



Press release

Polkowice, 29 August 2012

CCC IS BREAKING ALL BOUNDS

NG2 SA, the largest distributor and producer of footwear in Poland, achieved in the first 6 months of 2012 over [PLN?] 45 million in net profit with revenue from sales totalling PLN 583 million. The profit on the operational activity totalled PLN 58.9 million and EBITDA PLN 73 million. The Group realised its plans to expand the sales network, which in the first six months was increased from 152 thousand m² to 183.1 thousand m²

The Management Board of NG2 have set themselves a strategic goal for 2013-2015 to strengthen their position of the largest participant on the footwear market in Poland and to become a leader in the Czech Republic, Slovakia and Hungary.

At the same time the company intends to expand the chain of franchise stores in Central and Eastern Europe. In addition to Russia, where franchised stores bearing the CCC logo already exist, this year will see the opening of franchised stores in similar locations in Romania, Latvia and in Kazakhstan.

NG2's FINANCIAL RESULTS AT THE END OF THE FIRST SIX MONTHS OF 2012

TNG2's detailed financial data is set out below:

expressed as thousands of PLN	H1 2012	H1 2011	Change
<i>Net revenue from sales</i>	583,016	484,257	20.4%
<i>Operating profit</i>	58,953	55,561	6.1%
<i>Net profit</i>	41,683	45,453	9.04%

In the first six months of 2012 the NG2 Group achieved a dynamic increase in consolidated revenue from sales. In comparison with a similar period last year, revenue increased by over 20%, operating profit by over 6% and net profit by 9%. The fact that the dynamics of the increase in growth is lower than the increase in revenue is because the gross profit margin on sales is lower by 5 pp.

Many factors affected the result for the first six months, the most important of which is the wide range and variety of the products on offer. The number of customers visiting our stores was significantly high, and there were good sales results. Only the trade margin was lower than assumed.

EXPANSION OF THE SALES NETWORK

At the end of June 2012 the NG2 sales network consisted of a total of **709** outlets, including 596 of NG2's own shops (312 CCC salons in Poland, 56 in the Czech Republic and 3 in Slovakia, 190 BOTI stores, 35 QUAZI boutiques) and 28 stores acting as agencies.

The company is planning further dynamic expansion of the sales network, particularly its own brand stores, which will result in an **increase of the market share and strengthen its position as leader on the domestic footwear market and it will become the largest participant in the remaining central European countries – in the Czech Republic, Slovakia and Hungary.** By the end of 2015 we plan to have increased the sales network **by over 150 thousand m² i.e. by nearly 80%**

In December 2011 the Management Board of NG2 decided to begin expanding into the Slovakian market. The first stores were opened in March and by the end of 2012 our sales network should have 12 of our own stores in that country.

The next dependant company will be CCC Hungary, established to organise retail sales in the Hungarian Republic. Within the next four months we will be opening at least 10 of our own stores there.

Apart from the expansion plans on the Polish, Czech, Slovakian and Hungarian markets in the coming years, NG2 also intends to expand through franchise in other countries in the region. Amongst the countries of interest are countries where CCC franchise stores are operating, i.e. Russia, Latvia, Kazakhstan and also Lithuania, Estonia, the Ukraine, Bulgaria, Slovenia and Croatia. Expansion in these markets will be based on a "pure" franchise model. This solution will in our opinion enable risk and the costs of entering new markets to be kept to a minimum.

Number of NG2 stores in the Group

Number of stores	Status as at 31 December 2011	Status as at 30 June 2012
CCC Polska – own salons	293	312
CCC Polska – operating through agencies	-	28
CCC Polska - franchise	49	23
CCC Russia / Latvia / Romania / Kazakhstan – franchise	5	8
CCC Czech Republic	52	56
QUAZI	37	35
BOTI – own stores	218	190
BOTI – franchise	62	54
Total number of outlets	714	709

“We view the results for the first six months with mixed feelings. On the one hand, there is a high frequency of visits, the good results factor, dynamic growth of revenue and a high level of sales compared with similar stores. On the other hand – there is a trade margin which has fallen by 5pp and financial results which do not meet expectations. Our overall feeling however is one of satisfaction with the results reported today. Our collection was extremely well received by customers and our company once again strengthened its position on the footwear market. We are promoting our own brands of leather footwear intensely this year: Lasocki, Lasocki Fashion for Men, Lasocki Kids and Lasocki Young. We have a very attractive and wide ranging offer of children’s footwear with the Disney logo on sale. We have increased our offer of accessories and goods so that customers can take care of and apply various treatments to the footwear they buy.

We realise also that the advertising campaign in which Anna Przybylskia and Olivier Janiak took



part had positive results on the position of the CC brand.

We are very pleased with the first, trial locations of our outlets in Slovakia, Romania, Latvia and Kazakhstan. The results are so favourable that we have decided to alter our strategic plans and commence an intensive dynamic expansion simultaneously in several countries in central and eastern Europe. We're counting on the fact that in 2015 we will double our revenue, while at the same time maintaining high parameters of profitability. We expect an EBIT profitability of 15-16% and a net profitability of at least 11-13%.

Apart from the expansion plans and post sales activity, our priority remains to maintain a high effectiveness and operational competence, competent management of the sales network and maintenance of costs at a low level, that is, to ultimately maintain high margins and high profitability.” – stated Dariusz Miłek, President of the Management Board of NG2

Additional information is available from:

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The NG2 Group is the leader on the Polish retail market for footwear and the largest producer in Poland. *The NG2 Capital Group comprises NG2 S.A., the company which manages the sales network, CCC Factory Sp. z o.o., which produces footwear and NG2 Suisse S.a.r.l., the company which manages trademarks. Sales of the collection are conducted jointly by over 700 outlets under the CCC, QUAZI and BOTI trademarks. Footwear suppliers for the Company are both foreign producers (primarily Chinese producers manufacturing for NG2 to order), domestic producers and the company's own production base. The NG2 group's share of the very fragmented footwear market is estimated at 16%.*

