



**C&A stays on course: Stable turnover in a declining market  
Increased market share despite a difficult economic situation!**

*Düsseldorf, 21 April 2010. C&A Europe has managed to stay on course during the 'crisis year' of 2009. Despite difficult economic conditions and a significant decline in the European clothing market, C&A was able to generate a stable gross turnover of € 6.303 billion during the last financial year 2009/10. "The strength of a company is proven when, even in a negative, continually shrinking and very volatile market environment, it can still stick to its investment decisions, remain solid in overall sales and increase its market share; and that is exactly what we achieved at C&A Europe in the 'crisis year' of 2009," explained Andreas G. Seitz, member of the European Executive Board and spokesperson of C&A Europe on presentation of the figures for the financial year 2009/2010 (1 March until 28 February). Seitz remarked that in a difficult market environment C&A is competitively well positioned with its long-term strategy of attractive fashion at exceptional value-for-money prices. He also referred to the continued expansion of the C&A-store network in 2009, new market entries in Eastern Europe, successful development of the C&A online business and a further increase of C&A's European market share.*

**Stable, solid turnover and increased market share**

For several established markets in Western Europe C&A has remained particularly solid in the crisis (Germany, Belgium/Luxemburg, Austria). This has meant that the C&A Europe group of companies was able to generate a total gross turnover of € 6.303 billion in the year 2009/2010 (turnover in 2008/2009: € 6.301 billion). Despite the generally difficult and very volatile market environment C&A was able to report positive revenue growth in Belgium/Luxemburg (+3.2% on last year), in Austria (+1.1% on last year) and in the online business. In Germany, total turnover slightly increased (+0.2% on last year) as did the market share. Due to the particularly crisis-affected market situation, however, on the Iberian Peninsula and in Eastern Europe, C&A's turnover decreased (Spain/Portugal: -2.6% on last year, Eastern Europe: -8.5% on last year) although it was possible to increase market share in these markets. A drop in revenues, with a slight increase or stable market share value was registered by C&A in the Netherlands (-2.8% on last year), in Switzerland (-1.5% on last year) and in France (-1% on last year).

“More than any other year, 2009 was shaped by a noticeably negative and highly volatile overall market development, as well as the associated reluctance of consumers to spend money. Taking an average of the ten most important textile markets, the European clothing market shrunk by 3%,” said Seitz referring to the difficult conditions in many parts of the European textile retail trade. The decline in overall market turnover was particularly felt by the apparel industry in Spain (-8.3% on last year) and in the markets of Eastern Europe (-8% on last year). “In view of the difficult market environment C&A has performed well,” said Seitz.

The consolidated market share of C&A Europe increased (according to the latest GfK panel data) from 5.0% to 5.1%. The market share increase in Germany (from 8.9% to 9.0%) shows that C&A has also succeeded in achieving growth above the industry average for C&A’s most significant European market during the last financial year. C&A was also able to increase its market share in Austria (from 7.2% to 7.4%), in Portugal (from 4.1% to 4.3%), in Poland (from 1.6% to 2%), as well as in France and Spain (from 1.8% to 1.9% in both countries).

#### **Expansion, number of stores and investments**

C&A Europe opened up two new European markets in the last financial year. During 2009/10, C&A entered Croatia and Romania with six new stores. In total the number of European C&A stores increased by 92 (net) to a total number of 1,410 stores (status as of: April 2010). “As a result of market penetration during previous years C&A today is represented in 19 European countries,” said Seitz. “This means that our company has achieved a broad Europe-wide presence.”

For the current financial year of 2010/2011 C&A Europe is planning to open around 80 new stores. As well as the new openings, the company is also planning considerable investments in the modernisation of the existing store network, as well as strategic investments in the internal infrastructure, new product segments and the further development of the online distribution channel. Total investment during the next three years (2010 to 2012) will amount to around € 600 million Euro.

According to information from C&A, for the current financial year of 2010 it should be assumed that the downward trend in European apparel retailing will continue, but with a slower pace. “In view of the difficult initial situation in apparel retailing, which had been foreseeable since the end of 2008/beginning of 2009, it was right not to pursue the new ‘Avanti’ concept, established in 2008, but instead focus the company’s entire strength on the established core brand of ‘C&A’,” said Seitz. In mid-2009 the Executive Board of C&A Europe decided to continue 17 of the 20 ‘Avanti’ stores throughout Europe (14 in Germany, 4 in Belgium, 1 in Spain, 1 in Poland) as C&A sales locations. This integration process has now been completed.

### **New collection segments and marketing initiatives**

C&A Europe was also able to maintain course towards value-for-money leadership during the previous financial year. This strategic direction will continue to be consistently pursued in the future. “Reliable quality, attractive fashion and low prices are prerequisites to ensuring that around two million people throughout Europe who visit our stores daily will continue to do so in the future,” explained Seitz. The number of collection segments, which are offered in shop-in-shop concepts, is constantly growing. Within this context Seitz referred to the successful launch in 2009 of Yessica Pure<sup>®</sup>, the new C&A label in the higher quality segment for the style-conscious, fashionable woman aged between 25 and 45.

The success of Yessica Pure<sup>®</sup> with a focus on large stores in city locations also served as a template for the development of the traditional C&A brand Canda. With **CANDA** Premium, which was launched in spring 2010, C&A appeals to and focuses attention on the more regular C&A female customer above the age of 45, who has a special interest in tasteful fashion details, quality and workmanship – as well as C&A’s renowned value-for-money.

The Marketing Communication cooperations with certain celebrities is also said to have been of national relevance for customers. “The positive feedback has shown that in Germany, for example, we are spot-on with Franziska van Almsick and Mehmet Scholl,” Seitz said. Further examples include the continued cooperation with the television show “Germany’s Next Topmodel” and the new cooperation with fashion designer Frans Molenaar in the Netherlands, established in 2009.

Of increasing significance for C&A, according to the company’s management, is also the use of gift cards. “Nicely designed C&A-Gift Cards are now also being distributed outside of the C&A store network in Germany,” explained Seitz on presentation of the annual report.

Via the distribution partner Retailo, C&A is selling an increasing number of gift cards to around 12,000 external points of sale of the Retailo ‘Gift Card World’ in Germany, including petrol stations, Postbank finance centres and food stores. An extension of this cooperation will be organised in Austria and Switzerland and is planned for the first half of the current 2010 financial year.

### **C&A Online showing solid growth**

The online business of C&A has developed very positively. C&A had already gained first experience in a pilot project with Wehkamp in the Netherlands before launching in C&A’s core market in Germany with an own web-shop in the second half of 2008 and has been developing with a steep upwards trend ever since. During its first complete financial year in 2009, around 30 million visitors, equivalent to more than 80,000 visitors daily, clicked onto [www.cunda.de](http://www.cunda.de). The online offer encompasses the entire, extensive product range that C&A has to offer. C&A Online customers have demonstrated an above-average high demand for the C&A core segment of childrenswear.

“We’re delighted that the online offer is being so well received by young mothers in particular,” explained Seitz. Considering the double-digit growth rates, which the online trade – not only in Germany – reports from year to year, the potential of this distribution channel, according to Seitz, is currently far from exhausted. The Executive Board of C&A Europe has therefore decided to develop and penetrate the online markets in Austria and France in the 2011 financial year.

### **C&A Money with new products**

C&A Money and with it the business of C&A Bank will continue to be managed under its original ownership in the future. Investigations into the potential sale of C&A Bank showed that in the current economic climate, the required level of high quality of Financial services could only be maintained if the C&A Bank continued to be managed inhouse as an integral part of C&A’s ‘Retail Financial Services Division’. C&A Europe is committed to developing the business for the future.

“Following the decision and the commitment to continue the C&A Bank business both owned and managed by C&A, we are now looking forward to offering new and attractive banking products at particularly favourable conditions in the future,” continued Seitz. Back in autumn 2006, with C&A’s car insurance, the C&A Retail Financial Services division brought the company’s first insurance product onto the market. After receiving the bank licence other products then followed, including the C&A fixed-term loan, and the C&A revolving credit. Since the financial year 2009/2010, C&A Money has also been offering home insurances and personal liability insurances as well as C&A savings bonds. For the current financial year 2010 plans are being made to further expand the product portfolio.

### **Corporate Social Responsibility (CSR)**

C&A is a privately-owned company and it is therefore natural to maintain long term perspectives. Achieving economic goals is for C&A inextricably linked to the adherence to specific values. “The basis of our business practices are sustainability, fairness and trust,” said Seitz on presentation of the business figures for 2009. This is why in April 2010 C&A once again published a comprehensive Corporate Social Responsibility-report. The report “Acting sustainably” was presented together with the key financial figures for the year 2009/2010. The report is, for example, oriented towards the structures of the CSR organisation of C&A Europe, which distinguishes four principle areas:

- Product quality/safety
- Auditing of responsible conduct
- Corporate Giving
- Environmental management

This breakdown results in C&A's focus on the following core areas of social responsibility: customer satisfaction, adherence to product safety standards and chemical safety, code of conduct for employees, code of conduct for suppliers including employment, human rights and working conditions. C&A will also continue to intensify its efforts to reduce energy consumption, CO<sub>2</sub> emissions and the use of water, all of which are a consequence of the textile supply chain.

“It is our explicit goal to convey the significance of sustainable management as well as harmonising social, ecological and economic factors,” Seitz said, in summarising the business claim of C&A.

As a fashion company C&A thereby traditionally attaches great importance to the adherence of rules for social, humane and sustainable management in the cotton growing regions and textile processing industries of emerging countries. By establishing the independently operating organisation SOCAM, whose core task is to review the working conditions of C&A suppliers, C&A made its mark early on. In the case of the most serious infringements being detected, and when a supplier is unwilling to work for improvement, C&A will terminate a business relationship as an ultimate step.

C&A's growing commitment in the organic cotton sector, which has steadily grown over the past years and is exemplary in Europe, stems from the interest in applying the rules of ethical management and environmental protection in the early stages of the supply chain. The promotion of cotton that has been grown without the use of artificial fertilisers, pesticides or the use of genetically modified seeds also fulfils the wishes of a growing number of end consumers. Worldwide, C&A is now the second biggest provider of fashion made from organic cotton. With its initiative the company is demonstrably contributing to an improvement in social conditions in the cultivation regions of India and to the conservation of the natural resources of air, soil and water.

Together with the Shell Foundation and the Organic Exchange organisation C&A was able to go one step further in December 2009: they joined forces to establish the for-profit company ‘Cotton Connect’. As an independent company, ‘Cotton Connect’ will support cotton farmers and textile producers in the development of sustainable business models with a holistic advisory approach. “Cotton Connect is very consciously not a charitable organisation, as the idea is to encourage people to help themselves and each other,” is how Seitz clarified the motives of the start-up. “In the mid-term, the cotton growers and the textile industries in Asia's emerging countries should be able to implement the rules of sustainable management on their own initiative.”

**Forecast: Solidity and confidence in a persistently volatile market environment**

For the current financial year of 2010/2011 C&A is expecting a deceleration of the downward trend in the European textile retail trade markets. Seitz mentioned that the consumers' willingness to spend will, however, remain unpredictable and therefore difficult to gauge, especially within the context of the difficult to forecast developments on the labour market.

"We want to use the persistently difficult economic climate as an opportunity and continue to invest so that we can continue growing," explained Seitz. As a strategic focus, the spokesperson of the European Executive Board named the planned investments in value-for-money leadership as well as the further expansion and modernisation of the store network.

The basis for further strategic alignment, in the company's opinion, is a high degree of reliability with regard to customers, employees and suppliers. "Especially in view of the present remaining difficult economic situation C&A will best be able to achieve stable growth by making the most of opportunities whilst practicing solid risk control. In economically unstable times in particular, the outstanding solidity of the company is a vital factor for success," concluded Seitz.

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