of 2011	III quarter of 2010	Change	I-III quarter of 2011	I-III quarter of 2010	Change
Net sales revenues	242 588	267 927	-9.46%	726 845	708 181	+2.64%
Operating profit	22 881	31 161	-26.6%	78 442	79 062	-0.8%
Net profit	17 099	23 949	-28.6%	58 782	76 801	-23.5%

During three quarters of 2011 the growth dynamic rate of consolidated sales revenue of The Capital Group NG2 was only slightly more than 2% over the same period last year. Operating profit in the third quarter amounted to 22.9 million PLN, a net profit of 17.1 million PLN. That means the fall respectively by 26.6% and 28.6% comparing to third quarter of the last year.

This year's results were influenced by extremely capricious weather. In the coldest and most rainy July for many years summer shoes had weak sales. The temperature in September has brought unusually high temperatures for this time of the year.

#### DEVELOPMENT OF NETWORK OF SALES

The network of sales of NG2 at the end of September 2011 included a total of 705 outlets, including 591 own stores: 283 CCC stores in Poland and 49 in the Czech Republic, 220 BOTI stores and 39 QUAZI boutiques.

The company plans a further development of network sales, especially of their own retail outlets, which will lead to the increase of the market share and strengthening the leadership in the footwear market. In 2011, NG2 was originally planning an increase in retail space of 10%, in result it will increase of 8.6% till the end of the year.

Regardless of the development plans on the markets of Poland and the Czech Republic, in the coming years The Capital Group NG2 also intends to appear on the markets of Eastern Europe. In March 2011 the first franchise CCC showroom in Moscow was opened, and on 2<sup>nd</sup> July another franchise store started working in Omsk. Another 3 units are being opened in November. Company does not expect to open their own shops, and the development on the Russian market will be based on a "pure" model of franchise. This solution allows to minimize risks and costs of entering new markets.

#### Number of stores of NG2 Group

Number of stores	Condition on 30 <sup>th</sup> June 2011	Condition on 30 <sup>th</sup> September 2011
CCC Poland - own stores	282	283
CCC Poland – Franchise	50	48
CCC Russia – Franchise	1	2
CCC – the Czech Republic	47	49
QUAZI	46	39
BOTI - own stores	216	220
BOTI - Franchise	67	64
The total number of units	709	705

#### NG2 INVESTMENT PLANS

The investment in a modern, fully automated distribution- logistics center was almost completed. Currently, the Company is conducting IT tests of the implemented solution and its full implementation will take place at the turn of the first and second quarter of 2012.

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.

"The third quarter was not too successful for us. The July rains and chills effectively deterred customers from buying summer shoes. August, with no significant improvement in the weather, did not influence the improvement in sales. September is regarded as quite positive, because the very warm and cheerful weather, a collection of children and youth was a successful sale, determined by us as "school" shoes and the shoes. In both of these categories we noted a sales increase by tens of percent comparing to last year. At the same time, comparing to September of the last year, shoes and boots weren't sold well, and this was due to very high temperatures recorded at the end of the third quarter. The lower share in the September sale of these products, which after all have a high unit price, resulted in lower than planned revenues realized in September. However, already in

October very good data on sales realized in our stores show that we were dealing only with a shift in demand, and not with its restriction.

This what we can be satisfied with in the third quarter are generated high margins in this period and low cost of sales. We are expecting to maintain this trend in the fourth quarter and looking forward to a very good financial results throughout the year.

Our goal for the coming period will be improving sales performance parameters and, consequently, maintaining high margins and high profitability. "- said Dariusz Miłek, The CEO 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%.