



## Press Release

Polkowice, 10<sup>th</sup> May 2012,

### THE RESULTS OF I QAUARTER - A GOOD FORECAST FOR THE WHOLE YEAR 2012

NG2 S.A. the largest distributor and manufacturer of footwear in Poland, developed in the first quarter of 2012 over 2.6 million PLN net profit at 256.6 million PLN revenue from sales. The operating profit amounted to 8.5 million PLN and EBITDA was over 15 million PLN. The Group realized the plans of expanding the sales network which was increased nearly by 2.3 thousand sq.m2 in first three months.

The basis of the strategy of NG2 in the coming years is the development in Poland, the Czech Republic and Slovakia. At the same time, the company also intends to expand the network of franchise stores in the countries of Middle-East Europe. There will also be added to franchise stores with the logo of CCC in Russia similar retail outlets in few countries of our region including Romania and Latvia.

### FINANCIAL RESULTS OF NG2 after the first quarter of 2012

Detailed financial data of NG2 are as follows:

In thousands of PLN	I quarter of 2012	I quarter of 2011	Change
Revenues of net sales	256 605	184 925	38,7%
Operating profit	8 465	(-) 1 907	-
Net profit	2 678	(-) 6 234	-

Within first three months of 2012 the Group NG2 reported the impressive dynamic growth of consolidated sales revenue. Comparing to same period last year the revenues increased over 38%. The operating profit in the first quarter amounted to 8.5 million PLN, a net profit of over 2.6 million PLN. This means an improvement comparing to the first quarter of last year when the Group NG2 reported a loss of EBIT as well as a net loss.

The results of the first quarter were influenced by many factors, but the most important of them is the width and diversity of product offerings. A warm fourth quarter of last year caused that in



the company warehouses there were a lot of seasonal products left, which in January and February at the typical winter aura were sold extremely well. If we add the spring collection that was very well received and the high sales figure recorded in March we get a very positive forecast signal for the rest of the year.

## DEVELOPMENT OF NETWORK OF SALES

The network of sales of NG2 at the end of March 2012 included a total of 705 outlets, including 590 own stores: 301 CCC stores in Poland and 54 in the Czech Republic and 1 in Slovakia, 198 BOTI stores and 36 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. We estimate that the network of sales in the year 2012 will be expanded nearly by 20%.

Regardless of the development plans on the markets of Poland, the Czech Republic and Slovakia 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 running, and another 3 units were opened in November and December. The Company does not expect to open their own stores, and the development on the Russian market will be based on a "pure" model of franchise. The similar solution was approved by us when preparing the assumptions of development in other countries of Middle Eastern Europe. This solution, in our opinion, allows minimizing the risks and costs of entering new markets.

### Number of stores of NG2 Group

Number of stores	Condition on 31 <sup>st</sup> December 2011	Condition on 31 <sup>st</sup> March 2012
CCC Poland - own stores	293	301
CCC Poland - Franchise	49	49
CCC Russia / Latvia – Franchise	5	6
CCC – the Czech Republic	52	54

<b>QUAZI</b>	<b>37</b>	<b>36</b>
<b>BOTI - own stores</b>	<b>216</b>	<b>198</b>
<b>BOTI - Franchise</b>	<b>62</b>	<b>59</b>
<b>The total number of units</b>	<b>714</b>	<b>705</b>

## **NG2 INVESTMENT PLANS**

The investment in a modern, fully automated distribution-logistics center was completed. The construction project of a distribution center, which is, in the future, to handle more than one thousand stores managed by the Group NG2, is co-financed by the European Union in the amount of more than 38 million PLN under the Operational Programme Innovative Economy.

Thanks to the automatization of processes and using cutting edge solutions in logistics and warehousing, the company's competitive advantage increased significantly, and logistics support costs will decrease significantly starting from the second quarter of 2012.

*"The first quarter it is a difficult period for each retail footwear company. During the first two months of the year the companies use promotions and discounts and a part of the collection is sold at lowered prices. Low margins and high fixed costs usually cause to bear the loss. This traditional sell out period lasted this year in the Group NG2 longer than usual and the scale of the discounts was larger than usual as well. Nevertheless, we managed to achieve a net profit in the whole quarter, although we had expected before the beginning of the year that first three months will be finished with a loss of few million PLN. A good result achieved throughout the whole quarter is owed to high sales revenue achieved in March, realized mainly and entirely on sales of spring footwear. Our this year's collection has been well received by customers, as it is proved by the high growth dynamics of sales in April and May.*

*For the coming close years we have ambitious expansion plans. In addition to the high rate of expansion on the domestic market, we will build our market position in the Czech Republic and Slovakia and we will actively seek opportunities in other countries of Central and Eastern Europe.*



*Equally ambitious plans refer to the sales growth in comparable stores. We have made the product offering more significantly this year. We are introducing to sales since July sport shoes of known international brands. We have been selling in the season of Spring / Summer 2012 a very attractive and wide range of children's shoes bearing the signature logo of Disney. This year we are promoting very strongly our own brands of leather shoes: Lasocki, Lasocki Fashion for Men, Lasocki Kids and Lasocki Young.*

*We see now that the CCC brand positioning will also be affected by the advertising campaign with the participation of Anna Przybylska and Olivier Janiak.*

*Regardless of expansion plans and pro-selling actions, the absolute priority for us is to maintain high efficiency and operating efficiency, efficient sales network management and keep the maintenance costs low, which consequently means maintaining high margins and high profitability. "- said Dariusz Miłek, The CEO of NG2.*

**For further information:**

Piotr Nowjalis

The Vice President of The Management Board, a Financial Director, NG2 SA

Tel. (76) 84 58 420

E-mail: piotr.nowjalis @ ng2.pl

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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 16%.*

