

Press release

Q1 2020: QUARTERLY FIGURES IMPACTED BY COVID-19

The CCC Group, leader of the footwear industry in the CEE region, closed the first quarter of 2020 with PLN 944m in revenue, down 9% year on year. The drop in revenue was caused by an acute traffic decline in the first half of March and the closure of most CCC stores further in the month due to the coronavirus threat. In the first quarter, the Group's e-commerce sales soared 39%, lifting the share of revenue from online sales in the Group's total sales to 43% in Q1 2020 (vs 28% in the same period of the year before).

The lower traffic, improved conversion, more spring goods, replacement of old collections with new ones, and COVID-19 – was a combination of factors affecting the CCC Group's performance in the first quarter of this year. Due to a change in the retail trade ban, the past quarter was different from the first quarter of 2019. January saw more clearance sales, which had its effect on margins. In February, that is much sooner than in the previous year, spring collections were first placed on the shelves of CCC stores, generating higher margins. However, the full-quarter performance has been hugely impacted by figures posted in March, when our brick-and-mortar stores were closed and goods were only sold online. Traffics were slightly lower already at the quarter's beginning, but in early March they collapsed to cease completely on the 13th day of the month.

The pandemic has thrown us into a reality where making any precise predictions is hardly possible. However, the entire team is determined to emerge stronger from the ongoing crisis and to continue along our strategic path. This is not the first critical situation we are facing and CCC has always emerged stronger after times of trouble," says Dariusz Miłek, Chairman of the Supervisory Board of CCC S.A.

"In the first quarter, we focused on delivering successive stages of the GO.22 strategy, relying on the omnichannel model, our new marketing policy, and strong online communication with a prime focus on the fashion aspect and comprehensive product offering. We launched advertising campaigns for such brands as Gino Rossi, esize.me and Lasocki, and our customers appreciated the new collection. However, after the declaration of a public health emergency in Poland and the closing of our brick-and-mortar stores, we are unable to use our principal sales channel. The priority today is to secure the Group's liquidity and financing. We have discussed the situation with banks and financing institutions, who have agreed to postpone the payment deadlines for our liabilities. Now we are continuing these talks to revise the terms of our financing. We also plan to issue shares, which should enable us to raise PLN 400m-500m in proceeds. Let us remember that today we are also fighting to keep jobs. At the same time, we want to be prepared to re-launch sales through the brick-and-mortar channel and have appropriate goods on stock for the AW2020 season. The current situation has compelled us to take

some restructuring measures, expected to generate substantial cost savings for many years ahead,” **says Marcin Czyczerski, President of the Management Board of CCC S.A.**

The CCC Group’s consolidated gross profit fell by 17%, to PLN 410m. The Group’s gross margin was 43.4%, down 4pp, due mainly to the inability to effectively sell the spring/summer collection at the first sale prices in March, the key month of the quarter. The Group’s costs amounted to PLN 737m, compared with PLN 641m in 2018 (up 15% year on year). However, they are yet to be cut as a result of a range of initiatives undertaken by the Company over the recent weeks, aiming to reduce costs in the short and long term. In the first quarter, the Group’s EBITDA and EBIT were negative at PLN 136m and PLN 327m, respectively.

“We strive to ensure that the Company, our shareholders, trading partners and financial institutions emerge unharmed from this crisis. Already in mid-March, we embarked on cost restructuring and contract renegotiation, began to accelerate the development of e-commerce channels, and undertook many other measures aimed at minimising the impact of the current crisis on our business. These have been super intensive weeks,” **says Karol Pótorak, Vice President of the Management Board of CCC S.A., Development and Strategy.**

A prerequisite for a prospering e-commerce business is efficient logistics, the function currently handled by the CCC Group’s logistics centre in Polkowice and its state-of-the-art centre in Zielona Góra opened in January, which has significantly enhanced the Group’s order processing capacity. Located at the eobuwie.pl head office, the facility has an area of nearly 40,000 m² and three storage levels, its processes are highly automated and its target warehousing capacity is to reach 5.5 million product items.

“What we are currently facing are unprecedented challenges. They mainly have to do with staff and customer safety, but also with logistics. This is why we have promptly introduced a wide range of changes. The working methods of our logistics centre in Zielona Góra have changed, but their work is being carried on without interruption, with the majority of parcels delivered on time. In the short run, with the forced closure of brick-and-mortar stores, we are certainly reaching more new customers online. We expect this trend to continue even after the physical outlets are re-opened, and a number of new customers who discover the convenience of online shopping will stay with us for good,” **says Marcin Grzymkowski, President of eobuwie.pl S.A.**

“Our logistics function has retained its full operational capability, receiving goods and handling all e-commerce dispatches. Moreover, 100 of our Polkowice staff members have been seconded to support e-commerce operations in Zielona Góra. To meet the expectations of local communities and the needs of healthcare staff, we have also begun to sew footwear protectors at our shoe factory on a volunteering basis.” **says Mariusz Gnych, Vice President of the Management Board of CCC S.A., Logistics and Production.**

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As at the end of Q1 2020, the total area of the CCC sales network was 754,000 m², down by 6,000 m² from the year's beginning. This is consistent with the strategy to optimise the retail space of Gino Rossi in Poland and Voegele in Switzerland. The fastest growing retail area was that of eobuwie stores (with the number of omnichannel locations up by 12 year on year). Given the prevailing uncertainty sparked by the coronavirus pandemic, the Company intends to significantly curtail its planned store openings further this year.

As at the end of March 2020, the CCC Group had a presence in 29 countries: in 23 of them through more than 1,200 brick-and-mortar stores, and in 15 – via an online channel. In total, the Group has over 50 online platforms across Europe, including eobuwie.pl, ccc.eu, MODIVO, DeeZee, and Gino Rossi. In 2019, more than 52 million pairs of footwear were bought by CCC customers through all the sales channels.

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