

Press Release

Polkowice, 20th February 2012

Leader of the footwear market records another top-level quarter

NG2 S.A., the largest distributor and manufacturer of footwear in Poland, developed in the IV quarter of 2011 almost 65 million PLN at the sales revenue amounted to 365.6 million PLN. Operating profit was 82 million PLN and EBITDA was over 88.2 million PLN. The Group consistently realized plans to expand the network sales, which in the third quarter was increased by more than 5.5 thousand m2.

The basis of the strategy of NG2 in the coming years is the development in Poland and the Czech Republic. The ambitious plans are connected with the Slovak market where at the beginning of the second quarter the Company is opening its first stores. At the same time the company also intends to continue started in the first quarter cooperation with franchisees in Russia.

FINANCIAL RESULTS OF NG2 THREE QUARTERS OF 2011

Detailed financial data of NG2 are as follows:

In thousands of PLN	IV quarter of 2011	IV quarter of 2010	Change	I-IV quarters of 2011	I-IV quarters of 2010	Change
Net sales revenues	320 378	365 615	14.12%	1 028 559	1 092 460	6.21%
Operating profit	50 056	82 092	64%	160 534	129 119	24.33%
Net profit	41 055	64 907	58.10%	117 856	123 689	4.95%

Within four quarters of 2011 the growth dynamic rate of consolidated sales revenue of The Capital Group NG2 slightly over 6% comparing to same period last year. Operating profit in the fourth quarter amounted to 82 million PLN, and a net profit almost 65 million PLN. This means an increase of 64% and 58.1% over the fourth quarter 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 a weak sale. However the temperature in September was unusually high for this time of the year. Beautiful and warm autumn was present with almost all the time during the whole fourth quarter, significantly reducing sales of winter boots. That is why the company considers only spring and autumn seasons to be successful.

DEVELOPMENT OF NETWORK OF SALES

The network of sales of NG2 at the end of December 2011 included a total of 714 outlets, including 598 own stores: 293 CCC stores in Poland and 52 in the Czech Republic, 216 BOTI stores and 37 QUAZI boutiques.

The company plans a further dynamic development of network of sales, especially their own retail outlets, which will lead to increase the market share and strengthen the leadership position in the footwear market. In 2011, NG2 was originally planning to increase the retail space by 10%, eventually the network increased by 8.8% during the year.

In December 2011 the Management Board of NG2 decided to start the expansion on the Slovak market. The first stores will be opened in the second quarter of this year and by the end of 2012 there should be 8-10 units in our network of sales in Slovakia.

Regardless of the development plans for the Polish, Czech and Slovak, in the coming years, NG2 is also planning to appear on the markets of Eastern Europe. In March 2011 the first franchise CCC salon in Moscow was opened, on 2nd July another one started working, also a franchise one, and another three units were opened in November and December. The Company does not expect to open their own shops, and the development of the Russian market will be based on a "pure" model of franchise. This solution allows to minimize the risks and costs of entering new markets.

Number of stores of NG2 Group

Number of stores	Condition on 30 th September 2011	Condition on 31 st December 2011
CCC Poland - own stores	283	293
CCC Poland – Franchise	48	49
CCC Russia – Franchise	2	5
CCC – the Czech Republic	49	52
QUAZI	39	37
BOTI - own stores	220	216
BOTI - Franchise	64	62
The total number of units	705	714

NG2 INVESTMENT PLANS

The investment in a modern, fully automated distribution- logistics center was completed. Currently, IT tests of the implemented solution are being conducted and the Company is starting to make use of the new centre.

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 automatisisation 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 starting already from the second quarter 2012.

"Despite the fact that the results for the fourth quarter were a record high however the entire year of NG2 results are disappointing. Both summer and winter season are considered to be unsuccessful. The July rains and chills effectively deterred customers from buying summer shoes. August, without a significant improvement in the weather, did not influence the improvement in sales as well. Autumn months, with very warm and serene weather, led to strong sales of shoes, transitional shoes and boots. On the other hand winter boots had weak sales.

Despite the lower financial results than it had been expected, we are not considering this year as a bad one. We improved the operating profit by nearly 25% and net profit, after excluding transactions of the trademarks in 2010, also increased by over 20%.

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

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

Certainly, the advertising campaign attended by Anna Przybylska and Olivier Janiak will also have an impact on the positioning of the CCC brand. We also have high expectations as for the loyalty program to be run this year.

Regardless of expansion plans and pro-selling actions an absolute priority for us is to maintain high efficiency and operating efficiency, efficient management of the network of sales and maintaining the costs very low, which means 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 16%.