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**CCC GROUP AFTER Q2 AND Q3 2020:
FAST SALES RECOVERY AFTER LOCKDOWN
SURGE IN THE PROFITABILITY OF THE ONLINE CHANNEL**

The CCC Group, leader of the footwear sector in Central and Eastern Europe, finished Q2 and Q3 2020 with strong sales growth in the e-commerce channel, reporting revenue increase of 82% and 60% year on year, respectively. This growth was accompanied by a strong rise in profitability at eobuwie in Q2, with EBITDA margin at 14.1%. The CCC Group's consolidated revenue in Q2 and Q3 was under pressure from the coronavirus pandemic, but despite the headwinds it rebounded quickly, with year-on-year sales growth reaching 4% already in Q3. In the pandemic quarter of Q2, the Group generated a positive adjusted EBIT (excluding one-off items), and its EBIT figure in Q3 was almost on a par with that reported last year.

In the challenging market environment, the Group owes its excellent performance to the very good reception of its new collection, including the first capsule collection of Gino Rossi – *Soft Minimalism*, as well as a new form of communication with the customer. CCC is entering the second half of 2020 with a full focus on the CEE region and the e-commerce segment, having recognised provisions for the Swiss and German operations.

"We are proceeding with the GO.22 strategy, focusing on the CEE region and expansion of the multi-channel sales. We are working intensely on our product and we can see increased customer satisfaction. At the same time, we are shedding the unprofitable projects and taking measures to reduce costs. We are flexible and prepared for the changes in our environment. Taking part in the race is not enough for us, we want to be the winner," said Dariusz Miłek , the founder of CCC and Chairman of its Supervisory Board.

The Group's revenue recovering after the lockdown

CCC's revenue quickly recovered after the coronavirus pandemic lockdown. Its LFL sales surged quarter on quarter, from -48% in Q2 to -16% in Q3, driven by a steady increase in foot traffic at the CCC stores, significant conversion levels and purchase baskets, meaning that the customers visiting the stores are more purchase-oriented. This trend is still continuing. Seeing the changes in the purchasing behaviour of customers, the Group is targeting its offer at entire families by organising many effective promotional and sales campaigns. The rapid revenue recovery seen by the CCC Group was achieved thanks to its being well prepared for sales in the brick-and mortar stores and the continuing high dynamics in the e-commerce channel.

Continuing high growth dynamics in e-commerce

The share of e-commerce sales (carried out through 64 online platforms) in the Group's revenue in Q2 2020 was close to 50%, compared with 23% a year earlier, and in Q3 2020 it was 38% (preliminary data), relative to 25% a year earlier. In Q2 and Q3, the Company significantly developed its online points of contact with the customer by launching 12 new desktop platforms and applications on new

foreign markets. In Q2, the e-commerce revenue from platforms other than eobuwie reached PLN 156m (25% of the e-commerce segment's sales), which shows that the focus on the roll-out of the complementary platforms is bringing the expected results.

“At the time of closure of brick and mortar stores in April, e-commerce accounted for as much as 95% of our sales. Today, we are reinforcing our omnichannel model, with a stronger online channel compared to the pre-pandemic period. This is demonstrated by the continuing high two-digit sales growth we record every month. The Group's key investments have been focused on the online channels for a long time. Now, we are monetising them. Eobuwie is still the driving engine of online sales at the Group, but revenue contribution from the other platforms is rising, showing the hard work of our teams. We have also significantly improved our gross margin in the online segment, by 2.1pp in Q2 2020 and by more than 1pp in Q3 2020,” **said Karol Pótorak, Vice President of the CCC Management Board for Development and Strategy.**

“We have learned a lesson from the pandemic. We are working to launch another e-commerce dispatch facility, so that the logistics centre in Polkowice, which is mainly used in catering to the needs of customers at the traditional stores, is able to support at any time the retail customer service centre in Zielona Góra, where online orders are executed. In this way, in the peak periods of e-commerce orders, we will be able to handle them from two locations. In addition, in the near future we will also start e-commerce shipments to new markets where we have not been present to date. Another initiative in the pipeline is the launch of shipments to online customers directly from stores,” **says Mariusz Gnych, Vice President of the CCC Management Board for Logistics and Production.**

Significant cost reduction in response to COVID-19

The Group's costs, excluding non-recurring items, were PLN 566m in Q2, down 8% year on year. A marked decline in distribution costs and administrative expenses was attributable to savings on rental, wages, logistics, services, sponsorship and marketing costs. In response to the adverse effects of the coronavirus pandemic, the Company has introduced a savings and efficiency improvement programme aimed at further reducing the cost base and improving profitability.

An organisation that is leaner in terms of costs and free from unprofitable projects, focused on the CEE region and building advantage in the online channel, is the axis of our strategy. We have already accomplished a lot in this area. We are reviewing of our sales network, shutting down unprofitable locations and projects. The CCC Group resolved to reclassify Karl Voegele as discontinued operations and to recognise provisions and impairment losses on its Swiss and German operations and other assets. These are one-off events aimed at enhancing profitability of the CCC Group in subsequent periods. Our focus remains firmly on Central and Eastern Europe and our e-commerce business, which we will continue to grow,” **says Marcin Czyczerski, President of the CCC Management Board.**

Eobuwie going from strength to strength

Eobuwie posted revenue of PLN 538m (up 54% year on year) for Q2 2020 and almost tripled its EBITDA margin, up 9.1pp year on year (to 14.1%). The Company kept tight control of its marketing costs, which fell relative to revenue by 5.9pp year on year. In the Q3 2020, eobuwie reported a 51% yoy growth in revenue, with EBITDA margin remaining strong, at 9.1%.

We saw profitability surge above our strategic target in the second quarter of the year. Sales in new markets are growing as a percentage of total sales. We continued to demonstrate strong revenue momentum and solid profitability in the third quarter. Modivo, the premium fashion online store that

we are rolling out, is also growing in importance. The store contributed 10% to eobuwie's revenue in the third quarter," says **Marcin Grzymkowski, the founder of eobuwie and President of its Management Board.**

The shift of consumer behaviour towards e-commerce that was triggered by COVID has created a unique opportunity for eobuwie to step up profitable growth and significantly expand its market shares. Against this backdrop, CCC plans to continue analyses and work aimed at raising sufficient capital for eobuwie to fully leverage these new market opportunities.

Changing product and new customer communication format

Due to a change in the retail calendar, CCC launched its autumn collection earlier than last year. It was very well received by customers. The NPS (or Net Promoter Score used to measure customers' loyalty) rose to 83 points in the online channel and to 55 in the offline channel. Also, Gino Rossi's *Soft Minimalism*, the first capsule collection in our range, generated record-breaking sales in its first two weeks. The Group plans to launch similar limited product editions on a regular basis.

We have a product for the new reality, we embrace new trends in fashion, we expand our range with new appealing brands and we add character to our existing products. The coronavirus has reinforced the trends we mentioned in our GO.22 strategy. We have aligned our communication and marketing strategy with customers' needs, always keeping in contact with them. We can see tangible effects of our decisions and our work. We have designed a very attractive autumn/winter 2020 collection, demonstrating good value for money, which is our hallmark and which has become particularly relevant recently," says **Marcin Czyczerski, President of the CCC Management Board.**

Virtually all brands in CCC's portfolio are accelerating on the growth path, increasingly personalising its message to customers. One of the Group's fastest growing brands is DeeZee, which has launched online sales platforms on four new markets (Czech Republic, Slovakia, Hungary, and Romania), and reported sales of PLN 16m in Q3 (up 60% year on year). The first DeeZee clothes collection is planned to be made available to customers this year.

Summary

"The second-quarter results and third-quarter preliminary data show we have effectively stabilised our financial position, focusing on promising projects and taking advantage of market opportunities that come our way. We are ready for the new autumn/winter season, which is already in full swing. We have secured the stock, and we are working to raise funding guaranteed by BGK and additional funding from PFR as a safety buffer," comments **Karol Półtorak, Vice President of the CCC Management Board for Development and Strategy.**

"We are monitoring the epidemiological situation, of course – we have developed a detailed action plan for several pandemic development scenarios. We assess the risk of a second lockdown as low today, but we are prepared for less-than-average store traffic. We are reviewing good practices we applied during the first wave of the pandemic, complementing them with new ideas and initiatives. Today, we can feel positive effects of the flexibility, perseverance and determination we have shown in the last six months," added **Marcin Czyczerski, President of the CCC Management Board.**

At the end of Q2 2020, the total area of the CCC sales network was 762,000 m2 (including KVAG 74,000 m2). At the end of September 2020, the CCC Group was present in 29 countries. In 22 of them we operated more than 1,209 traditional stores (including 156 KVAG stores), and we had an online presence in 17 countries. The Group operates a total of 66 online platforms across Europe, including eobuwie.pl, ccc.eu, MODIVO, DeeZee, and Gino Rossi.

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