



PRELIMINARY ESTIMATED FINANCIAL RESULTS

Q1 2020

Capital Group CCC SA

Summary

- Results of the CCC Group in the first quarter under the significant influence of the coronavirus epidemic.
- The Group's stores have been successively closed since 14 March 2020 - at the end of the month only 6 stores in Latvia are open.
- Traffic has decreased from the beginning of March to about - 90% y/y in the last week of the month (for ~120 stores).
- Dynamic growth of the share of e-commerce in the Group's revenue after the closure of offline stores (in mid-March already over 90%).
- Very high, at times three-digit e-commerce dynamics in the first days after the closing of shops - slowdown in the second half of March.
- The change in gross margin on sales was mainly due to an increase in the share of ecommerce in total revenues and a deeper level of sell-out in January (the company's new trade calendar).
- In March, a number of measures were taken to reduce costs in the short and long term (including an agreement with banks and financing institutions, discussions with landlords, staff costs). The first quarter results do not yet reflect the initiatives underway.

Figures³

	Q1 2019	Q1 2020	Δ Q1'19- Q1'20	y/y
Profit and Loss Account [PLN million]				
Sales	1039	944	-95	-9%
Retail network	715	528	-187	-26%
CCC	590	439	-151	-26%
KVAG	105	60	-45	-43%
Gino Rossi	7	11	4	57%
Eobuwie	13	18	5	38%
e-commerce	289	401	112	39%
Eobuwie	274	362	88	32%
KVAG1	7	-	-7	-
Gino Rossi	1	4	3	300%
DeeZee	7	9	2	29%
CCC	-	26	26	-
Wholesale	35	15	-20	-57%
CCC	34	13	-21	-62%
Gino Rossi	1	1	0	-
DeeZee	0	1	1	-
Gross sales profit	492	410	-82	-17%
<i>gross sales margin [%]</i>	<i>47,4%</i>	<i>43,4%</i>		<i>-4.0 p.p.</i>
Selling and general administrative expenses and balance of other operating revenues and costs	-641	-737	-96	15%
Profit on operating activities	-149	-327	-178	119%
EBITDA	19	-136	-155	-
Indicators				
LFL retail CCC ²	10%	-32%		



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¹ KVAG E-commerce closed from August 2019. According to Company's strategy.

² Excluding CCC e-commerce.

³ Financial data were not subject to audit/review.

	Q1 2019	Q1 2020	Δ Q1'19- Q1'20	y/y
Balance sheet* [PLN million]				
Assets				
Inventory	2080	2488	408	20%
Cash	211	261	50	24%
Liabilities				
Loans and bonds liabilities	1453	1668	215	15%
Non-current	210	553	343	163%
Current	1243	1115	-128	-10%
Liabilities to suppliers	1009	1315	306	30%
including confirming	489	561	72	15%

* Considering the extraordinary circumstances caused by the COVID-19 pandemic and its current impact on the economic and macroeconomic conditions in the markets where the CCC Group operates, as well as on the CCC Group's operations and financial position (in particular its liquidity position), the scope of the information contained in this report has been extended compared with the reports for the corresponding periods of previous years in order to present – in accordance with the guidelines of the European Securities and Markets Authority (ESMA) concerning presentation of financial information about the actual and potential impact of the COVID-19 pandemic on operations, financial condition and performance – the implications of the COVID-19 pandemic for the Company's and the CCC Group's operations, financial condition and performance, based on the data available to the Company, as well as the results of the analysis performed by the Company as at the date of issue of this report. When the business environment returns to normal, the Company intends to report its preliminary estimates the way it did before.

Actions in response to the COVID-19 pandemic

- Very rapid reorganisation of the Group in the face of the COVID-19 pandemic, including the establishment of a crisis staff, implementation of appropriate procedures and internal regulations, extensive implementation of remote working solutions with the use of previously implemented digital solutions and maximization of activities aimed at the safety of employees and customers.
- Operational focus on the e-commerce sales channel including the strengthening of marketing and sales activities and the security of logistics processes (among other things, delegating about 100 people of the crew from Polkowice to support the e-commerce warehouse staff in Zielona Góra). Rotational work in 4-team system in eobuwie.pl warehouse.
- Cooperation with suppliers in the scope of reduction of orders for AW20 collection by about 10-15% and renegotiation of payment conditions i.e. minimizing the value of advance payments and extending payment terms.
- Undertaking actions in the area of stabilisation of long-term financing of the Group, including:
 - Planned capital increase through the issue of shares - convening an Extraordinary General Meeting of CCC S.A. for 17 April 2020 (current report 8/2020) with the intention of raising 400-500 million PLN to finance the working capital (primarily financing the orders of AW20 collection),
 - Concluding an agreement with banks and financing institutions regarding keeping current financing and commencing discussions concerning, among others, the extension of the maturity of current liabilities until June 2021 and keeping available limits provided for in financial agreements (factoring and guarantee ones) (current report 14/2020). In addition, the Group intends to apply for additional financing and guarantees from Bank Gospodarstwa Krajowego in the amount of approximately PLN 250 million (under anti-crisis programs related to COVID-19),

- Obtaining the approval of bondholders to change the terms and conditions of bond issue, with the planned timely payment of interest in accordance with the terms and conditions of issue and redemption of bonds in June 2021. (current report 12/2020 and 13/2020).
- Taking steps to adjust the level of operating costs of the Group's operations to the circumstances of closed offline stores covering the following areas, thus the values presented refer to the objectives, plans:
 - Costs of running the stores:
 - Rents - expected significant reduction/expiry of costs during the period of shops' closure as a result of negotiations with landlords, as well as implemented legal regulations, and at the same time expecting a more flexible level of costs in the future (after stores are opened),
 - Remuneration - adjustment of staffing to sales, use of public aid schemes, use of overdue/current leaves to achieve total cost reduction in the period of the closures of stores at the level of about PLN 25-30 million/month, i.e. 50-60% vs. the normalized, budgeted level. At the same time, it is possible to achieve savings of approx. 10-15% y/y beyond the period of the closed stores.
 - Other costs - significant reduction in the period of stores closing (e.g. transport, store service, store marketing, etc.) by approx. PLN 12-13 million/month, i.e. approx. 50% vs. the standardized, budgeted level
 - Operating costs (other selling and general administrative expenses)
 - Remuneration - use of public aid schemes (estimated cost reduction of about PLN 5m/month) in the period of closed stores and optimization of the staffing level in the medium/long term at the level of savings of about PLN 5-10m/year,
 - Other costs - reduction of operating costs (including logistic operations, non-store marketing, all other head office costs) by approx. 10 million PLN/month, i.e. by approx. 10% vs. the standardized, budgeted level (approx. 90 million PLN/month) in the period of the closed stores and a permanent reduction of marketing expenses for sponsoring in the medium-long term.
 - Financial costs / repayment of financial liabilities - temporary deferral of the obligation to pay current interest and extension of the maturity date of current liabilities until June 2021 and maintenance of available limits
 - Submission of applications for deferment of payment of public-law liabilities (CIT/PIT/ZUS) in the amount of about 60m PLN) and reimbursement of VAT and CIT (about 62m PLN)
 - Minimisation of capital expenditure - in Q2-4 2020 lower by ca. 60% vs. GO.22 (ca. PLN 80m) - depending on the date of opening the stores, focus on expenditure on e-commerce development (eobuwie warehouse) and limiting the planned expansion
- On the basis of the assumptions made regarding the date of possible opening of offline stores and consumer behaviour after their opening, the Group assumes gradual reconstruction of the revenue base in the retail and wholesale segments. The base scenario includes the opening of stores in May 2020, with the simultaneous implementation of the sales budget in that month at the level of 30% (i.e. 70% below the budget) and the target implementation of the sales budget in December 2020 at the level of 90% (i.e. 10% below the budget).
- In the medium to long term, the Group expects the potential impact of COVID-19 on the footwear market in the form of: a decline in market value in 2020 and its recovery in 2021, a possible sustainable increase in online penetration, a possible shift in consumer preferences towards lower price levels, a potential upset in global supply chains and a likely acceleration of market consolidation. The Group's business model and GO.22 strategy, in the Group's opinion, optimally address potential changes in the market. At the same time, the Group upholds the strategic goals for 2020 presented in the GO.22 Strategy (current report 4/2020).



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Development of sales channels

- In accordance with the strategy, optimization of Gino Rossi retail space in Poland and Karl Voegele in Switzerland
- Fastest growing retail space in eobuwie.pl (+12 omnichannel stores y/y)
- Since the beginning of the year, retail space has decreased by 6,000 sqm.
- Due to the uncertainty related to the virus, the Company will significantly reduce its plan of openings later in the year (previously announced 60,000 m² net in 2020)

	Q1 2019	Q1 2020	Δ Q1'20- Q1'19	y/y
Development				
Floor space [thousand m ²]	674,3	753,9	79,6	12%
CCC	579,6	657,4	77,8	13%
KVAG	81,1	77,3	-3,8	-5%
Gino Rossi	7,9	5,1	-2,8	-35%
eobuwie	5,7	14,1	8,4	>100%
Number of stores	1 196	1 211	15	1%
CCC	924	978	54	6%
KVAG	190	167	-23	-12%
Gino Rossi	72	44	-28	-39%
eobuwie	10	22	12	>100%

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