

Dynamic revenue growth by 29% accompanied by slightly lower gross profit on sales margin (-2pp)

The second quarter of 2019 for CCC Group meant further expansion of product range, new markets and sales channels - mostly by development of the e-commerce segment. Sales in the second quarter had two faces - the first two months were affected by significantly worse weather conditions than a year ago, while June, with very favorable weather, well received summer collection and tailor made promotion, allowed for high revenue growth. The consolidation of the acquired companies (KVAG, DeeZee, Gino Rossi) was also important for the results.

Sales of the CCC Group in the second quarter of 2019 amounted to PLN 1,642 million, which means an increase of 29% year-over-year. Significant importance in this case was the consistent expansion of the product offer in CCC stores, including DeeZee footwear, which enjoys a very high regard among customers and is responsible for about 4% of revenues. Gross profit on sales on the consolidated level increased by 24%, to PLN 840m. Gross margin at the CCC Group level reached the level of 51.2%, 2 pp y/y lower, which is a moderately satisfactory result in the context of a very attractive from customers' point of view promotional campaign lasting since mid-June, as well as the constantly growing share of branded sports footwear in retail sales revenue (14%).

Costs increased to PLN 690m (PLN 501m in Q2 2018), mainly due to the consolidation of the acquired companies (a total of PLN 117m, of which PLN 85m KVAG, PLN 15m Gino Rossi, PLN 5m DeeZee, PLN 12m Shoe Express) as well as the increase in floorspace (+47m PLN) and scale of e-commerce (+13m PLN). It was another quarter in a row in which CCC consistently reduced the costs of stores - thanks to optimization of business processes it was possible to reduce them in Q2 2019 by 8% y/y (Q2 2019 - PLN 176) per sqm. The first half of the quarter brought a significant growth of marketing costs in the e-commerce segment (69,4m PLN total), which in the following part of the quarter stabilized at the traditional level (meant as percentage of revenues).

In the end, the CCC Group booked in the second quarter EBITDA profit of 342m PLN (402m in Q2 2018), operating profit of 160m PLN and net profit from continued operations on the level of 97m PLN (241m in Q2 2018).

CCC is consistently working to optimize its working capital. Trade payables increased by PLN 369m y/y to PLN 1,133m, mainly as a result of a reversed factoring program and negotiations of payment terms with suppliers. In addition, inventory levels in the offline channel per square meter decreased by 12% y/y despite the introduction of new product categories (sports shoes, suitcases and accessories, DeeZee brand).

Sales in the e-commerce segment amounted to PLN 349m (PLN 232m in Q2 2018, up by 50% y/y) and accounted for 21% of the Group's revenues. The dynamic growth in this sales channel is mainly attributable to eobuwie.pl - an increase of 43%. In the e-commerce segment, the sales results of DeeZee, whose revenue in Q2 2019 reached PLN 11.2 million, which is almost twice as high as in the previous year, are also worth mentioning. This outcome is the result of a very good reception of the spring-summer collection of this brand, and the interest in its offer remains at a very high level. The e-commerce segment also includes KVAG and Gino Rossi online sales. Since 26 June, it also includes the newly launched CCC online store in full functionality - assuming delivery of ordered products to the address indicated by the customer. Within first few days from its official launch, more than 12 thousand orders were generated, equal to 3-4% of revenues of Polish CCC stores. 45% of orders came from new customers, who were not registered last year in our stores or loyalty program. The profitability in the

e-commerce segment was affected by higher costs of marketing at eobuwie.pl in April, as well as growing logistics costs, which is a consequence of dynamic expansion into new markets.

„After unsatisfactory sales revenues in April and May, the financial results of the second quarter improved significantly in the last month, supported by excellent sales in June, which positively confirmed the strategy of expanding the product range. Branded sports shoes were very popular and the DeeZee brand, introduced with the spring-summer collection, turned out to be a hit. Sales in June were additionally supported by a promotional campaign lasting from mid-June to the end of July, which also allowed us to optimize our inventory levels and free up space for new, constantly developed collections. Noteworthy are also the still dynamically growing revenues in the e-commerce segment, which at the end of June was supplemented by the long-awaited launch of CCC online store. We are very pleased with the launch of this channel, and its results in the first weeks. What might be even more important is that we kept strengthening our product team and working on the development of future collections.“, comments Marcin Czyczerski, CEO of CCC S.A.

Eobuwie.pl continues its strategy of dynamic omnichannel development.

„We are focusing our biggest attention on the main pillar of our strategy, which is increasing our market share in Poland and other CEE countries – it’s crucial for us to cement our role as a market leader in this region. Expansion of the CCC Group in the e-commerce segment means also the launch of the Modivo platform, which already operates in seven European markets. We have plans to launch it by the end of 2019 in several subsequent locations, as well as start promoting it through a marketing campaign. The development of the chain of omnichannel eobuwie.pl. stores is also continued, and their network in the second quarter grew by two more locations - in Olsztyn and Gdańsk. Another interesting initiative was the debut of Foot Truck, a mobile store of eobuwie.pl, which during this year’s summer visits many points on the Polish sea coast. Right now we are putting our efforts into launching a new, highly automatic distribution center in Nowy Kisielin and continued investment in esize.me.“, adds Marcin Grzymkowski, CEO of eobuwie.pl Group.

CCC Group keeps focusing on product range development as well as expansion on new, attractive markets.

“In the second quarter, apart from intensive growth of e-commerce and other digital touch points, we continued to intensify operational cooperation with KVAG and Gino Rossi - cost synergies are introduced according to the plan. We are also satisfied with development in the GCC region through the franchise model - the first seven stores have already been opened and our brands, store concept and price range were very well received by customers.“, adds Karol Póltorak, VP of CCC Group.

Total floorspace of the CCC sales network at the end of Q2 2019 amounted to over 700k sqm and included over 1200 shops, over half of them abroad. CCC Group was present in 26 countries (20 offline and 15 online).

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