# ANNUAL STATEMENTS ON OPERATIONS OF CAPITAL GROUP CCC S.A. FOR 2017

CCC SHOES & BAGS


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# CCC IN NUMBERS

the number by which the Group CCC plans to increase its floor space in 2018

**110 thousand m²**

**1 million daily**

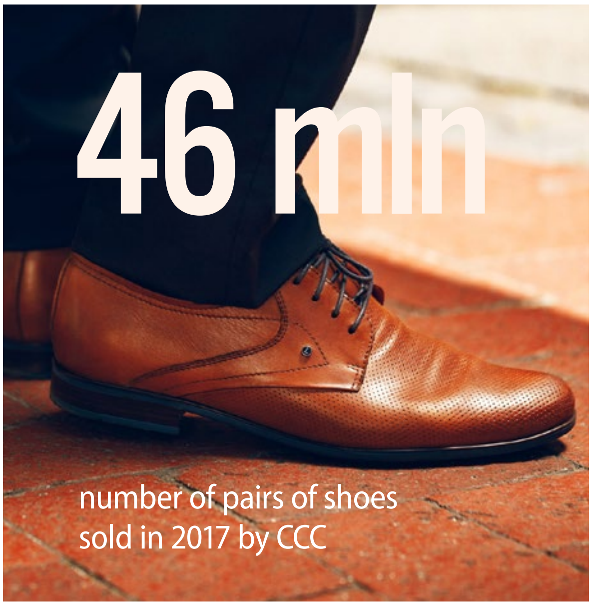
number of pairs of shoes we can send from our logistics center

**3,9 mln**

pairs of shoes have been produced by the factory in Polkowice

consolidated sales revenues
for 2017 amounted

**PLN 4,2 billion**

**46 mln**

number of pairs of shoes
sold in 2017 by CCC

**15%**

Ecommerce share in revenue in 2017

AT LEAST 3 NEW MARKETS IN 2018

# SELECTED FINANCIAL DATA

| FINANCIAL ACTIVITY | IN MLN PLN | | IN MLN EUR | |
|---|---|---|---|---|
| | | CONVERTED DATA | | CONVERTED DATA |
| **Selected data from the consolidated statement of profit or loss and other comprehensive income** | 01.2017-12.2017 | 01.2016-12.2016 | 01.2017-12.2017 | 01.2016-12.2016 |
| Sales revenue | 4 194,0 | 3 185,3 | 988,1 | 728,0 |
| Poland | 2 026,5 | 1 689,1 | 477,4 | 386,0 |
| CEE | 880,9 | 707,7 | 207,5 | 161,7 |
| Western Europe | 412,5 | 325,9 | 97,2 | 74,5 |
| Other countries | 76,9 | 15,3 | 18,1 | 3,5 |
| Retail activity | 3 396,8 | 2 738,0 | 800,3 | 625,7 |
| E-commerce | 605,7 | 286,8 | 142,7 | 65,5 |
| Wholesale | 190,8 | 158,7 | 44,9 | 36,3 |
| Manufacturing | 0,7 | 1,8 | 0,2 | 0,4 |
| Other | — | — | — | — |
| Gross profit (loss) on sale | 2 149,9 | 1 680,0 | 506,5 | 383,9 |
| Gross sale margin | 51,3% | 52,7% | 51,3% | 52,7% |
| Result on segments | | | | |
| Poland | 377,6 | 341,1 | 89,0 | 78,0 |
| CEE | 110,9 | 104,4 | 26,1 | 23,9 |
| Western Europe | (91,1) | (77,6) | (21,5) | (17,7) |
| Other countries | 6,2 | (2,9) | 1,5 | (0,7) |
| Retail activity | 403,6 | 365,0 | 95,1 | 83,4 |
| E-commerce | 87,8 | 51,0 | 20,7 | 11,7 |
| Wholesale | 36,0 | 38,5 | 8,5 | 8,8 |
| Manufacturing | (0,2) | 1,7 | — | 0,4 |
| Profit on operating activity | 404,5 | 373,4 | 95,3 | 85,3 |
| Profit before tax | 340,8 | 346,0 | 80,3 | 79,1 |
| **NET PROFIT** | 302,3 | 59,7 | 71,2 | 13,6 |
| **ADJUSTED NET PROFIT** [1] | 318,1 | 329,3 | 74,9 | 75,3 |
| **Selected data of the consolidated statement of financial position** | 31.12.2017 | 31.12.2016 | 31.12.2017 | 31.12.2016 |
| Fixed assets | 1 154,1 | 1 027,1 | 276,7 | 232,2 |
| Current assets, including: | 2 215,8 | 1 373,8 | 531,3 | 310,5 |
| Inventories | 1 417,7 | 1 019,7 | 339,9 | 230,5 |
| Cash | 511,6 | 143,4 | 122,7 | 32,4 |
| **TOTAL ASSETS** | 3 369,9 | 2 400,9 | 808,0 | 542,7 |
| Non-current liabilities including: | 1 277,8 | 660,4 | 306,4 | 149,3 |
| Debt liabilities | 436,0 | 366,0 | 104,5 | 82,7 |
| Current liabilities including: | 923,8 | 769,4 | 221,5 | 173,9 |
| Debt liabilities | 481,1 | 429,5 | 115,3 | 97,1 |
| **TOTAL LIABILITIES** | 2 201,6 | 1 429,8 | 527,8 | 323,2 |
| **EQUITY** | 1 168,3 | 971,1 | 280,1 | 219,5 |

[1] Adjusted net income is a measure of its own profit - explanation of the measure is contained in section 3.1.1.1. p. 65

| FINANCIAL ACTIVITY | | IN MLN PLN | | IN MLN EUR |
|---|---|---|---|---|
| | | CONVERTED DATA | | CONVERTED DATA |
| Selected data from the consolidated statement of cash flows | 01.2017-12.2017 | 01.2016-12.2016 | 01.2017-12.2017 | 01.2016-12.2016 |
| Net cash flows from operating activities | 78,2 | 174,7 | 18,4 | 39,9 |
| Net cash flows from investing activities | (222,3) | (362,0) | (52,4) | (82,7) |
| Net cash flows from financing activities | 514,8 | (9,8) | 121,3 | (2,3) |
| TOTAL CASH FLOWS | 370,7 | (197,1) | 87,3 | (45,0) |

| OPERATIONAL DATA | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Number of CCC STORES | 925 | 862 |
| Floor space of stores (thousand $m^2$) | 535,8 | 458,6 |
| Number of markets with online sales | 11 | 8 |

| | | IN PLN | | IN EUR |
|---|---|---|---|---|
| | 01.2017-12.2017 | 01.2016-12.2016 | 01.2017-12.2017 | 01.2016-12.2016 |
| Capital expenditures (in million) | (244,7) | (159,9) | (57,6) | (36,5) |
| Average revenue per $m^2$ of floor space (in thousand) [1] | 6,8 | 6,4 | 1,6 | 1,5 |

[1] The revenue per square meter of the floor space is calculated by the quotient of the value of revenue for the period of 12 months of a given year by the number of $m^2$ of retail space as at the balance sheet date.

Selected data from the consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the consolidated statement of cash flows were calculated into euro in accordance with the prevailing conversion method:

- individual items of assets and liabilities in the consolidated statement of financial position were calculated at the exchange rate prevailing on the last day of the reporting period:

exchange rate on 31.12.2017 amounted to EUR 1 – 4.1709 PLN

exchange rate on 31.12.2016 amounted to EUR 1 – 4.2440 PLN

- individual items of the consolidated statement of profit and loss and other comprehensive income and consolidated statement of cash flows were calculated at exchange rates representing the arithmetic average of exchange rates announced by the Polish National Bank for EUR prevailing on the last day of each month during the reporting period:

the average exchange rate in the period 01.01.2017 – 31.12.2017 was EUR 1 – 4.2447 PLN

the average exchange rate in the period 01.01.2016 – 31.12.2016 was EUR 1 – 4.3757 PLN

The conversion was made in accordance with the previously indicated exchange rates by dividing the values expressed in millions of zlotys by the exchange rate.

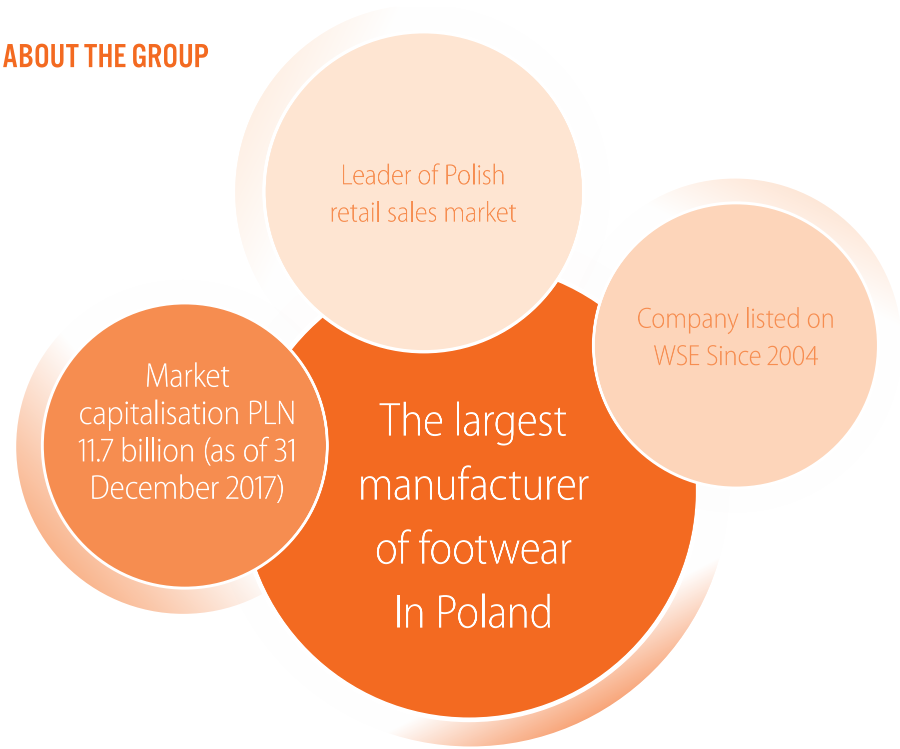
# 1.
# OPERATIONS OF THE GROUP CCC


CCC
SHOES & BAGS

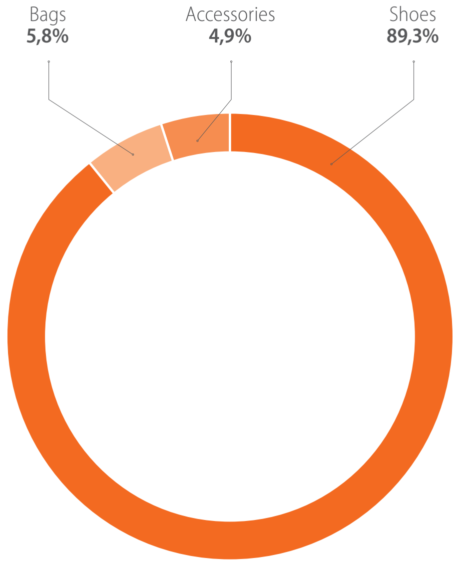
# 1.1 GENERAL INFORMATION

## 1.1.1 GENERAL INFORMATION ABOUT THE GROUP

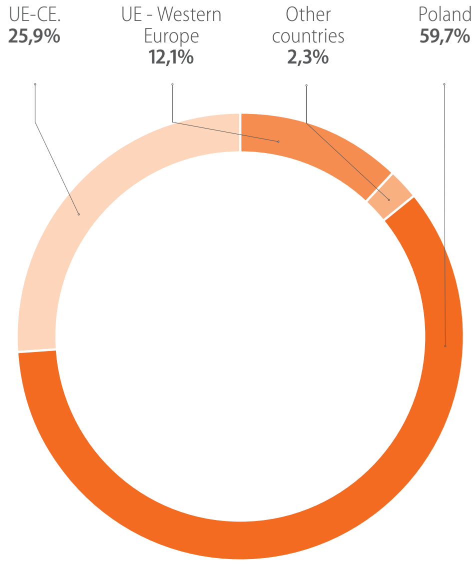
### BUSINESS PROFILE



Structure of sales
(by value)

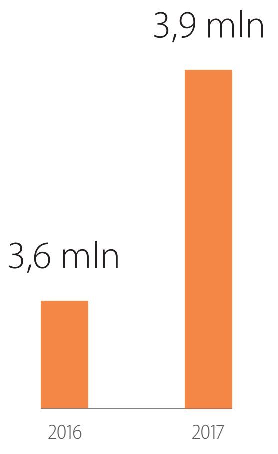



Structure of sales
(by geographical area)



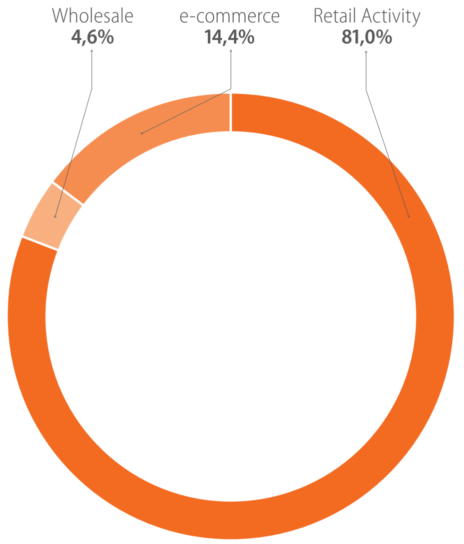

Production

Number of manufactured pairs of shoes




Distribution

Diversification of consolidated revenue in 2017 [%]



## FIVE LARGEST COUNTRIES BY SALES REVENUE


The Capital Group CCC S.A. ("CG CCC", "the Capital Group CCC", "Group", "the Group") is a leader in the Polish retail footwear market and its biggest manufacturer in Poland. The CCC Group is of more than 925 stores located in modern shopping centers and shopping malls in 17 countries, own factory of leather shoes, 12 955 employees and more than 45 million pairs of shoes sold during the year. Fashionable and affordable products are offered to customers in own stores in Poland, Slovakia, Hungary, the Czech Republic, Austria, Bulgaria, Slovenia, Croatia, Germany, Serbia, Russia and franchise stores in the Baltic countries, Ukraine, Romania and Moldova.

In the spring-summer season, the Group offers more than 3,600 shoe designs, for the fall-winter season it is over 2,600 designs, which in total in the 12-month period gives the number of 6,200 shoe designs.

The Group owns in total 121 registered brands – the most popular brand sold by CCC is the brand Lasocki, available in CCC.

The parent company in the Group is the Company CCC S.A.

The Capital Group operations is currently organized into two segments:

- Segment of manufacturing activities
- Segment of distribution activities
  - Wholesales
  - E-commerce
  - Retail
    - Poland
    - Central and Eastern Europe
    - Western Europe
    - Other countries

## 1.1.2
## THE MOST IMPORTANT EVENTS IN 2017

**2017**

**Q1**

- Extraordinary General Meeting of Shareholders
- Increase in the share capital of the Company
- Introduction to trading on the stock exchange 36,100 series E shares
- Resolution of the CCC S.A. Management Board regarding the adoption of changes to the dividend policy

**Q2**

- Conditional approval by the Supervisory Board of the Incentive Scheme for the managerial staff for the years 2017-2019
- Selection of the auditor for 2017-2018
- Adoption of a resolution regarding distribution of profit for 2016 (dividend PLN 101.4 million)

**Q3**

- Conclusion of an annex to the agreement obliging the sale of shares of eobuwie.pl S.A.
- Resolution of the Company's Management Board regarding the increase of the share capital by issuing 2,000,000 ordinary bearer series H shares
- Opening of a new regional office in Warsaw
- Opening of the first 20 stores in the new format

**Q4**

- Opening of the first e-obuwie.pl offline store
- Introduction of series H ordinary bearer shares to trading on the stock exchange
- Launch of sales on two new markets in Sweden (online) and Moldova (offline)
- A preliminary agreement on the takeover of a network of franchise stores in Romania

## 1.1.3 FACTORS AND EVENTS AFFECTING THE ACHIEVED RESULTS OF GROUP CCC

### MACROECONOMIC DEVELOPMENT IN CENTRAL AND EASTERN EUROPE:

The Group CCC S.A. operates mainly in the markets of Central and Eastern Europe with clear dominance of sales on the Polish market, which in 2017 recorded 72.2% share in profits of segments. The result of location of Group's stores in the above area is caused by the significant impact of the condition of the economies of Central and Eastern Europe on the sales of the Group's products. The main factors that had an impact in the presented reporting period on the financial results were:

- Increase in employment,
- Increase in net income / disposable income,
- Increase in the level of trust among customers,
- Growth of GDP,
- Increase in propensity to consume

For a long time Poland has recorded the economic growth. Throughout 2017, the result of 4.6% was recorded (data according to the preliminary estimates of the Central Statistical Office). Respectively for 2016 and 2015, the economic growth in Poland amounted to 2.9% and 3.8%. The government's GDP growth forecast for 2018, recorded in the budget act, amounts to 3.8%. The World Bank and European Commission forecasts GDP in 2018 for Poland 4.0% and 4.2%, respectively.

Important macroeconomic factors that affected the Group's results due to the specificity of operations were consumer behaviour, in particular a constant growth inclination to consume. The scale of the impact of the category "Consumption in the household sector" on real growth of GDP for the years 2014-2017 was respectively 1.5%, 1.8%, 2.3%, 2.8%, so it is systematically growing. This indicator is supported by high, real wage dynamics and low interest rates that stimulate the further development of the credit actions, including in the area of retail loans.

Monetary Policy Council is not currently announcing a change in attitude in monetary policy, and therefore in 2018 interest rates of the National Polish Bank NBP should remain unchanged. Also, growth of the countries of the European Union favoured the development of trade - customers were willing to spend more sums on consumer goods. In Poland, there is still a significant potential for building new shopping centers. Poland together with Germany came in first place in Europe in the Global Retail Attractiveness Index developed by Union Investment. This information is positive from the point of view of assumptions for further network development in Poland.

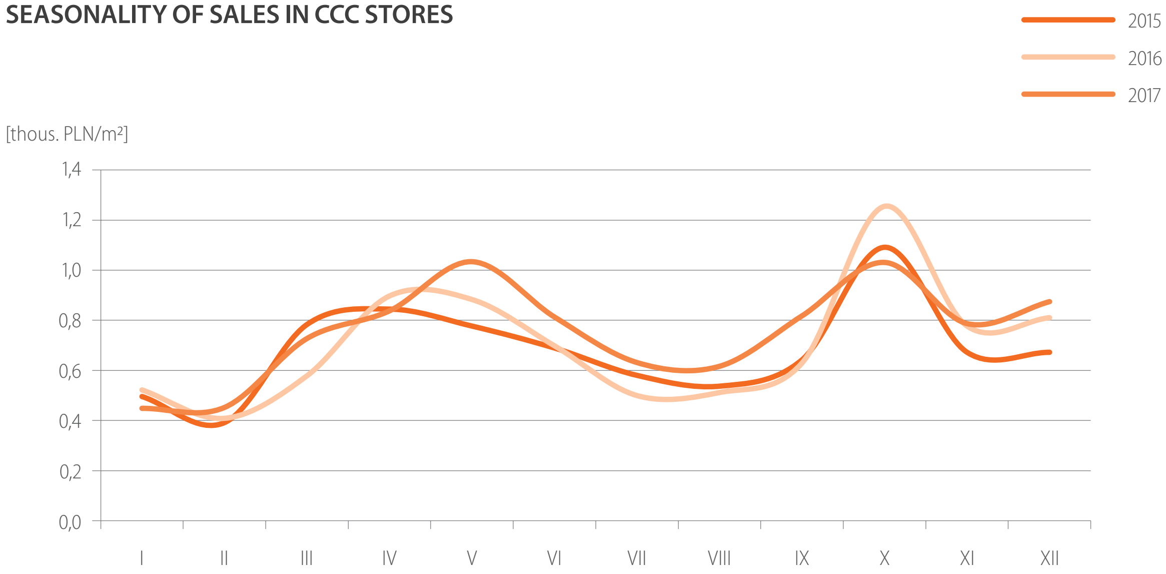
## CHANGES IN CONSUMER PREFERENCES AND CHANGES IN DEMAND

Technological advancement, constantly evolving trends or changes in mode of life significantly influenced the changes in needs and behaviour of customers in the reporting period. Also their preferences changed, including those concerning the form of purchases and therefore CCC Group expanded its operations and enabled customers online shopping (purchase of the online store eobuwie.pl).

## SEASONALITY AND WEATHER

A significant impact on the proportion of sales during the financial year had the weather conditions and seasonality (peak demand in spring and autumn). The disorder of weather conditions may result in postponement of customer purchasing decisions or shortening of the season of the highest sales.

### SEASONALITY OF SALES IN CCC STORES



[in mln PLN unless otherwise stated]

## CHANGES OF EXCHANGE RATES

Part of the CCC Group settlements is denominated in foreign currencies. USD and EUR exchange rates have an impact on the structure of costs and sales revenues. Due to the fact that the Group imports goods whose purchase prices are denominated mainly by USD/PLN exchange rate, and at the same time it sells goods and finished goods on foreign markets, of which sales prices are denominated mainly in EUR /PLN, thus it is exposed to the risk of changes in exchange rates. The Group within its structure also provides foreign currency loans.

The Management Board of CCC S.A. informs that during the reporting period, there were no factors and events of unusual nature, having a significant impact on the operations of the Group CCC.

| YEAR (USD/PLN) | HIGHEST | LOWEST | END OF PERIOD | AVERAGE |
|---|---|---|---|---|
| 2017 | 4,2271 | 3,4813 | 3,4813 | 3,7782 |
| 2016 | 4,2493 | 3,7193 | 4,1793 | 3,9435 |
| 2015 | 4,0400 | 3,5550 | 3,9011 | 3,7730 |

| YEAR (EUR/PLN) | HIGHEST | LOWEST | END OF PERIOD | AVERAGE |
|---|---|---|---|---|
| 2017 | 4,4157 | 4,1709 | 4,1709 | 4,2583 |
| 2016 | 4,5035 | 4,2355 | 4,4240 | 4,3637 |
| 2015 | 4,3580 | 3,9822 | 4,2615 | 4,1843 |

# 1.2 PRODUCTS AND BRANDS

## PORTFOLIO OF THE GROUP CCC

Group CCC offers its customers a range of products aimed at a broad group of consumers. Besides women, men and kids' footwear, the group offers the opportunity to buy handbags and shoe care products classified in the product structure as the others, in which we can distinguish jewellery, fancy goods, cycling accessories.

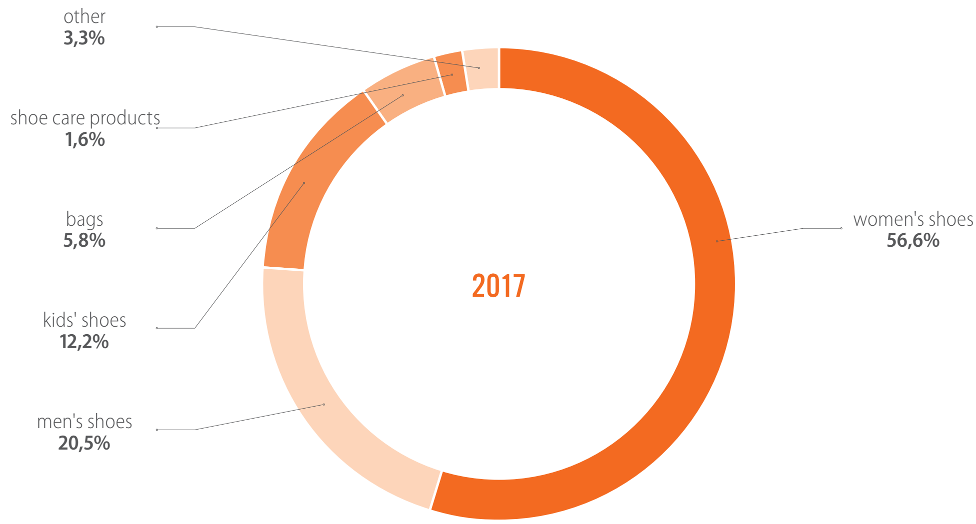
Footwear is a basic product of the Group CCC. Customers visiting stores have a choice assortment of products for every occasion – from casual shoes for sports shoes to the elegant leather shoes. The range of products offered to customers, the Group sells under its own brands and licensed brands – a detailed description of the offered brands is presented later in this subsection.

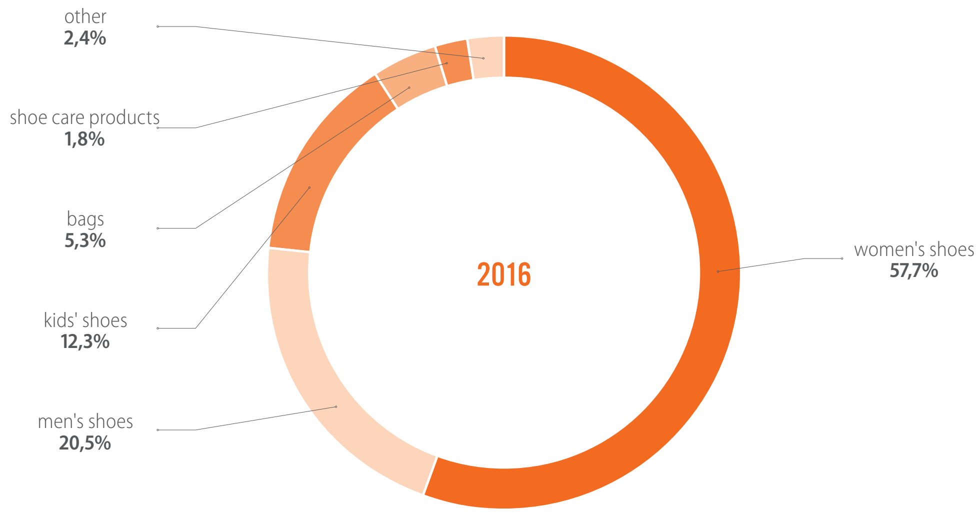
## PRODUCT STRUCTURE

Product structure of retail sales remains constant over the years – in 2017 shoes for women accounted for in value approx. 56,6% of sales; footwear for men is 20,5%, and kids shoes remained at 12,2%. Besides footwear, which is the main product, handbags are responsible each year for approx. 6% of sales, shoe care products for approx. 2%.

Product structure of sales of the Group is constantly being expanded, the variety of products offered allows customers to find a product corresponding to their expectations, making the development of the group of product range increase sales revenues.

The chart below presents the detailed structure of retail sales in individual groups of product range in 2017 and 2016:



56,6%

WOMEN'S SHOES

Within the product range of shoes for women, the Group offers its customers: ballerina, boots, slippers and thongs, sport shoes, low boots, sandals, high-heels and sneakers. Individual goods are sold within the group of product range under the following brands: Lasocki, Lasocki Comfort, Sprandi, Jenny Fairy Clara Barson, Bassano, Nylon Red, INBLU and Via Ravia. Sales of women's footwear accounted for 55.6% (63.4% of sales of footwear), the value of sales realized in 2017, in terms of volume was 61.0% of total sales of footwear. Compared with 2016, the sales of women's footwear increased by 35.7%.

## MEN'S SHOES

Within the product range of men's footwear, the Group offers its customers: boots, sports shoes, low boots, sandals and sneakers. Individual goods are sold within the group of product range under the following brands: Lasocki for men, Sprandi, Gino Lanetti, Vapiano and Cesare Cave. Sales of men's shoes accounted for 20.5% (22.9% of sales of footwear), the value of sales realized in 2017, in terms of volume was 17.4% of sales of footwear. Compared with 2016, sales of men's footwear increased by 30.9%.

20,5%

## KIDS' SHOES

12,2%

Within the product range of kids's shoes, the Group offers its clients footwear for both boys and girls for every season. Within the subgroups of product range, the footwear is sold under the following brands: Lasocki Lasocki Kids Lasocki Young, Sprandi, Action Boy, Magic Lady, Nelli Blu Nylon Red, Vapiano, Muflon and licensed brand, including Mickey and Friends, Spiderman Ultimate, Violetta, Cars, Frozen, Planes, Star Wars, Fairies, Sofia the first, Princess, Avengers, Finding Dory. Sales from the product range of kids' footwear accounted for 12.2% (13.7% of sales of footwear) of the total value of sales in 2017, in terms of volume it was 21.6% of sales of footwear. Compared with 2016, sales of children's footwear increased by 33.3%.

5,8%

BAGS

Within this group of product range, The Group offers its customers bags made of synthetic materials, sold under the brand names Jenny Fairy and Lasocki casual for men. Sales of bags accounted for 5.8% of total sales in 2017. Compared with 2016 sales of bags increased by 49.0%.

Within the product range of shoe care products, the Group sells products for shoe care. Sales of the group of product range of shoe care products accounted for 1.7% of total sales in 2017.

1,7%

## SHOE CARE PRODUCTS


3,3%

## OTHER

Within the product range of the others, the Group sells, among others, the following products: jewellery, fancy goods, cycling accessories. Sales of the group of product range of other products accounted for 3.3% of total sales.

SPRANDI is a brand designed for active families and young and open people who enjoy hanging out and relax outdoors. It is for people who walk a lot and need comfortable and functional footwear at a reasonable price.

## FAMILY RECREATION AND URBAN STYLE

Comfortable, branded sports shoes

Ideal for a bike trip, picnic, walk in the park as well as for everyday walking around the city for the younger who are looking for footwear of a lifestyle character.

Offers brand meets the needs of a broad target group.

Expressive design, a lot of colour and comfort is the basic characteristics of Sprandi shoes.

## WOMEN'S PRODUCTS

LASOCKI
SINCE 1954

- high quality, attention to detail, style, elegance and comfort
- high-quality leather
- competitive prices

### WOMEN

- approx. age of 20 – 55
- medium and high income
- open, active, caring for physical condition seeking uniqueness, originality
- who value quality, style, comfort
- the price is of secondary importance

Jenny fairy

- good quality, variety, fashionable styles
- innovative materials (Eco-leather, textiles)
- reasonable prices

### WOMEN

- approx. age of 14 – 60
- medium and low income
- open, active up-to-date
- seeking aesthetic, fashionable styles
- who value diversity and style
- at reasonable prices

Clara Barson
CLASSIC STYLE

- satisfactory quality, functionality, comfort
- various materials
- low prices

### WOMEN

- approx. of age 35 – 70 or more
- low income
- traditionalists
- seeking comfortable, practical, proved models
- who value comfort and functionality
- at affordable prices

## MEN'S PRODUCTS

### LASOCKI

- Polish premium brand with tradition
- high-quality leather
- competitive prices
- classic styles and smart casual

### MEN

- approx. age of 25 – 75
- of average and high income
- confident, caring about their appearance, "the contents of the closet," escaping from the "mediocrity", valuing quality, style, comfort
- making rational choices – weigh value for money

### Cesare Cave

- good quality, spring – summer styles
- genuine leather
- handsewn
- reasonable prices

### MEN

- approx. age of 35 – 80
- average income
- who appreciate the freedom and ease
- looking for comfortable, airy and reliable models for spring and summer at affordable prices

### VAPIANO

- classic styles – lace-up low boots and slip on shoes
- formal (dressy look) and semi-formal shoes at a reasonable price

### MEN

- approx. age of 20 – 80
- of average and low income
- needing footwear for of more formal styles for special occasions, several times a year, or for everyday work
- a purchasing driver is primarily the price, the issue of the material is of second importance

### GINO LANETTI

- economic, slightly sporty urban footwear
- casual
- low boots, sandals, flip-flops
- low prices

### MEN

- approx. age of 18 – 65
- of average and low income
- seeking comfortable shoes at an affordable price for everyday activities
- paying attention to the appearance of the shoe more than the material from which it is made

## KIDS' PRODUCTS

- **high quality, attention to detail and pro – health**
- functionality and comfort
- modern design
- high-quality leather
- competitive prices

### PARENT

- average and high income
- open, active, caring about their health and their own family
- key features of kids' shoes is ease, comfort, health aspect and functionality
- who appreciate quality, comfort and style
- price is of secondary importance

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- **diversity – a rich ornamentation and a multitude of colours**
- **casual models (slightly sporty for boys) and occasional (e.g. booties for girls)**
- different materials (genuine and eco – leather, textiles)
- low prices

### PARENT

- middle and low income
- open, active, up-to-date
- seeking comfortable, aesthetic, and even extravagant styles for different occasions
- valuing diversity and colourfulness and respecting the tastes of children
- believing that children grow rapidly and destroy shoes, so the quality is a secondary issue
- very important low price

---

- **licensed ornaments in accordance with children's trends (cartoons, movies, games, etc.).**
- casual models and slightly sporty (e.g. sneakers)
- various materials
- reasonable prices

### PARENT

- middle and low income
- seeking comfortable, but eye-catching footwear for children
- fulfilling the dreams of little ones
- appreciating colourfulness and fun, less important quality
- reasonable prices

# 1.3 BUSINESS MODEL

## 1.3.1 DISTRIBUTION

### MARKET ENVIRONMENT

The main business segment of the Capital Group CCC is retail sales, which generates 81.0% of total revenues. In this segment, the Group operates in four regions:

- Poland,
- Central and Eastern Europe,
- Western Europe,
- Other countries.

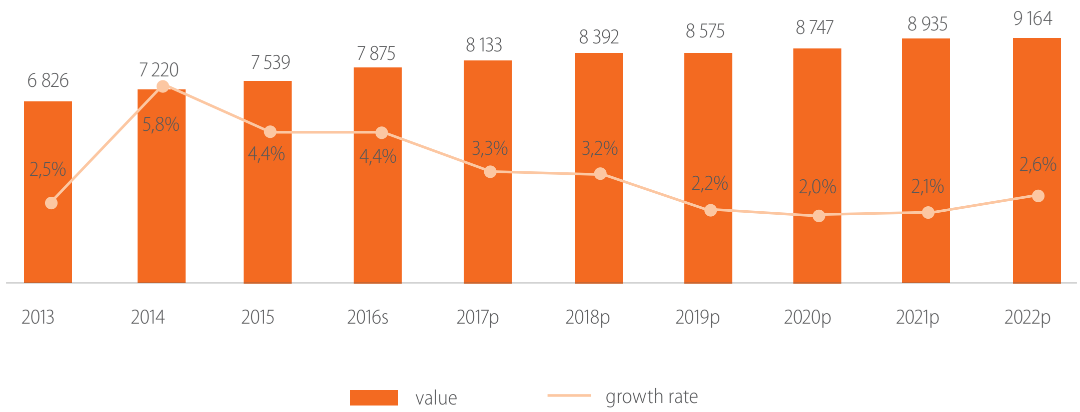
The following is a characteristic of the market environment and competition in key regions.

| REGION | MARKET SITUATION |
|---|---|
| Poland | The current economic situation in Poland is stable with moderate growth prospects. In 2017, the GDP growth in Poland amounted to 4.6%. Respectively for 2016 and 2015, economic growth in Poland amounted to 2.9% and 3.8%. In the reporting period there were no changes in tax rates applicable to the goods of the Company. Due to the above macroeconomic data and social policy of the government (program 500+), a disposable income of consumers is noted to have increased (according to statistical data from Central Statistical Office (GUS). In Poland Deichmann is the key competitor for CCC. |
| Central and Eastern Europe | The current economic situation in the region of Central and Eastern Europe is stable, with moderate growth prospects. The level of GDP per capita, is growing at a stable pace, the unemployment rate in the most important countries of the region is a decreasing trend. In the reporting period there were no changes in tax rates relating to Group's products. The above macroeconomic data allow expecting an increase in disposable income of consumers.<br>In the region of Central and Eastern Europe Deichmann is a key competitor for the Group. |
| Western Europe | The current economic situation in the region of Western Europe is stable, with moderate growth prospects. The level of GDP per capita, is growing at a stable pace. The unemployment rate remained at a stable level. In the reporting period there were no changes in tax rates relating to Group's products. The above macroeconomic data allow to expect a positive impact on the results achieved by the Group CCC.<br>Deichmann is a key competitor of the Group in the region of Western Europe. |

## PRESENCE IN THE MARKETS

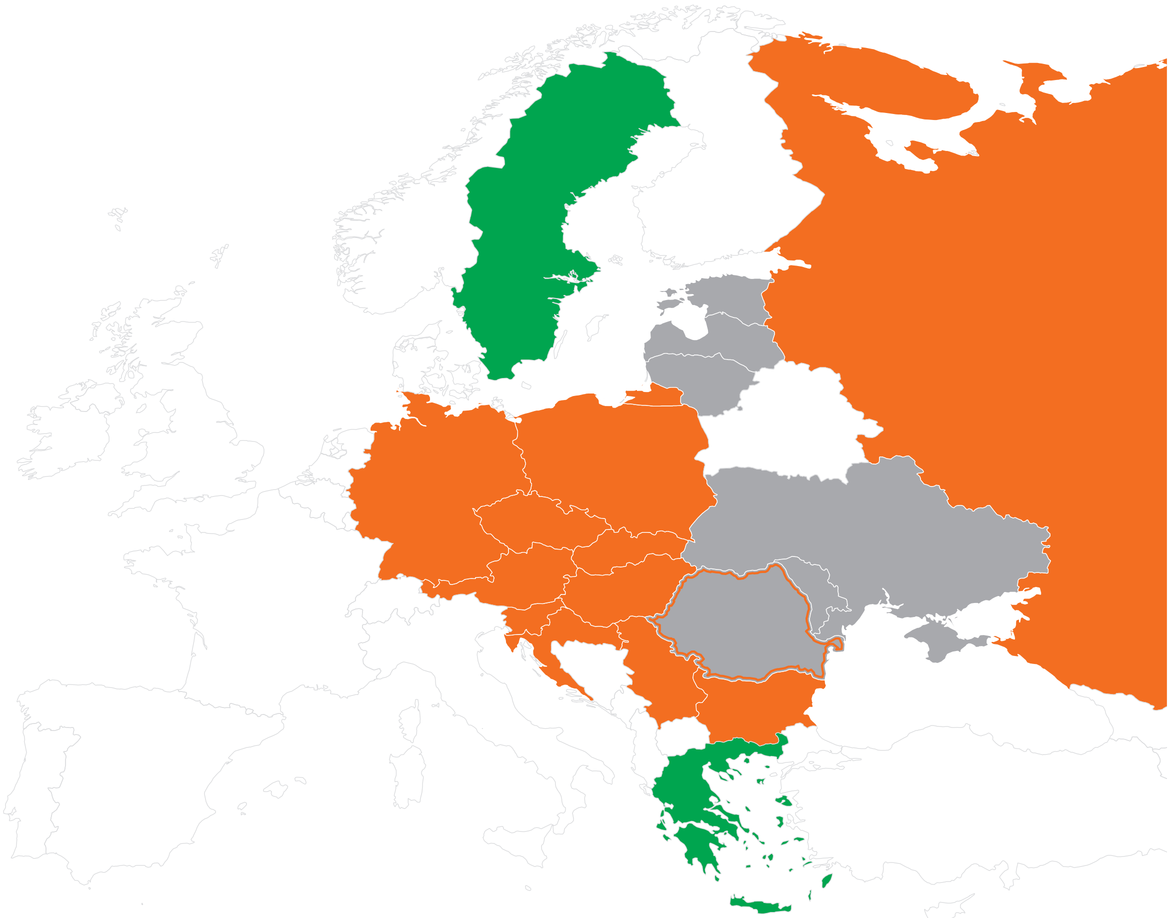
Poland is the main market for the sales of CCC Group. The share of CCC in the highly fragmented retail footwear market in Poland is estimated at about 28% (PMR estimate). The main market of the Group CCC is a widely considered medium segment of a customer. In terms of the number of points of sales in Poland, CCC almost more than double the biggest competitors offer. Still, it is the broadest segment of the domestic footwear market, calculated at over PLN 8.13 billion annually (by PMR). In the coming years, the average annual growth rate of the Polish market is estimated from 2% to 4%.

Value (PLN million) and growth rate (%) of
footwear marketin Poland, 2013-2022



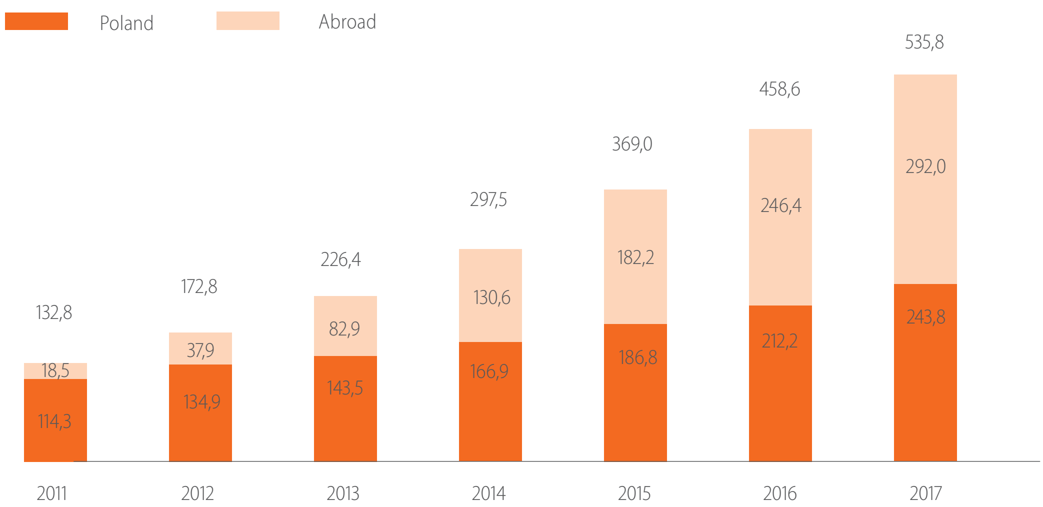

Apart from the Polish market, the Group CCC operates in the region of Central and Eastern Europe in, i.e. The Czech Republic, Slovakia, Hungary, Slovenia, Bulgaria and in Croatia; in Western Europe, i.e. in Germany and Austria and in the other countries – Russia and Serbia. The CCC Group has a dominant position in the sale of footwear on the CEE markets (Poland, the Czech Republic, Slovakia, Hungary and Romania). The stores are located in large shopping centers or at major traffic routes, in prestigious urban locations..

[in mln PLN unless otherwise stated]



| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| TOTAL STORES: | 925 | 862 |
| OWN STORES CCC | 852 | 796 |
| Poland | 448 | 436 |
| Czech Republic | 88 | 82 |
| Slovakia | 50 | 42 |
| Hungary | 73 | 69 |
| Austria | 45 | 39 |
| Croatia | 23 | 20 |
| Germany | 77 | 75 |
| Slovenia | 13 | 11 |
| Bulgaria | 10 | 9 |
| Serbia | 6 | 2 |
| Russia | 19 | 11 |
| FRANCHISE STORES CCC | 73 | 66 |
| Romania | 54 | 50 |
| Latvia | 7 | 7 |
| Lithuania | 4 | 3 |
| Ukraine | 6 | 5 |
| Estonia | 1 | 1 |
| Moldova | 1 | — |

The following is a change of the floor space of CCC stores in the years 2011 – 2017 [thousand m$^2$]




In 2017, CCC Capital Group increased its net floor space by 77.2 thousand m$^2$, from 458.6 thousand m$^2$ to 535.8 thousand m$^2$ at the end of the year. Change of the floor space was due to the enlargement of the existing floor space by opening stores with a total floor space of 70.0 thousand m$^2$ and the modernization and extension of existing floor space by 19.5 thousand m$^2$. In 2017, 38 stores with a total floor space of 12.3 thousand m$^2$. The decision was based on several factors, the main one was to change the Group's business strategy.

[in mln PLN unless otherwise stated]

## RETAIL SALES

Retail sales in own chain stores and agency ones in 2017 was carried out in Poland, the Czech Republic, Slovakia, Austria, Slovenia, Croatia, Bulgaria, Germany, Hungary, Russia and Serbia. The total number of own stores and agency ones as of 31 December 2017 amounted to 852. The average floor space of these stores increased by 48 m² up to 583 m² (535 m² in 2016). The total floor space of own stores and agency ones as of 31 December 2017 amounted to 496.3 thousand m2 and increased by 16.6% compared to 2016 (425.7 thousand m²). Revenues from retail sales increased by 24.1% to PLN 3,396.8 million (2,738.0 million PLN in 2016) and accounted for 81.0% of total sales. Revenue from sales per square meter increased to 6.84 thousand PLN/m² (6.43 thousand PLN/m² in 2016).

| CHAIN | TYPE | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | number | m² | number | m² | number | m² | number | m² | number |
| CCC Own | Poland | 141 960 | 379 | 166 946 | 405 | 186 782 | 410 | 212 242 | 436 | 243 839 | 448 |
| | Germany | 2 272 | 4 | 18 380 | 27 | 34 920 | 51 | 58 127 | 75 | 61 114 | 77 |
| | Hungary | 23 456 | 50 | 27 689 | 57 | 30 462 | 61 | 38 040 | 69 | 45 247 | 73 |
| | Czech Republic | 26 947 | 73 | 32 309 | 79 | 36 104 | 79 | 39 415 | 82 | 44 701 | 88 |
| | Slovakia | 10 646 | 25 | 13 866 | 30 | 18 852 | 37 | 23 104 | 42 | 28 198 | 50 |
| | Austria | 2 816 | 6 | 9 184 | 17 | 14 681 | 27 | 23 580 | 39 | 27 431 | 45 |
| | Russia | — | — | — | — | — | — | 6 339 | 11 | 13 923 | 19 |
| | Croatia | 1 651 | 3 | 4 436 | 8 | 7 314 | 13 | 11 842 | 20 | 13 561 | 23 |
| | Slovenia | 924 | 2 | 3 646 | 6 | 4 603 | 8 | 6 272 | 11 | 7 687 | 13 |
| | Bulgaria | — | — | — | — | 3 875 | 6 | 5 665 | 9 | 6 562 | 10 |
| | Serbia | — | — | — | — | — | — | 1 089 | 2 | 4 078 | 6 |
| | Turkey | 1 165 | 2 | 1 805 | 3 | 1 805 | 3 | — | — | — | — |
| TOTAL OWN | | 211 837 | 544 | 278 261 | 632 | 339 398 | 695 | 425 715 | 796 | 496 341 | 852 |

* the table does not include BOTI and Lasocki stores, the last of which were closed in 2016 and 2015 respectively.

[in mln PLN unless otherwise stated]

## WHOLESALE

Franchise partners, to whom wholesale is directed, in 2017 were present in Romania, Ukraine, Latvia, Lithuania and Estonia and since December in Moldova. The total number of franchise stores as of 31 December 2017 amounted to 73. The average floor space of these stores increased by 53 m² to 541 m² (498 m² in 2016). The total floor space of franchise stores as of 31 December 2017 amounted to 39.5 thousand m² and increased by 20.0% compared to 2016 years (32.9 m²). Wholesales revenue increased by 20.2% to PLN 190.8 million (PLN 158.7 million in 2016) and accounted for 4.5% of total sales. Sales revenue per square meter did not change compared to 2016 and amounted to 4.83 thousan d PLN/m².

The following table presents data on the development of its own network of sales by country (as of 31.12):

| CHAIN | TYPE | 2013 | | 2014 | | 2015 | | 2016 | | 2017 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | number | m² | number | m² | number | m² | number | m² | number |
| CCC Franchise | Romania | 7 869 | 19 | 13 454 | 31 | 19 325 | 42 | 24 386 | 50 | 27 148 | 54 |
| | Latvia | 2 212 | 5 | 2 622 | 6 | 3 232 | 7 | 3 281 | 7 | 4 409 | 7 |
| | Ukraine | 769 | 2 | 1 470 | 4 | 2 237 | 5 | 2 709 | 5 | 3 827 | 6 |
| | Lithuania | — | — | — | — | 1 187 | 2 | 1 787 | 3 | 2 657 | 4 |
| | Moldova | | | | | | | | | 740 | 1 |
| | Estonia | — | — | — | — | — | — | 724 | 1 | 724 | 1 |
| | Russia | 2 178 | 6 | 1 781 | 5 | 3 617 | 8 | — | — | — | — |
| | Poland | 1 586 | 8 | — | — | — | — | — | — | — | — |
| TOTAL FRANCHISE | | 14 614 | 40 | 19 327 | 46 | 29 598 | 64 | 32 887 | 66 | 39 505 | 73 |
| CCC TOTAL | | | 584 | 297 588 | 678 | 368 996 | 759 | 458 602 | 862 | 535 846 | 925 |

## ONLINE SALES

Goods sold in CCC stores are also available online. (Sales carried out by eobuwie.pl since July 2015).

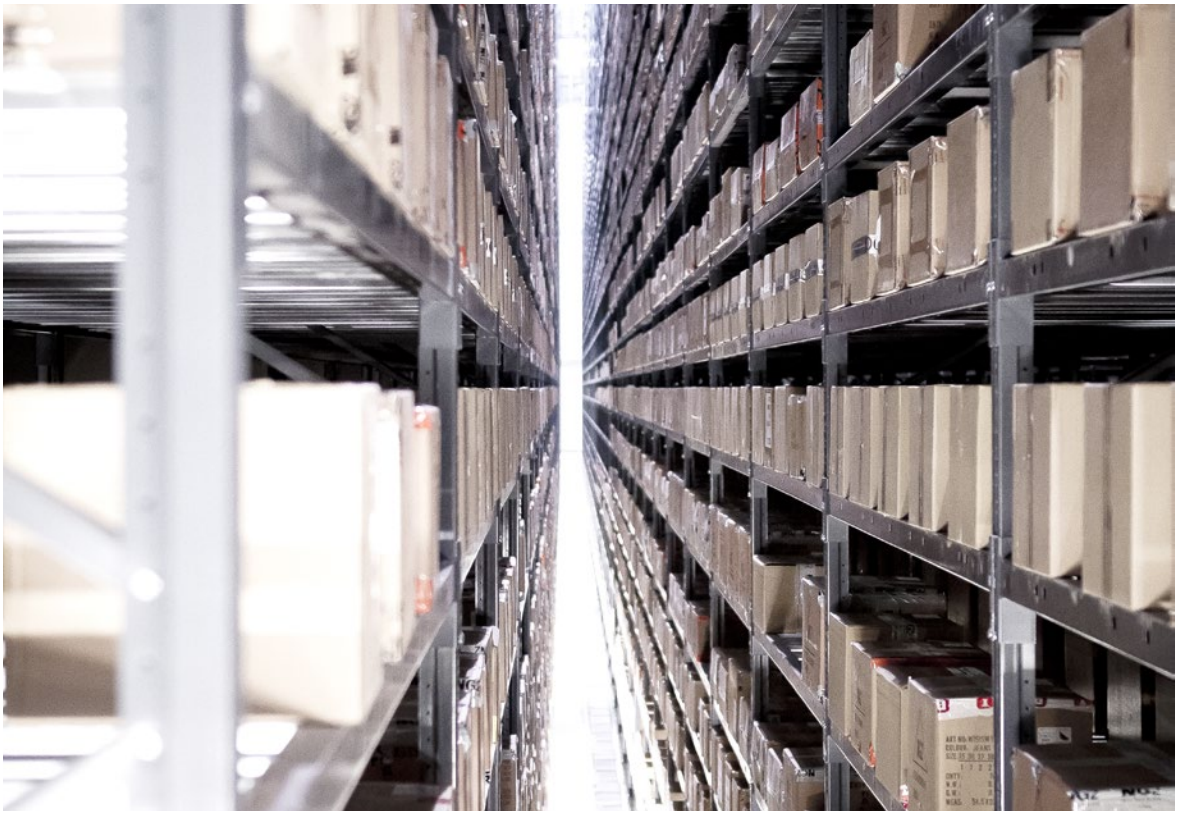
## 1.3.2 LOGISTICS

Development of the company, the increase in demand for its products and increasing performance requirements of distribution contributed to the realization of the largest in the history of the Group's investment – the building of the Logistics Centre, located in the Legnica Special Economic Zone (SEZ) in Polkowice. Logistic Centre is a modern complex of large-format objects.

The most important object of the Logistics Centre is fully automated mini-load high storage warehouse, with a total area of 23,064 $m^2$, which is able to accommodate a minimum of 5 million pairs of shoes, more than 500,000 cartons of different dimensions. It is the largest of its kind in Central Europe. Investment in 40% was financed with EU funds through the program of Innovative Economy.

Distribution Centre, in conjunction with the existing sorting plant is able to handle more than 100,000 cartons (approx. 1.1 million pairs of shoes) during two working shifts. The process of mechanization provides handling for future development and is essential to the further development of logistics processes. In addition, it allows the optimization of storage space, which is currently 82.3 thousand $m^2$.

The result of the made organizational restructuring of CCC S.A. and the Group CCC is to leave the logistics service in the parent company and providing logistics services to a related party.

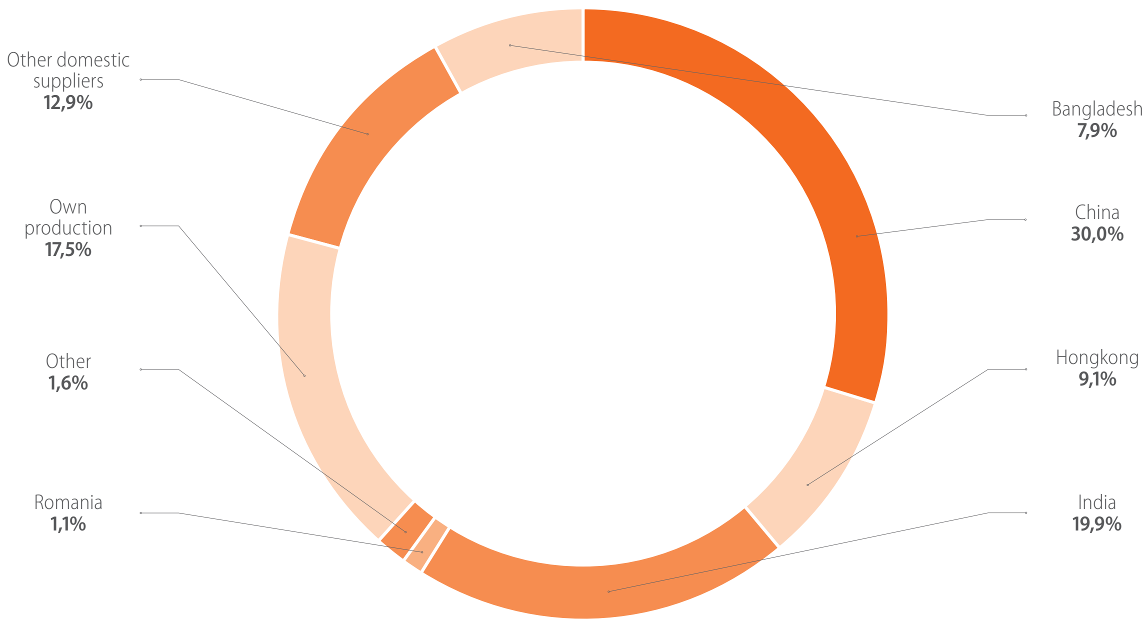


## 1.3.3 MANUFACTURING AND SUPPLIERS

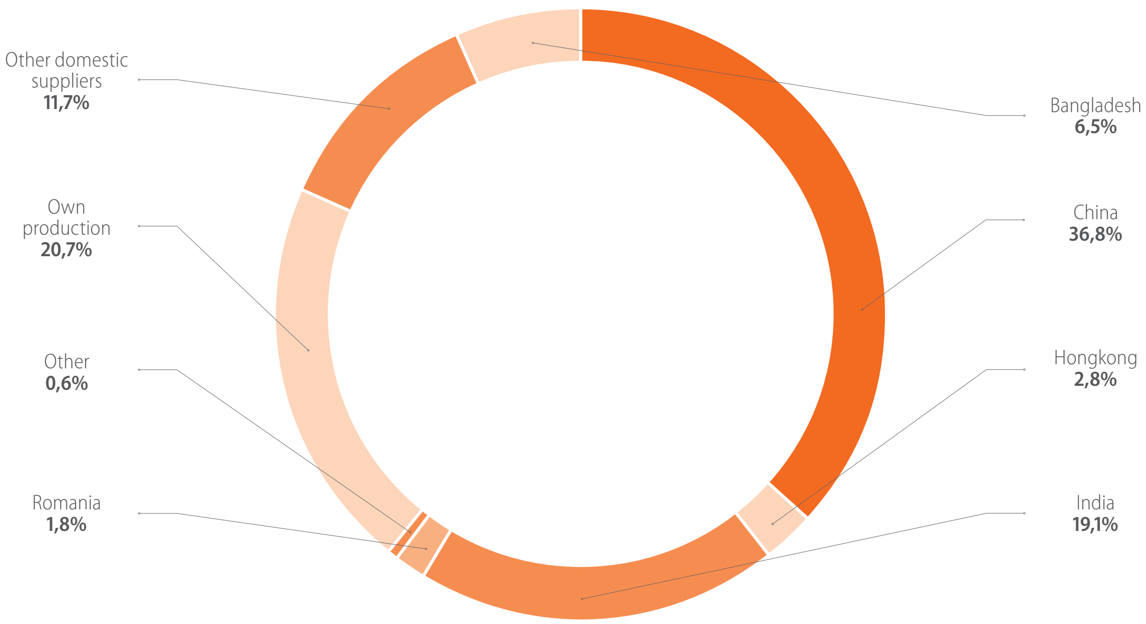
The Company CCC.eu Sp. z o.o. is the supplier of goods to the Group CCC S.A. The company obtains goods from domestic and foreign suppliers and from its own factory (CCC Factory Sp. z o.o.).

Territorial structure of footwear purchases in 2017 and 2016 is shown below.

Territorial structure of footwear purchases in 2017 (value)



Territorial structure of footwear purchases in 2016 (value)




## FOOTWEAR

Footwear, the main goods of the CCC Group, is imported from Asia (66.9% of total value of purchase of shoes, manufactured in its own factory (17.5%), purchased from domestic suppliers (12.9%) and in other countries (2.7% ). The main direction of footwear import from Asia comes from China (30.0% of total imports of footwear), from where supplies come from dozens of manufacturers.

## BAGS, SHOE CARE PRODUCTS AND OTHERS

Products sold by the Group CCC are also bags, shoe care products and jewellery, fancy goods and cycling accessories. All of these goods are purchased from external suppliers. Bags in particular are imported from Asia, while other goods are obtained from European markets.

# 1.4 LISTING OF SHARES ON THE WARSAW STOCK EXCHANGE

In 2017, the Company CCC S.A. celebrated its 13th anniversary of listing of its shares on the Stock Exchange in Warsaw – at the end of the year, one share of CCC was valued at PLN 285.00, which was reflected in the capitalization of the Group CCC in the amount of PLN 11.7 billion. The highest share price of the year (closing share price) amounted to PLN 298.00, while the lowest amounted to PLN 201.20. The maximum transaction price in 2017 amounted to PLN 301.95 PLN, while the minimum price was PLN 198.55.

In 2017, the shares of CCC gained in value by 40.0% while the index of WIG and WIG20 in the same period appreciated respectively 23.2% and 26.3%.

Since the beginning of first quotation, the price of one share of CCC has increased by over 2,900% from PLN 9.50 (issue price as of 2 December 2004) to the price of PLN 285.00 at the closing of the trading session on 29 December 2017.

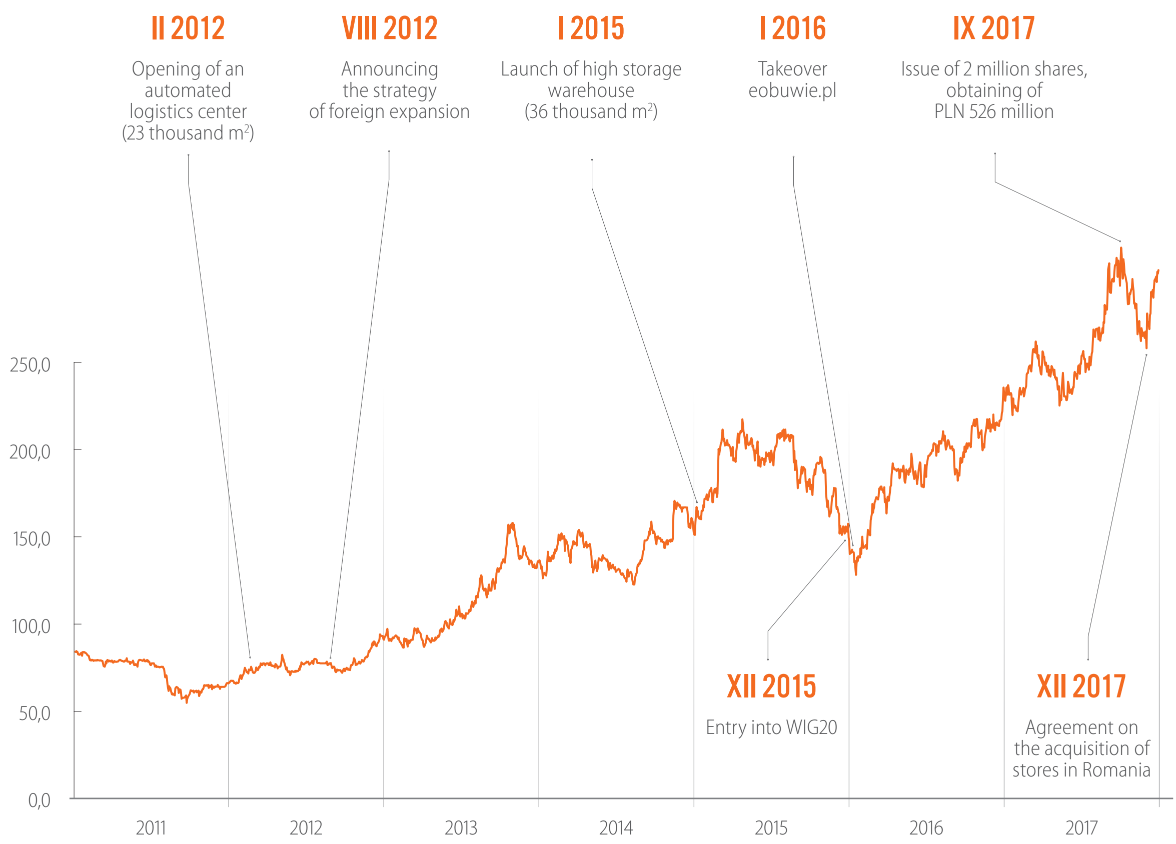
CCC allocated 33.0% of the consolidated net profit for 2016 for the payment of dividend to shareholders, i.e. PLN 2.59 per share was paid and the total value of the dividend amounted to PLN 101.43 million. More information on dividends paid is in Chapter 5.


WIG
WIG20
CCC
50,0%
40,0%
30,0%
20,0%
10,0%
0,0%
-10,0%
2017.01.02
2017.04.02
2017.07.02
2017.10.02
2017.12.29

Listing of shares of CCC since IPO until 29 December 2017

[in mln PLN unless otherwise stated]

The most important events against listing of shares of CCC on WSE




## REPORTING CALENDAR

| | |
|---|---|
| 26 March 2018 | Separate and Consolidated Annual Report for 2017 |
| 15 May 2018 | Consolidated quarterly report for Q1 2018 |
| 24 August 2018 | Consolidated report for 1H 2018 |
| 9 November 2018 | Consolidated quarterly report for Q3 2018 |

## 2.
## STRATEGY OF THE GROUP CCC – EXECUTION AND DEVELOPMENT PLANS


CCC
SHOES & BAGS

# 2.1 MISSION AND STRATEGY

The strategy of the CCC Group is built on the basis of a set of unique competences that give a competitive advantage on the European footwear retail market:

## CUSTOMER OFFER - WIDE, AVAILABLE, GREAT RELATION TO QUALITY

Offering customers with diversified portfolios, several thousand different models of shoes during the season, at a favourable price and quality. Designs for women, men, and children, as well as sports shoes and accessories. Short series, variety of colours, styles and looks guarantee high level of visitors and frequency of shopping. Democratic brand.

## OWN BRANDS OFFLINE / MULTIBRAND ONLINE

CCC mainly sells its own brands.eObuwie, however, operates in the multibrand formula - sells products from leading global and local brands. Both of these channels are independent, generate synergies and allow effectively reaching different customer's segments with the offer.

## OPTIMAL, VERTICAL BUSINESS MODEL

The CCC Group is strongly present at every stage of the value chain:

- Know-how in design and building collection
- Production domestically and abroad - The CCC Group owns the largest footwear factory in Poland and works very closely in the outsourcing model with partners mainly in the Far East and in Europe.
- Modern logistics based on the leading footwear industry level - automated off-line and on-line distribution centers;
- It has and actively manages its own network of almost 1,000 stores, in a perspective supplemented by its own e-commerce, and runs its own marketing strategy

Thanks to the above, the Group has a full control over the production process, quality, logistics, pricing policy, margins and marketing policy.

The source of competitive advantage will also be the newly introduced, modern store formats (CCC and eObuwie) and the effects of the ongoing digital transformation at CCC.

The Group intends to develop itself on two strong pillars (offline and online) so that as early as 2020, 30% of sales comes from the digital channel. The ambition of CCC is to double in the next 5 years, with the increase in EBITDA margins to the level of leading groups in the apparel and footwear retail industry.

## 2.1.1 VALUES AND PRINCIPLES OF CONDUCT

Among our values and principles of conduct, we particularly value and promote the following attitudes. They clarify our policy towards the customers, co-workers and shareholders who surround us. Thanks to these attitudes, we want to stand out as both an employer, a trading company and a business partner. The diagram of attitudes with the components that define them is presented below.

For more information, please visit our CCC.eu website (http:// firma.ccc.eu/pl/30,wartosci-ktore-cenimy.html

# 2.2 OBJECTIVES FOR THE YEAR 2018

The countries of Central Europe and South-east are the main axis of growth for the year 2018. The group assumes continuing successful expansion in these markets and acquiring or approaching the leadership position in each of the important domestic footwear markets in this region.

## CONTINUATION OF DEVELOPMENT AND EXPANSION

In particular, as part of development and expansion plans for 2018, in the scope of development and expansion, the CCC Group assumes:

- Further roll-out of the new CCC store format. In 2018, the Group plans to implement investments in fixed assets and increase the floor space of stores with no less than 110,000 m2 of net floor space, of which approximately 43% will be opened in Poland and the rest abroad. In the following year, 2019, the Group intends to open an additional 100,000 $m^2$

- New CCC franchise agreements. We intend to sign franchise agreements for 2-3 new countries (including for Georgia and Kazakhstan), with the opening date of 2019

- Preparation for openings in the Middle East. Plans for 2019 include opening of the first stores and expansion of the sales network in the Middle East, i.e. in Saudi Arabia, United Arab Emirates, Kuwait, Oman, Qatar, Bahrain and the franchise agreement signed. The plans agreed in the contract assume opening in the above-mentioned countries, by the year 2023, at least 60 stores operating under the CCC brand, with a total area of at least 40,000 $m^2$

- Germany / Austria: consistent continuation of the optimization of the local business model, in every aspect, to reach break-even

- Opening for the possibility of expansion on mature markets by joint-ventures/alliances

Three new countries online - as part of international expansion, eObuwie plans to launch online sales in the French, Italian and Spanish markets in 2018

- Roll-out of the new eObuwie store format. The Group's business model will be expanded by launching and developing the eObuwie omnichannel store network, in which a very large warehouse space in relation to the showroom will provide customers with access to approximately 100,000 pairs of shoes from nearly 500 brands in one place

- R&Collect at CCC in the middle of 2018. In 2017 CCC began working on opening an internet platform fully integrated with CCC stores. In mid-2018, the + reserve and collect + service for CCC will be launched

- Investments in new logistic warehouses in Zielona Góra and Polkowice (on-line and off-line), construction of which will last until 2019. In 2018-2019 in the development of e-commerce (logistics + systems), the Group will invest at least PLN 100 million

- Further organization of the business in the capital group / business partners

## INNOVATION / DIGITAL TRANSFORMATION

In 2018 we will continue to work on the CCC digital transformation and modernization of our IT and business systems. These works include, among others:

- New ERP, WMS, BI systems
- New e-commerce system (for CCC and eObuwie)
- New systems for CRM / Marketing Automation
- RFiD test advancement
- HR tools and systems
- Other (predictive tools, digitization of information and decision processes)

In addition, in 2018 we will develop a customer-oriented R & D center for product and process innovations.

## FINANCIAL POLICY

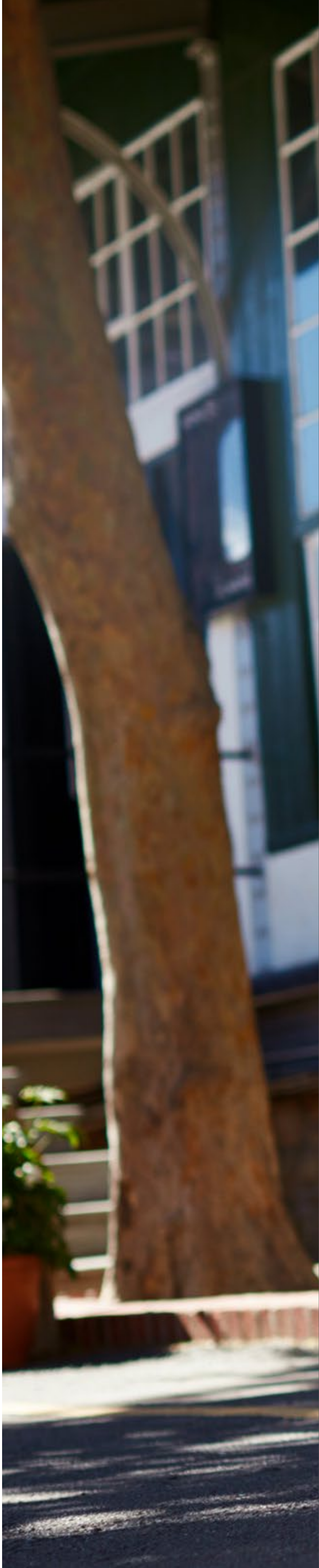
In 2018, we will develop our financial policy in the area of:

- Optimization of working capital (extension of the average maturity of trade liabilities and inventory rotation)
- Consistent reduction of the level of debt and extension of the average maturity period of financial liabilities
- Raising the level of cost discipline
- Improving profitability

# 2.3 DEVELOPMENT PROSPECTS

| FACTORS FOR DEVELOPMENT | ISSUER'S EXPECTATIONS |
|---|---|
| the volume of sales achieved in offline stores and in the e-commerce channel | the economic situation in the countries, in which the CCC Group conducts its operations should have a positive impact on the sales revenues; |
| the amount of realized margins and the level of exchange rates | current macroeconomic and microeconomic situation, the level of exchange rates should not have a significant impact on the level of realized margi |
| prevailing weather conditions | climate changes observed in recent years may have an impact on the financial results achieved; The group adjusts its collection to the changing environment |

# 3.
# ANALYSIS OF FINANCIAL RESULTS OF THE GROUP CCC




CCC
SHOES & BAGS

# 3.1
# ANALYSIS OF SELECTED FINANCIAL AND OPERATING DATA

## 3.1.1 FINANCIAL RESULTS OF THE GROUP CCC

### 3.1.1.1 THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

### REVENUES, COST OF GOODS SOLD AND GROSS PROFIT ON SALES

#### HOW WE DEFINE PARTICULAR ELEMENTS OF THE RESULT

**The sales revenues** recognize revenues from sales of goods, products and services of a sublease obtained in the normal course of business and revenue from sales of logistical services, accounting services served for CCC.eu sp. z o.o. Segmental revenue data presented in the tables below show sales from external customers - intra-group sales are excluded and consolidation adjustments are included so that the value of revenues is the same as the item of revenue from the consolidated financial statements.

As the **cost of goods sold**, the Group recognizes: the value of goods sold, the value of packages sold, the cost of the claims provisions, the value of finished goods sold, the cost of sublease services, logistic services, accounting, inventory write-downs and fixed assets impairment losses as well as intangible assets used in the manufacture of goods or services provision (depreciation of production machinery).

**Gross sales profit** is calculated as the difference between sales revenue and cost of goods sold and **gross profit margin** as the ratio of gross profit to sales revenue from external customers.

In addition, in the analysis we use the size of **revenue per m² of floor space** and **sales of comparable facilities** - definitions of these measures are included in the particular tables.

The company CCC S.A. mainly focuses on the retail distribution of goods on the territory of Poland. In addition, it also provides logistic and accounting services to CCC.eu. Distribution of the goods in the retail channel outside Poland is handled by subsidiaries operating in the Czech Republic, Slovakia, Slovenia, Croatia, Austria, Serbia, Bulgaria, Russia, Hungary and Germany. Footwear manufacturing for the Group's needs is handled by CCC Factory. Sales of goods in the e-commerce channel is handled by eobuwie.pl.

Our sales revenue was as follows:

| | SALES REVENUE [1] 2017 | SALES REVENUE [1] 2016 | CHANGE % | REVENUE PER 1M² OF FLOOR SPACE (IN THOUSAND PLN) [2] 2017 | REVENUE PER 1M² OF FLOOR SPACE (IN THOUSAND PLN) [2] 2016 |
|---|---|---|---|---|---|
| Poland | 2 026,5 | 1 689,1 | 20,0% | 8,31 | 7,96 |
| CEE | 880,9 | 707,7 | 24,5% | 6,04 | 5,69 |
| Western Europe | 412,5 | 325,9 | 26,6% | 4,66 | 3,99 |
| Other countries | 76,9 | 15,3 | >100% | 4,27 | 4,70 |
| Retail activities | 3 396,8 | 2 738,0 | 24,1% | 6,84 | 6,43 |
| Wholesale | 190,8 | 158,7 | 20,2% | 4,83 | 4,83 |
| E-commerce | 605,7 | 286,8 | >100% | | |
| Other activities | — | — | — | | |
| Manufacturing | 0,7 | 1,9 | -63,2% | | |
| Total | 4 194,0 | 3 185,3 | 31,7% | | |

[1] Revenues from sales apply only to sales to external customers.

[2] The revenue per square meter of the floor space is calculated by the quotient of the value of revenue for the period of 12 months of a given year by the number of m$^2$ of retail space as at the balance sheet date.

Revenues from sales in 2016 amounted to PLN 4,194.0 million, an increase of PLN 1 008.7 million (31.7%) compared to the previous year. The increase in sales was mainly influenced by business development and expansion in particular retail markets, especially in Poland. Total retail sales in 2017 accounted for 81.0% of total sales from external customers, with 4.6% of wholesales sales and 14.4% of e-commerce sales. In comparison with the previous year, sales to external customers increased in all markets. The Group maintains high retail sales per 1 m$^2$ - during the last year, this sale increased to 6.84 thousand PLN/m$^2$, (in 2016 PLN 6.43 thousand/m$^2$), with the average surface area of the CCC store + 8.9% up to 583 m$^2$.The size of revenues is affected by the change in sales in existing facilities and the changes resulting from the opening and closing of retail facilities.

Poland is still the largest sales market the share of which in total sales in 2017 amounted to 48.3% compared to 53.0% in 2016. Revenues from retail sales in 2017 amounted to PLN 2,026.5 million, which represented an increase of PLN 337.4 million (+ 20.0%) compared to the previous year. In the same period, CCC stores were opened and expanded in Poland with a total area of 39.3 thousand m2 and the units with a total area of 7.7 thousand m$^2$ were closed. In net, the floor space in 2017 increased by 31.6 in Poland a thousand m$^2$. The impact on the change in revenues of PLN 337.4 million compared to the previous year was in sales of comparable CCC stores of 149.0 million (12.7%) and sales in remaining stores of PLN 188.4 million (+ 36.8%).

In the whole CEE segment (Czech Republic, Slovakia, Hungary, Slovenia, Croatia and Bulgaria) sales revenue amounted to PLN 880.9 million, up by PLN 173.2 million (24.5%) compared to the previous year. In the same period a total net floor space of 21.6 thousand m$^2$ was opened stores in Central and East Europe.

The Czech Republic is the largest market in this segment regarding revenue, accounting for 7.5% of total revenue from external customers (an increase of 0.6 percentage points over the year 2016). In 2017, sales to external customers in the Czech Republic amounted to PLN 312.5 million and increased by PLN 55.7 million. In 2017 in the Czech Republic stores with a total net floor space of 5.3 thousand m$^2$ were opened.

The second largest market is Hungary with 5.6% of total revenue share. Revenue from external customers in this market in 2017 amounted to PLN 232.9 million and increased by PLN 49.0 million (26.6%) as compared to 2016. In 2017, Hungary stores with a total net floor space of 7.2 thousand m$^2$ were opened.

Significant markets in Central and Eastern Europe include the Slovakian market with sales revenue at the level of 4.4% (PLN 183.8 million) which recorded PLN 31.8 million increase in sales (20.9%). In Slovakia in 2017 stores with a total net floor space of 5.1 thousand m$^2$ were opened.

Croatia was among other dynamically developing markets (increase of sales from external customers by 26.6%), Slovenia (42.2%), Bulgaria (30.8%).

In the segment of Western Europe, the fastest growing market in 2017 was the Austrian market. In this period, 6 stores (3.9 thousand m$^2$) and 2 stores (3.0 thousand m$^2$) were opened in Austria and Germany respectively. In Germany, sales revenue from external customers amounted to PLN 255.9 million, an increase compared to a previous year by 18.7% from PLN 215.6 million. On the other hand, the Austrian market generated sales revenue from external clients of PLN 156.6 million - an increase of 42.0% from PLN 110.3 million compared to the previous year.

Data on sales breakdown by continuing and newly opened or closed units are as follows:

| | COMPARABLE FACILITIES [1] | | | CHANGE % | OTHER FACILITIES [2] | |
|---|---|---|---|---|---|---|
| | LICZBA | 2017 | 2016 | | 2017 | 2016 |
| Poland | 293 | 1 326,7 | 1 177,7 | 12,7% | 699,8 | 511,4 |
| CEE | 176 | 625,7 | 569,9 | 9,8% | 255,2 | 137,8 |
| Western Europe | 74 | 248,3 | 237,0 | 4,8% | 164,2 | 88,9 |
| Other countries | 6 | 25,6 | 6,7 | 282,1% | 51,3 | 8,6 |
| Total | 549 | 2 226,3 | 1 991,3 | 11,8% | 1 170,5 | 746,7 |

[1] Comparable units are the stores that were operating continuously throughout 2017 and 2016.

[2] All other stores, including newly opened stores in the current or previous year; stores, closed in the current or previous year; and stores that had a break in the business.

Overall, regarding the described years, the increase in sales in comparable stores was PLN 235.0 million (+11.8%). Growth in like-for-like facilities was recorded in Poland (+12.7%), the countries of Central and Eastern Europe (+9.8%) and Western Europe (+4.8%) and other countries (+282.1%).

Sales to external customers in the wholesales segment amounted to PLN 190.8 million in 2017 and increased by 20.2% in comparison to 2016. As a result of this activity, the largest counterparty is Romanian entity. Sales revenue to Romania in 2017 amounted to PLN 115.5 million (+16.2%).

[in mln PLN unless otherwise stated]

## SALES RESULT

As a result of our activity we have achieved the following results on sales:

| | 01.2017-12.2017 | 01.2016-12.2016 | CHANGE % |
|---|---|---|---|
| Sales revenue from external clients | 4 194,0 | 3 185,3 | 31,7% |
| Cost of goods sold | (2 044,1) | (1 505,2) | 35,8% |
| Cost of purchase of goods sold | (1 744,9) | (1 245,6) | 40,1% |
| Cost of manufacturing goods sold | (299,5) | (253,5) | 18,1% |
| Write-down on inventories | 0,3 | (6,1) | >100% |
| Gross profit on sales | 2 149,9 | 1 680,1 | 28,0% |

Gross profit by a particular segment was as follows:

| | GROSS PROFIT ON SALE | | CHANGE % | GROSS MARGIN | |
|---|---|---|---|---|---|
| | 01.2017-12.2017 | 01.2016-12.2016 | | 01.2017-12.2017 | 01.2016-12.2016 |
| Poland | 1 043,6 | 882,1 | 18,3% | 51,5% | 52,2% |
| CEE | 517,0 | 411,6 | 25,6% | 58,7% | 58,2% |
| Western Europe | 243,6 | 202,1 | 20,5% | 59,1% | 62,0% |
| Other countries | 41,2 | 6,4 | >100% | 53,6% | 41,8% |
| Retail activity | 1 845,4 | 1 502,2 | 22,8% | 54,3% | 54,9% |
| E-commerce | 249,6 | 122,3 | >100% | 41,1% | 42,6% |
| Wholesale | 55,1 | 53,9 | 2,2% | 28,9% | 34,0% |
| Manufacturing | (0,2) | 1,7 | <-100% | nd. | nd. |
| Total | 2 149,9 | 1 680,1 | 28,0% | 51,3% | 52,7% |
| Unallocated to segments | — | — | — | | |
| Total | 2 149,9 | 1 680,1 | 28,0% | 51,3% | 52,7% |

Consolidated gross sales profit of the Group increased by 28.0% and amounted to PLN 2,149.9 million in 2017. The higher rate of cost of goods sold +35.8% compared to sales revenue +31.7% resulted in a decrease in gross sales margin by 1.4 p.p. to the previous year. Higher dynamics of cost of goods sold than revenues is related, among others, with the functioning of the e-commerce channel, which performs a gross margin of 41.2%.

The margin in the retail segment amounted to 54.3% in 2017 and was lower by 0.6 p.p. compared to last year.

# COST OF OPERATING STORES/WHOLESALES AND SEGMENTS PROFITABILITY

## HOW WE DEFINE PARTICULAR ELEMENTS OF THE RESULT

**Cost of operating stores** include the cost of maintenance of stores. This item includes mainly fees under operating lease of premises in which stores are operated; amortization of tangible fixed assets; amortization of intangible assets; the costs of external services; the cost of remuneration for employees of stores; other flat costs.

## SEGMENTS PROFITABILITY

| 01.2017-12.2017 | SALES REVENUE | GROSS PROFIT ON SALE | COST OF OPERATING STORES | OTHER COST OF SALE | PERFORMANCE OF SEGMENT |
|---|---|---|---|---|---|
| Poland | 2 026,5 | 1 043,6 | (528,4) | (137,6) | 377,6 |
| CEE | 880,9 | 517,0 | (313,4) | (92,7) | 110,9 |
| Western Europe | 412,5 | 243,6 | (287,3) | (47,4) | (91,1) |
| Other countries | 76,9 | 41,2 | (29,5) | (5,5) | 6,2 |
| Retail activity | 3 396,8 | 1 845,4 | (1 158,6) | (283,2) | 403,6 |

| 01.2016-12.2016 | SALES REVENUE | GROSS PROFIT ON SALE | COST OF OPERATING STORES | OTHER COST OF SALE | PERFORMANCE OF SEGMENT |
|---|---|---|---|---|---|
| Poland | 1 689,1 | 882,1 | (440,6) | (100,3) | 341,1 |
| CEE | 707,7 | 411,6 | (241,6) | (65,6) | 104,4 |
| Western Europe | 325,9 | 202,1 | (241,0) | (38,7) | (77,6) |
| Other countries | 15,3 | 6,4 | (8,1) | (1,2) | (2,9) |
| Retail activity | 2 738,0 | 1 502,2 | (931,3) | (205,8) | 365,0 |

Changes in gross profit, cost of operating stores and segment profitability between 2017 and 2016 are shown in the table below:

| CHANGE % | SALES REVENUE | GROSS PROFIT ON SALE | COST OF OPERATING STORES | OTHER COST OF SALE | PERFORMANCE OF SEGMENT |
|---|---|---|---|---|---|
| Poland | 20,0% | 18,3% | 19,9% | 37,2% | 10,7% |
| CEE | 24,5% | 25,6% | 29,7% | 41,3% | 6,2% |
| Western Europe | 26,6% | 20,5% | 19,2% | 22,5% | 17,4% |
| Other countries | >100% | >100% | >100% | >100% | <-100% |
| Retail activity | 24,1% | 22,8% | 24,4% | 37,6% | 10,6% |

The average cost per $m^2$ of floor space is calculated as the quotient of the cost of operating stores incurred during the financial year and the floor space in $m^2$ as at the balance sheet date.

The gross profit generated on sales covers the costs of operating stores and creates the segments profitability. In 2017, costs of operating stores increased by PLN 227.3 million compared to the previous year and the gross profit from retail sales increased by PLN 38.6 million.

Cost of operating stores was as follows:

| | 01.2017-12.2017 | 01.2016-12.2016 | CHANGE % |
|---|---|---|---|
| Remunerations and social security contributions | (438,2) | (345,9) | 26,7% |
| Agency services | (57,2) | (47,9) | 19,4% |
| Lease costs | (466,9) | (386,1) | 20,9% |
| Amortization and depreciation | (65,0) | (45,0) | 44,4% |
| Taxes and fees | (5,6) | (3,6) | 55,6% |
| Consumption of materials and energy | (47,2) | (36,0) | 31,1% |
| Other flat costs | (78,5) | (66,8) | 17,1% |
| Total | (1 158,6) | (931,3) | 24,4% |

In 2017, the most significant cost item of the CCC Group was the cost of operating stores, which increased by PLN 227.3 million (+24.4%) to PLN 1,158.6 million as compared to the previous year. The main reason for the increase in the cost of operating stores was the increase in floor space by 70.6 thousand m$^2$. Together with the market expansion and the opening of new retail facilities, all costs of operating stores increased, and the most significant were rental costs and staff remuneration costs, which accounted for 40.3% and 37.8% of total of the cost of operating stores respectively

The number of employees hired in all CCC Group stores as of 31 December 2017 was 10,313 and was by 493 employees higher than at the end of 2016. The largest increase in employed staff was in Poland.

In order to analyse and compare the performance of individual stores, the Group uses an indicator of the cost per square meter of the floor space. In aggregate terms, the cost of running a store per square meter between the year 2017 and 2016 changed slightly - in 2017, this indicator amounted to 2.33 thousand PLN/m$^2$ and in 2016 2.19 thousand PLN/m$^2$. This indicator is the most profitable in Central and Eastern Europe, while the highest cost/m$^2$ is in Western Europe.

[in mln PLN unless otherwise stated]

## THE IMPACT OF OTHER INCOME AND COSTS

### HOW WE DEFINE PARTICULAR ELEMENTS OF THE RESULT

**Other cost of sales** include the costs of organizational units supporting sales and development of the sales network, including cost of expansion division, regional managers, the cost of logistics division, marketing.

**Administrative expenses** include expenses relating to management of all operations of the Company (the cost of financial and accounting divisions, administration, costs of the Management Board) and general expenses.

**Other operating income and operating costs** include income and expenses from non-core business activities of the operating units, e.g. profit or loss on disposal of tangible fixed assets, penalties and fines, donations, etc.

**Finance income** includes the following items: interest income from current account and others; the result on exchange rate differences and other financial income.

**Finance cost** includes the following costs: interest on loans; commissions paid and other financial costs.

**Income tax** includes accrued tax and deferred tax.

The Group presenting **adjusted net profit** excludes items that according to the Management Board are of a single nature and are not taken into account when assessing performance and in making decisions. Adjusted net income is not the IFRS measure. More information on the measure is presented on page 65.

| | 01.2017-012.2017 | 01.2016-012.2016 | CHANGE% |
|---|---|---|---|
| | | CONVERTED DATA | |
| Performance of segment | 527,2 | 456,2 | 15,6% |
| Administrative expenses | (109,3) | (109,0) | 0,3% |
| Other cost and revenue | (13,4) | 26,2 | <-100% |
| Operating profit | 404,5 | 373,4 | 8,3% |
| Finance revenue | 3,2 | 4,1 | -22,0% |
| Finance cost | (66,9) | (31,5) | >100% |
| Profit before tax | 340,8 | 346,0 | -1,5% |
| Income tax | (38,5) | (286,3) | -86,6% |
| Net profit | 302,3 | 59,7 | >100% |
| Adjusted net income [1] | 318,1 | 329,3 | -3,4% |

[1] adjusted net profit is an own measure of profit – explanation of the measure is contained in chapter 3.1.1.1. on page 65.

Other operating cost and revenues were respectively PLN 33.2 million and PLN 19.8 million, which in net amounted to PLN 13.4 million on the cost side compared to PLN 26.2 million in the previous year on the revenue side. The main reason for the change 2017 to 2016 was, among others, the negative result due to exchange differences (PLN -29.5 million).

As a result of the factors described above, the CCC Group generated an operating profit in 2017 in the amount of PLN 404.5 million, up 8.3% y/y (PLN +31.1 million) compared to the corresponding period of 2016.

## FINANCE INCOME AND COSTS

In 2017, financial income amounted to PLN 3.2 million and were lower by PLN 0.9 million y/y.

In 2017, finance costs amounted to PLN 66.9 million and were higher by PLN 35.4 million (112.4%) y/y. The main item making the finance costs in the reporting period were the debt interest (44.5% of total finance costs) which amounted to PLN 29.8 million and were higher by PLN 8.8 million (41.9%) y/y. Other finance costs were primarily a negative result on foreign exchange rates (PLN 19.2 million), commissions paid (PLN 1.3 million), other finance costs (PLN 2.7 million), and valuation of minority share buyout option (PLN 13.9 million).

Income tax in 2017 amounted to PLN 38.5 million negatively impacting the net profit. Current tax amounted to PLN 43.1 million and a deferred part amounted to PLN 4.6 million.

After including finance income and cost as well as the income tax, the net profit amounted to PLN 302.3 million, by 406.4% higher than in 2016.

The measure of profitability used by the Management Board is EBITDA and adjusted net income. EBITDA and net financial debt are not indicators resulting from accounting standards and they are not defined by IFRS and may be calculated differently by other entities.

EBITDA is a measure used mainly for the purposes of debt analysis, due to the covenant-imposed by banks. For more information on the EBITDA measure, see section 3.2.1. „Debt and liquidity of the CCC Group".

[in mln PLN unless otherwise stated]

Adjusted net profit is calculated on the basis of net profit adjusted for items which, in the opinion of the Management Board, are of a one-off nature and are not included in the evaluation of the results and in the decision-making process. Below there is a list of items excluded from the net result along with an explanation:

## CASH ITEMS:

- Consultancy costs - this item covers advisory costs incurred as a result of the business restructuring of the CCC Group

## NON-CASH ITEMS:

- Deferred tax assets for trademarks and goodwill of the company - this item includes assets created as a result of business restructuring of the CCC Group
- Expenses of the incentive scheme - this item covers the incentive scheme for 2013-2016 which was realized in 2017.

## RECONCILIATION OF ADJUSTED NET PROFIT

| | 01.2017-12.2017 | 01.2016-12.2016 |
|---|---|---|
| Net profit | 302,3 | 59,7 |
| Recognition of a deferred tax asset relating to the trademark, goodwill and investment relief | (7,6) | (252,2) |
| Consultancy costs | — | (2,8) |
| Costs of the incentive program | (8,2) | (14,6) |
| Adjusted net income | 318,1 | 329,3 |

[in mln PLN unless otherwise stated]

## 3.1.1.2 STATEMENTS ON FINANCIAL POSITION (OVERVIEW OF MAIN ITEMS)

Overview of the main items of our statements of financial position is as follows:

| | 31-12-2017 | 31-12-2016 | CHANGE % |
|---|---|---|---|
| | | CONVERTED DATA | |
| Fixed assets, and including: | 1 154,1 | 1 027,1 | 12,4% |
| Tangible fixed assets | 787,0 | 679,6 | 15,8% |
| Deferred tax assets | 63,4 | 60,1 | 5,5% |
| Current assets, and including: | 2 215,8 | 1 373,8 | 61,3% |
| Inventories | 1 417,7 | 1 019,7 | 39,0% |
| Cash and cash equivalents | 511,6 | 143,4 | >100% |
| TOTAL ASSETS | 3 369,9 | 2 400,9 | 40,4% |
| Non-current liabilities, and including: | 1 277,8 | 660,4 | 93,5% |
| Debt liabilities | 436,0 | 366,0 | 19,1% |
| Current liabilities, and including: | 923,8 | 769,4 | 20,1% |
| Debt liabilities | 481,1 | 429,5 | 12,0% |
| Trade liabilities and other liabilities | 402,4 | 311,9 | 29,0% |
| TOTAL LIABILITIES | 2 201,6 | 1 429,8 | 54,0% |
| EQUITY | 1 168,3 | 971,1 | 20,3% |

# FIXED ASSETS

## HOW WE DEFINE PARTICULAR ELEMENTS OF THE ASSETS

**Tangible fixed assets include**: investments in external fixed assets (namely, outlays in leased premises serving retail sales of goods); fixed assets used in the distribution activity and other.

**Deferred tax assets and liabilities** are recognized (i) as a result of a discrepancy between the book values of assets and liabilities and the corresponding tax values, and (ii) in respect of unsettled tax losses.

Fixed assets as at 31 December 2017 consisted of tangible fixed assets (PLN 787.0 million), intangible assets (PLN 197.5 million), goodwill (PLN 106.2 million) and deferred tax assets (PLN 63.4 million). The value of fixed assets as compared to 31 December 2016 increased by 12.4% to PLN 1,154.1 million, which was mainly attributable to the increase of investment outlays related to the opening further stores and enlargement of the logistics center.

| | TANGIBLE FIXED ASSETS | | CHANGE % | |
|---|---|---|---|---|
| | 31.12.2017 | 31.12.2016 | VALUE OF TANGIBLE FIXED ASSETS | CHANGE OF FLOOR SPACE |
| Investment in stores | 393,0 | 358,6 | 9,6% | 16,6% |
| Land, buildings and constructions | 219,4 | 182,0 | 20,5% | |
| Machines and equipment | 68,6 | 67,4 | 1,8% | |
| Tangible fixed assets in progress | 35,8 | 2,5 | >100% | |
| Factory and distribution | 323,8 | 251,9 | 28,5% | |
| Other | 70,2 | 69,1 | 1,6% | |
| Total | 787,0 | 679,6 | 15,8% | |

Tangible fixed assets as at 31 December 2017 amounted to PLN 787.0 million and increased by PLN 107.4 million (15.8%) as compared to 2016, mainly due to investment outlays in stores ( PLN +34.4 million) and the floor space increase by another 70.6 thousand $m^2$ and an increase in fixed assets in production and logistics operation, which were PLN 71.9 million higher than at the end of 2016 and amounted to PLN 323.8 million.

Deferred tax assets recognized as of 31 December 2017 related to recognition of trademark assets (PLN 24.4 million), tax losses (PLN 15.8 million) and provisions (PLN 11.6 million).

For a detailed description of the recognition of deferred tax assets and liabilities, see Note 3.3c to the Consolidated Financial Statements.

[in mln PLN unless otherwise stated]

## CURRENT ASSETS

### HOW WE DEFINE PARTICULAR ELEMENTS OF THE ASSETS

**Inventories** are recognized at purchase price or net sales price, depending on which of these amounts is lower. The cost of finished goods and manufacturing in progress includes design costs, raw materials, direct labour, other direct costs and related general manufacturing costs.

In the event of circumstances as a result of which there was a decrease in the value of inventories, **impairment loss** is made in cost of goods sold.

**Cash and cash equivalents** include cash in hand and bank deposits payable on demand.

Current assets as at 31 December 2017 amounted to PLN 2,215.8 million and consisted of inventories (PLN 1,417.7 million), cash and cash equivalents (PLN 511.6 million ), loans granted (PLN 9.1 million PLN) and receivables from customers and other receivables (PLN 277.4 million). The value of current assets as compared to 31 December 2016 increased by 61.3% from PLN 1,373.8 million. The main reason for the increase in the value of current assets was an increase in inventories (an increase of PLN 398.0 million that is 39.0%), which amounted to PLN 1,417.7 million at the end of the year.

The following table presents data on the inventories of the Group CCC:

| | 31.12.2017 | 31.12.2016 | CHANGE % |
|---|---|---|---|
| Retail activity | 493,0 | 340,5 | 44,8% |
| Warehouse | 768,1 | 561,0 | 36,9% |
| E-commerce | 163,5 | 96,0 | 70,3% |
| Factory | 42,5 | 59,6 | -28,7% |
| Gross total inventories | 1 467,1 | 1 057,1 | 36,7% |
| Write-down on inventories | (12,2) | (12,5) | -2,4% |
| Consolidation adjustments | (37,2) | (24,9) | 49,9% |
| Net total inventories | 1 417,7 | 1 019,7 | 39,0% |
| Share of write-down on inventories against the net value of inventories | -0,86% | -1,23% | |
| Inventory turnover ratio [1] | 253 days | 247 days | 2,4% |

[1] Inventory Turnover ratio is a relationship between the amount of inventory at the end of the period and cost of goods sold multiplied by the number of days in the period.

The most of CCC Group's goods as at 31 December 2017 was located in the Group's main warehouse, that is at Logistic Center in Polkowice (54% of all goods), the rest were in the retail network and in Eobuwie warehouse.

In 2017, the Group created a revaluation write-down of inventories of PLN 12.2 million, whereas in the previous year it amounted to PLN 12.5 million. Inventory turnover ratio (253 days in 2017) increased slightly compared to 2016.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the CCC Group as of 31 December 2017, amounted to PLN 511.6 million, increasing by PLN 368.2 million (256.8%) compared to the end of 2016 on a balance sheet basis. The statement of cash flows additionally includes the position of changes due to exchange differences from the valuation of cash and cash equivalents in the amount of PLN - 2.5 million. At the end of 2017, 42.5% of cash was in the cash register and on the bank account.

## DEBT CAPITALS AND LIABILITIES

### HOW WE DEFINE PARTICULAR ELEMENTS OF THE ASSETS

**Equity** is recognized in the accounting books by their following types: basic capital (share capital); reserve capital; retained earnings; and other capitals.

**Debt liabilities** consist mainly of bank loans and issued bonds.

**Trade liabilities** are classified as current liabilities if payment is due within one year. Otherwise, liabilities are recognized as non-current. Trade liabilities are valued at the amount due.

As of 31 December 2017, the equity capital of the CCC Group in comparison to 31 December 2016, increased by PLN 197.2 million (20.3%), mainly due to the issue of series H shares.

Non-current liabilities as at 31 December 2017 amounted to PLN 1,277.8 million, increasing by PLN 617.4 million (93.5%) from PLN 660.4 million as at 31 December 2016. The total non-current liabilities as at the end of 2017 included non-current debt liabilities amounted to PLN 436.0 million, liabilities for minority share buyout of eobuwie.pl PLN 777.9 million, provisions for PLN 9.4 million, deferred tax liabilities amounting to PLN 33.2 million PLN and subsidies received PLN 21.3 million.

Current liabilities as at 31 December 2017 amounted to PLN 923.8 million, increasing by PLN 154.4 million (20.1%) from PLN 769.4 million as at 31 December 2016. The total current liabilities at the end of 2017 consisted mainly of debt liabilities (PLN 484.1 million); liabilities to suppliers which amounted to PLN 235.8 million (an increase by 35.3% over the end of 2016); other liabilities amounting to PLN 166.6 million (an increase by 21.1% for the end of 2016); income tax liabilities of PLN 26.6 million; provisions which amounted to PLN 11.3 million and subsidies of PLN 2.4 million.

**Debt liabilities are discussed in section 3.2.1. „Debt and liquidity of the Group CCC”.**

[in mln PLN unless otherwise stated]

## 3.1.1.3
## CONSOLIDATED STATEMENT OF ENTIRE CASH FLOWS (OVERVIEW OF MAIN ITEMS)

| | 01.2017-012.2017 | 01.2016-012.2016 | CHANGE % |
|---|---|---|---|
| Gross profit before tax | 340,8 | 346,0 | -1,5% |
| Adjustments | 41,8 | 264,3 | -84,2% |
| Income tax paid | (46,6) | (31,1) | 49,8% |
| Cash flows before changes in working capital | 461,5 | 431,9 | 6,9% |
| Changes in working capital | (383,3) | (257,2) | 49,0% |
| Cash flows from operating activities | 78,2 | 174,7 | -55,2% |
| Cash flows from investing activities | (222,3) | (362,0) | -38,6% |
| Cash flows from financing activities, including: | 514,8 | (9,9) | <-100% |
| Dividends paid | (101,4) | (85,7) | 18,3% |
| Total cash flows | 370,7 | (197,2) | <-100% |

## NET CASH FLOWS ON OPERATING ACTIVITIES

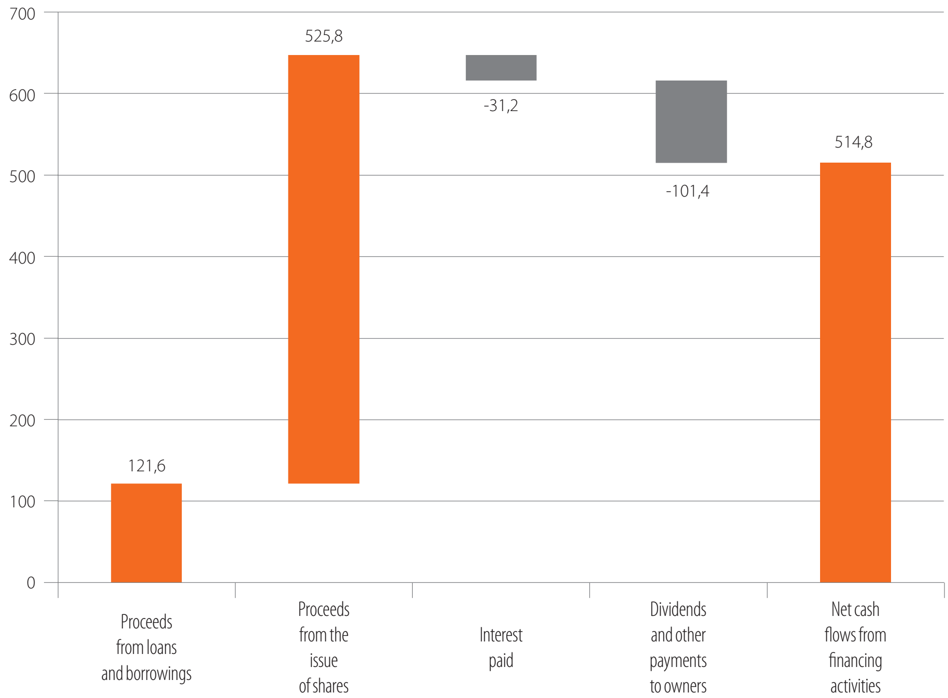
Consolidated net operating cash flows in 2017 amounted to PLN 78.2 million. and resulted from the increase for working capital demand and generated profit for the year 2017,

## NET CASH FLOWS ON INVESTING ACTIVITIES

Consolidated net cash flows from investing activities in 2017 amounted to PLN -222.3 million. The increase was mainly due to the increase in expenditure on fixed assets related to the implementation of the market expansion strategy and the enlargement of floor space in Poland and abroad - these expenditures in 2017 amounted to PLN 244.7 million.

## NET CASH FLOWS ON FINANCIAL ACTIVITIES

Consolidated net cash flows from financing activities in 2017 amounted to PLN 514.8 million. This value mainly comprised: net proceeds from the issue of shares (PLN 525.8 million), cash flows from borrowings and repayment of loans and interest, PLN 90.4 million, and payment of a dividend of PLN -101.4 million.




**More information about net cash flows from financial activities is presented in section 3.2.1. „Debt and liquidity of the Company CCC S.A."**

Taking into account the above-mentioned cash flows, the CCC Group ended the year 2017 with a cash position of PLN 511.6 million, a decrease by PLN 368.2 million compared to the end of 2016.

## 3.1.2 PUBLICATION OF THE FORECASTS OF FINANCIAL RESULTS

There were no forecasts of financial results published for 2017.

# 3.2
# MANAGEMENT OF FINANCIAL RESOURCES AND FINANCIAL LIQUIDITY

## 3.2.1
## DEBT AND LIQUIDITY OF CCC S.A.

The CCC Group finances its activities through equity and foreign capital, which is composed of loans credits, loans and issued bonds..

## BORROWINGS AND BONDS

At the end of 2017, the Group had non-current debt liabilities in the amount of PLN 436.0 million, mainly consisting of bonds issued in June 2014 with a total value of PLN 210.0 million, and bank loan liabilities whose the non-current part amounted to PLN 226.0 million. On December 31, 2016, the non-current loans liabilities increased by PLN 70.0 million.

As of the end of 2017, current debt liabilities included credits amounted to PLN 481.1 million. This item increased by PLN 51.6 million (12.0%) for the end of 2016.

Detailed information on active loan agreements and limits for guarantees in 2017 is provided below.

| BANK | COMPANY | DESCRIPTION | DATE OF CONCLUSION | DATE OF MATURITY | VALUE [MLN] | CURRENCY |
|---|---|---|---|---|---|---|
| CREDIT AGREEMENTS | | | | | | |
| BANK HANDLOWY S.A. | CCC.eu | Overdraft credit agreement | 03.03.2009 | 13.02.2019 | 64,0 | PLN |
| BANK HANDLOWY S.A. | CCC.eu | Revolving credit agreement | 03.03.2009 | 13.02.2019 | 226,0 | PLN |
| Pekao S.A. | CCC.eu | Multi-purpose credit limit agreement | 15.10.2014 | 31.10.2019 | 500,0 | PLN |
| ING S.A. | CCC.eu | Multi-purpose credit limit agreement | 27.02.2015 | 28.01.2018 | 100,0 | PLN |
| PKO BP S.A. | CCC.eu | Multi-purpose credit limit agreement | 30.05.2016 | 29.05.2018 | 220,0 | PLN |
| PKO BP S.A. | CCC S.A. | Multi-purpose credit limit agreement | 28.10.2010 | 29.05.2018 | 40,0 | PLN |
| Bank Millenium S.A. | CCC S.A. | Overdraft credit agreement | 03.12.2013 | 30.09.2018 | 50,0 | PLN |
| LIMITS FOR GUARANTEES | | | | | | |
| Societe Generale S.A. | CCC S.A. | Limit of debt liabilities/ guarantees | 06.07.2017 | 30.09.2018 | 20,0 | PLN |
| Bank Zachodni WBK S.A. | CCC S.A. | Limit of debt liabilities/ guarantees | 29.03.2017 | 31.05.2023 | 65,0 | PLN |
| PKO BP S.A. | CCC S.A. | Limit of debt liabilities/ guarantees | 28.10.2010 | 29.05.2021 | 40,0 | PLN |
| Pekao S.A. | CCC S.A. | Limit of debt liabilities/ guarantees | 27.10.2016 | 31.10.2018 | 5,0 | PLN |
| mBank S.A. | CCC S.A. | Limit of debt liabilities/ guarantees | 04.11.2012 | 10.11.2017 | 15,0 | PLN |
| Raiffeisen Bank Polska S.A. | CCC S.A. | Limit of debt liabilities/ guarantees | 05.08.2015 | 30.09.2017 | 15,0 | PLN |
| Citibank | CCC Czech | Guarantee/securing letter of credit | 16.01.2017 | 15.03.2018 | 1,3 | EUR |
| Citibank | CCC Czech | Guarantee/securing letter of credit | 12.12.2017 | 31.12.2018 | 90,0 | CZK |
| CREDIT AGREEMENTS | | | | | | |
| AO CITIBANK | CCC Russia | Overdraft credit agreement | 19.12.2017 | 31.12.2018 | 9,8 | USD |

## INFORMATION ON BONDS

In June 2014, the Company carried out the issue of the Bonds of CCC S.A., within Bond Issue Programme for the amount of PLN 500 million.

The bonds were issued in Polish zlotys, as bearer securities, dematerialized and coupon ones. The Agent of the issue was mBank S.A..

The bonds were issued with the following terms and conditions of the issue:

1. The nominal value of one Bond – 1000 PLN;
2. Issue price: equal to the nominal value of one Bond;
3. The number of Bonds - 210,000;
4. The total nominal value of bonds - 210,000,000 PLN;
5. Redemption of Bonds - a one-off redemption at par value of the Bond on 10 June 2019;
6. Interest of coupon bonds: a variable interest rate based on WIBOR 6M plus a fixed margin; interest will be paid semi-annually;
7. Quotations in the alternative trading system Catalyst - bonds traded from the date of 16.10.2014.

## INFORMATION ON THE COVENANTS

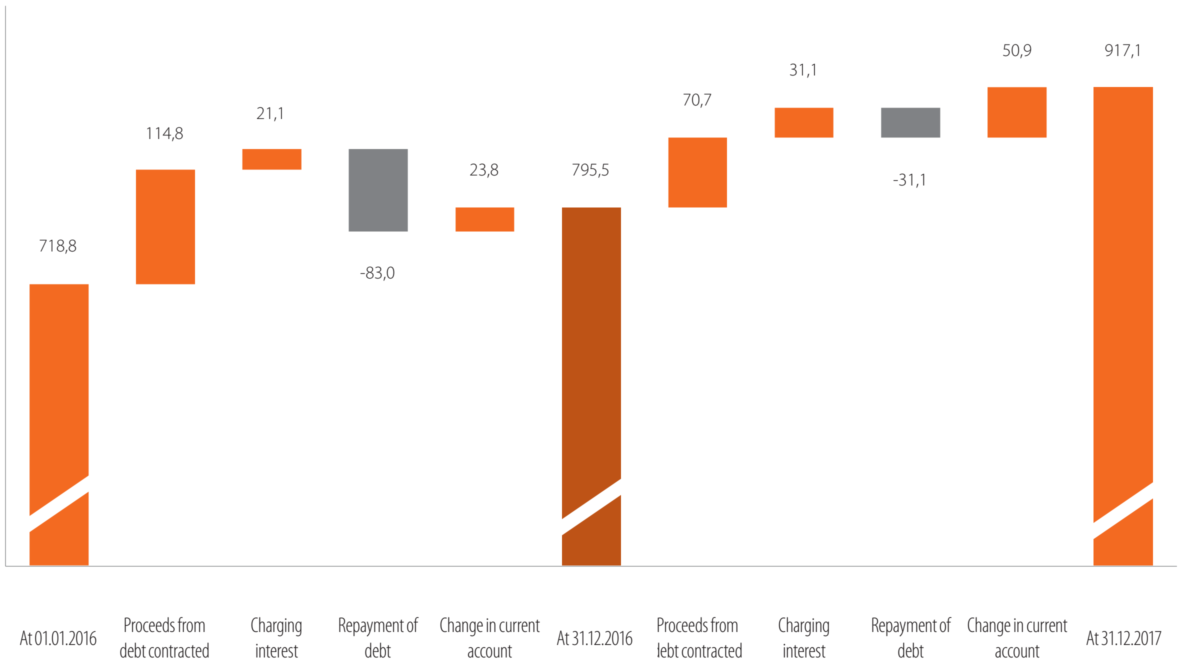
Under the terms of the bond issue agreement, of which the balance of the debt at the balance sheet date amounts to PLN 210.0 million (2016: PLN 210.0 million) and with loan agreements at the level of PLN 707.0 million, the Group is required to comply with the following the covenants:

1. ratio 1, i.e. [ratio of net financial debt / EBITDA] is not higher than 3.0
2. ratio 2, i.e. [ratio of interest service] is not lower than 5.0
3. ratio 3, i.e. [operating margin] is not lower than 9.0%

As of 31 December 2016 the value of Ratio 1 was 0.8 (1.5 as of 31 December 2016), and the value of Ratio 2 was 16.1 (21,2 as of 31 December 2016) and the value of Ratio 3 was 9.6% (11.7 as of 31 December 2016)

As of 31 December 2017, during the reporting period and until the date of approval of the financial statements, there were no breaches of the covenants contained in the abovementioned agreements.

The following is a graph showing the change in the level of debt (as described in note 4.2 „Debt" to the unconsolidated financial statements):



[in mln PLN unless otherwise stated]

## NET CASH FLOWS ON FINANCIAL ACTIVITIES

In 2017, cash flows from loans taken and credits repaid amounted to PLN 121.6 million and PLN 31.2 million, respectively - in 2016, these amounts amounted to PLN 114.8 million and PLN 62.1 million, respectively. Interest paid in 2017 amounted to PLN 31.2 million.

Taking into account the above-described changes in financial activity, the consolidated net cash flows on financial activities in 2017 amounted to PLN 514.8 million, while in 2016 it amounted to PLN -9.9 million.

## DEBT RATIO

The Management Board of CCC analysing the level of debt uses the general debt ratio and the EBITDA debt ratio. Below there is the description of both ratios.

**General debt ratio** is calculated as the ratio of net debt to total capital employed. Net debt is calculated as total borrowings (including current and non-current loans and issued bonds indicated in the statements of financial position) less cash and cash equivalents. Total capital employed is calculated as equity shown in the statements of financial position with net debt. The following is a calculation of the debt ratio:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Net debt | | |
| Loan liabilities | 707,1 | 585,5 |
| (+) Bonds liabilities | 210,0 | 210,0 |
| = Debt liabilities | 917,1 | 795,5 |
| (-) Cash and cash equivalents | 511,6 | 143,4 |
| = Net debt | 405,5 | 652,1 |
| Debt ratio | | |
| Total equity | 1 168,3 | 971,1 |
| (+) Net debt | 405,5 | 652,1 |
| = Capital employed | 1 573,8 | 1 623,2 |
| The debt ratio (net debt/capital employed) | 26% | 40% |

[in mln PLN unless otherwise stated]

The debt ratio decreased compared with the end of the previous year by 14 p.p., primarily due to the increase in the level of cash (PLN +368.2 million).

**The EBITDA debt ratio** is calculated as the quotient of net debt and EBITDA measure.

EBITDA is used by the CCC Management Board for debt analysis as a result of covenants imposed by banks.

The following is a calculation of the debt ratio to EBITDA and a reconciliation of EBITDA:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Net debt | | |
| Loan liabilities | 707,1 | 585,5 |
| (+) Bonds liabilities | 210,0 | 210,0 |
| = Debt liabilities | 917,1 | 795,5 |
| (-) Cash and cash equivalents | 511,6 | 143,4 |
| = Net debt | 405,5 | 652,1 |
| EBITDA | | |
| Net profit | 302,3 | 59,7 |
| (+) Income tax | (38,5) | (286,3) |
| Profit before tax | 340,8 | 346,0 |
| (+) Finance cost | (66,9) | (31,5) |
| (-) Finance revenue | 3,2 | 4,1 |
| Operating profit | 404,5 | 373,4 |
| (+) Amortization and depreciation | 97,0 | 72,7 |
| = EBITDA | 501,5 | 446,1 |
| EBITDA debt ratio (net debt/EBITDA) | 0,8 | 1,5 |

The EBITDA debt ratio decreased by 0.7 over the previous year, primarily due to a rise in net debt to EBITDA.

[in mln PLN unless otherwise stated]

## CURRENT LIQUIDITY RATIO

This ratio is calculated as the quotient of current assets and the value of liabilities and current provisions. The following is a calculation of the ratio:

| | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Inventories | 1 417,7 | 1 019,7 |
| (+) Trade and other receivables | 286,5 | 210,7 |
| (+) Cash and cash equivalents | 511,6 | 143,4 |
| = Current assets | 2 215,8 | 1 373,8 |
| Current debt liabilities | 481,1 | 429,5 |
| (+) Trade liabilities and other liabilities | 429,0 | 328,7 |
| (+) Provisions | 13,7 | 11,2 |
| = Current liabilities | 923,8 | 769,4 |
| Current liquidity ratio (current assets/current liabilities) | 2,4 | 1,8 |

The current liquidity ratio of CCC Group since the end of 2016 till the end of 2017 increased from 1.8 to 2.4, mainly due to a faster growth of current assets (an increase by 61.3%) against the value of current liabilities (an increase by 20.1%).

The Management Board of CCC S.A. highly assesses the compliance of the Capital Group CCC S.A. with its liabilities contracted. The Management Board believes that the level of realized cash flows and financial results achieved will enable to maintain liquidity ratios at a level enabling proper functioning of the Group. In addition, in order to prevent potential danger, the Group is constantly diversifying external sources of obtaining financing.

## 3.2.2 FINANCIAL INSTRUMENTS

As at the balance sheet date, the Issuer did not use instruments hedging the risks to which it is exposed during running operating activities. A detailed description of the financial instruments used is included in the financial statements in Note 6.1.

## 3.2.3 ISSUE OF SECURITIES AND USE THE PROCEEDS FROM THE ISSUE

On 6 October 2017, 2,000,000 series H shares with a nominal value of PLN 0.1 each issued as part of the share capital increase were registered at National Depository for Securities (KDPW). The change in the share capital as a result of the issue of 2,000,000 series H shares was registered on 02.10.2017, the total number of shares amounts to 41,164,000. Capital as at the balance sheet date was fully paid (CR 53/2017)

## 3.2.4 ASSESSMENT OF THE FEASIBILITY OF INVESTMENT PLANS

The Group intends to finance its investment projects with own funds and foreign capital. In the opinion of the Management Board, there are currently no major threats that may have a negative impact on the realization of investment plans in the future.

# 3.3
# INFORMATION ON AGREEMENTS CONCLUDED BY THE COMPANY CCC S.A.

## 3.3.1 LOANS GRANTED

In the reporting period the Company CCC S.A. concluded the following loans agreements.

| COMPANY (LENDER) | PARTY OF AGREEMENT (BORROWER) | DATE OF AGREEMENT | DATE OF ANNEX | DATE OF MATURITY | AMOUNT [MLN] | CURRENCY | INTEREST |
|---|---|---|---|---|---|---|---|
| CCC S.A. | CCC AUSTRIA Ges.m.b.H. | 26.09.2016 | 09.02.2017 | 31.12.2017 | 4,0 | EUR | 1,50% |
| CCC S.A. | CCC OBUTEV d.o.o. | 17.06.2013 | 11.04.2017 | 31.12.2017 | 0,5 | EUR | 1,50% |
| CCC S.A. | EOBUWIE.PL SPÓŁKA AKCYJNA | 19.01.2016 | 03.04.2017 | 31.12.2017 | 5,0 | EUR | 1,50% |
| CCC S.A. | EOBUWIE.PL SPÓŁKA AKCYJNA | 12.08.2016 | 05.10.2017 | 31.12.2017 | 10,0 | PLN | 1M WIBOR +0,6% |

## 3.3.2 SURETIES AND GUARANTEES GRANTED AND OTHER CONTINGENT LIABILITIES

In the reporting period the Group CCC S.A. granted the following sureties and guarantees:

### 1. THE GUARANTEE GRANTED IN RELATION TO THE SIGNING OF THE LEASE FLOOR SPACE

| COMPANY | NUMBER OF GUARANTEES | DEBTOR | SURETY OR GUARANTEE VALUE [MLN] | CURRENCY |
|---|---|---|---|---|
| CCC S.A. | 2 | CCC Slovakia, s.r.o. | 0,1 | EUR |
| CCC S.A. | 8 | CCC Hungary Kft. | 0,3 | EUR |
| CCC S.A. | 2 | CCC Hungary Kft. | 21,8 | HUF |
| CCC S.A. | 2 | CCC Germany GmbH | 0,1 | EUR |
| CCC S.A. | 3 | CCC Austria | 0,1 | EUR |
| CCC S.A. | 3 | CCC Hrvatska | 0,1 | EUR |

## 2. OTHER SURETIES AND GUARANTEES

Granted by the CCC S.A. to Polish subsidiaries:

| COMPANY | BANK | DEBTOR | TYPE OF SECURITY | DURATION | | SURETY OR GUARANTEE VALUE [MLN] | CURRENCY |
|---|---|---|---|---|---|---|---|
| | | | | BEGINNING | END | | |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o) | ING Bank Śląski S.A. | CCC.eu Sp. z o.o. | Surety for liabilities of CCC.eu Sp. z o.o. resulting from the Multi-product Agreement | 13.07.2016 | 29.01.2018 | 100,0 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.) | Pekao S.A. | CCC.eu Sp. z o.o. | Surety to the Credit Agreement in the form of a multi-purpose credit limit | 30.10.2017 | 31.10.2022 | 594,0 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.) | Pekao S.A. | CCC.eu Sp. z o.o. | Surety for future debt due to bank guarantees granted and letters of credit opened under a multi-purpose credit limit agreement | 30.10.2017 | 31.10.2022 | 6,0 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.) | Bank Handlowy S.A. | CCC.eu Sp. z o.o. | Surety to the overdraft agreement | 16.02.2017 | 13.02.2022 | 76,8 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.) | Bank Handlowy S.A. | CCC.eu Sp. z o.o. | Surety to the overdraft agreement | 16.02.2017 | 13.02.2022 | 103,2 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.) | Bank Handlowy S.A. | CCC.eu Sp. z o.o. | Surety for a contract for timely hedging transactions | 22.03.2013 | 31.03.2017 | 25,2 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o) | PKO BP S.A. | CCC.eu Sp. z o.o. | Surety to the Credit Agreement in the form of a multi-purpose credit limit | 30.05.2016 | 29.05.2018 | 374,0 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o) | Millenium Bank S.A. | CCC.eu Sp. z o.o. | Surety to the Confirming Agreement | 15.12.2017 | 14.06.2022 | 160,0 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o) | BZ WBK S.A. | CCC.eu Sp. z o.o. | Surety to the Confirming Agreement | 20.10.2017 | | 100,0 | PLN |

In the reporting period the Company CCC S.A. was granted the following sureties and guarantees:

| COMPANY | BANK | DEBTOR | TYPE OF SECURITY | DURATION | | SURETY OR GUARANTEE VALUE [MLN] | CURRENCY |
|---|---|---|---|---|---|---|---|
| | | | | BEGINNING | END | | |
| CCC.eu Sp. z o.o. (Surety granted together with CCC Shoes & Bags Sp. z o.o.) | Bank Millennium S.A. | CCC S.A. | Surety to the overdraft agreement | 19.09.2017 | 30.09.2021 | 80,0 | PLN |

Granted by CCC S.A. to foreign subsidiaries:

| COMPANY | BANK | DEBTOR | TYPE OF SECURITY | DURATION BEGINNING | DURATION END | SURETY OR GUARANTEE VALUE [MLN] | CURRENCY |
|---|---|---|---|---|---|---|---|
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.) | Citibank | CCC Russia | Surety to a guarantee/ securing letter of credit | 07.12.2017 | 31.12.2021 | 12,4 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.) | Citibank | CCC Russia | Surety to a guarantee/ securing letter of credit | 07.12.2017 | 31.12.2019 | 0,4 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.) | Citibank | CCC Czech | Surety to a guarantee/ securing letter of credit | 12.12.2017 | 31.12.2018 | 90,0 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.) | Citibank | CCC Slovakia | Surety to a guarantee/ securing letter of credit | 18.04.2013 | 30.06.2020 | 50,0 | PLN |
| CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.) | Citibank | CCC Hungary | Surety to a guarantee/ securing letter of credit | 13.01.2014 | 30.06.2020 | 3,0 | PLN |

Information on significant non-balance sheet items are included in note 27 “Assets and contingent liabilities” to the separate financial statements.

## 3.3.3 SIGNIFICANT TRANSACTIONS CONCLUDED WITH RELATED PARTIES

To the knowledge of the Management Board of CCC S.A. there were no significant transactions concluded between the Company and related entities on other than market terms. Information on transactions with related parties are included in the separate financial statements in point. 6.2. „Transactions with related entities"

## 3.3.4 DESCRIPTION OF SIGNIFICANT AGREEMENTS

In the reporting period the Company CCC S.A. concluded the following significant agreements.

### CREDIT AGREEMENTS

Annex of October 23, 2017, to the credit agreement in the form of the multi-purpose credit limit as of October 28, 2010, concluded with the bank PKO BP SA, about which the Issuer informed in the current report No. 49/2010 on October 29, 2010. With the present annex, the multi-purpose credit limit amount is increased for own bank guarantees in the domestic and foreign trade up to PLN 40,000,000.00 (previous value: PLN 20,000,000.00) and the period of granted limit is extended and the period of its use until 29 May 2018 (previous deadline: October 26, 2017). (CR No. 58/2017 dated October 23, 2017).

### SURETIES

Surety granted by CCC S.A. for the amount of USD 12,000,000 to the credit agreement concluded on December 19, 2017, between the subsidiary CCC Russia Sp. z o.o. and AO Citibank for a credit limit in the amount of USD 9.800.000. (CR No. 65/2017 as of 21 December 2017).

### AGREEMENT ON HE ACQUISITION OF EOBUWIE.PL SHARES.

Annex to the agreement obliging to sell the shares of eobuwie.pl S.A. as of 26 August 2015 concluded between the Issuer and CCC Shoes & Bags Sp. z o.o., with its headquarters in Polkowice, and the shareholders of the company eobuwie.pl S.A. and with the participation of the Company CCC S.A., in the scope of extending the Call Option and Put Option by 3 years (CR No. 44/2017 as of 21 August 2017).

i MORE INFORMATION IN SECTION 3.4

During the reporting period, CCC.eu Sp. z o.o. entered into significant agreements:

## LOAN AGREEMENTS

1. Annex as of 16 February 2017 to the revolving credit agreement as of 3 March 2009, concluded with Bank Handlowy w Warszawie S.A.The company informed about the conclusion of the abovementioned agreement in the current report No. 8/2009 on 10 March 2009. The annex to the revolving credit agreement changed the loan amount to PLN 226,000,000.00 (previous value: PLN 156,000,000.00) and the loan repayment due date to 13 February 2019 (previous date: 14 February 2018). (CR No. 11/2017 as of 18 February 2017).

2. Annex as of 16 February 2017 to the overdraft credit agreement as of 3 March 2009 concluded with Bank Handlowy w Warszawie S.A. The company informed about the conclusion of the abovementioned contract in current report No. 8/2009 on 10 March 2009. The annex to the credit agreement on the current account changed the final repayment due date of the loan to 13 February 2019 (previous date: 24 February 2017). (CR No. 11/2017 as of 18 February 2017).

3. Annex as of 8 May 2017 to the Multi-Purpose Credit Limit Agreement as of 30 May 2016, of which the Issuer reported in its current report No. 24/2016 on 30 May 2016. The annex amended the limit amount to PLN 220,000,000.00 (previous value PLN 200,000,000.00). (Current report No. 27/2017 as of May 2017).

4. Annex as of 30 October 2017 to the Multi-Purpose Credit Limit Agreement as of 15 October 2014 with Bank Polska Kasa Opieki S.A., of which the Company informed in the current report No. 51/2014 as of 16 October 2014. This limit is extended to 31 October 2019 and the period of validity of the requested Guarantees/expected final date of execution and payment for open Letters of credit cannot go beyond 31 October 2020. (CR No. 63/2017 as of 22 November 2017)

In the reporting period, the subsidiary CCC Russia Sp. z o.o. concluded the following significant agreements:

## CREDIT AGREEMENTS

Agreement as of 19 December 2017, concluded with AO Citibank, with its registered office in Moscow, for a credit in the form of a credit limit in the amount of USD 9.800.000,00. The limit will bear interest at a variable LIBOR 12M rate plus the margin of the bank. The credit is valid until 31 December 2018 with the possibility to be extended. (CR No. 65/2017 as of 21 December 2017).

# 4.
# ORGANIZATION OF THE CAPITAL GROUP CCC


CCC
SHOES & BAGS

# 4.1
# STRUCTURE OF THE CAPITAL GROUP

## 4.1.1
## DESCRIPTION/SCHEME OF ORGANIZATION OF THE GROUP CCC TOGETHER WITH ORGANIZATIONAL LINKS

The Company CCC S.A. is the parent company of the Capital Group CCC. At the balance sheet date, CCC S.A. held directly and indirectly 100% of the share capital of 15 subsidiaries out of 19 located on Polish territory, Central and Eastern Europe, Western Europe and in other countries.

In the company eobuwie.pl S.A. and CCC Russia, CCC S.A. holds directly and indirectly 74.99% and 75% of share capital respectively. The results of these companies are 100% consolidated. The chart below shows the organizational structure of CCC with capital links.

# CCC GROUP

## CCC S.A.

### Manufacturing

- CCC Factory sp. z o.o. 100% Poland

### Commercial

- CCC Germany GmbH 100% Germany
- CCC Shoes Bulgaria 100% Bulgaria
- CCC Czech s.r.o 100% Czech republic
- CC Obutev d.o.o. 100% Slovenia
- CCC Austria Ges.m.b.H 100% Austria
- CCC Slovakia s.r.o 100% Slovakia
- CCC Hrvatska d.o.o 100% Croatia
- CCC Shoes Ayakkabicilik Ticaret Limited Sirketi 100% Turkey
- CCC.eu sp. z o.o.[1] 100% Poland
- CCC Hungary Shoes Kft. 100% Hungary
- CCC Russia sp. z o.o. 75% Russia
- CCC Shoes & Bags d.o.o. Beograd-Novi Beograd 100% Serbia

### Other

- NG2 Suisse S.a.rl. 100% Switzerland
- CCC Isle of Man Ltd. 100% Isle of Man
- CCC Shoes & Bags sp. z o.o. 100% Poland
- Group eobuwie.pl 74,99% Poland
  - Traf Logistics Sp. z o.o.
  - Eschuhe.de UG

[1] The Company CCC.eu Sp. z o.o. is a subsidiary of CCC Shoes & Bags Sp. z o.o. (99.75%) and a subsidiary of the Issuer (0.25%).

## 4.1.2
## CHANGES IN ORGANIZATION AND MANAGEMENT IN THE GROUP CCC

### CHANGES IN ORGANIZATION OF THE CAPITAL GROUP CCC IN 2017

On 23 March 2017, the Management Board of the Warsaw Stock Exchange S.A. allowed trading of 39,100 ordinary series E shares resulting from the transformation of 36,100 registered A series subscription warrants issued in connection with the implementation of the incentive scheme for the years 2013-2015.

On 4 October 2017, the Management Board of the Warsaw Stock Exchange S.A. allowed trading of 2,000,000 ordinary series H bearer shares of the company CCC S.A.

### CHANGES IN ORGANIZATION OF THE CAPITAL GROUP CCC AFTER THE BALANCE SHEET DATE

Did not occur.

### CHANGES IN MANAGEMENT PRINCIPLES OF THE CAPITAL GROUP CCC

During the twelve months ended 31 December 2017 there were no significant changes in the management principles of the Capital Group CCC.

[in mln PLN unless otherwise stated]

# 4.2 SHARE CAPITAL AND SHAREHOLDERS

## 4.2.1 SHARE CAPITAL OF CCC S.A. AND OWNERSHIP STRUCTURE

As of 31 December 2017 the share capital of CCC S.A. amounted to PLN 4,116,400.00 and was divided into 41,164,000 shares with a nominal value of PLN 0.10 each. Number of shares increased by 2,000,000 pcs. compared with previous year.

| SERIES/ISSUE | TYPE OF SHARES | TYPE OF PREFERENCE | NUMBER OF SHARES | VALUE OF SERIES / ISSUE IN NOMINAL VALUE (PLN) | MANNER OF CAPITAL COVERAGE |
|---|---|---|---|---|---|
| „A1" | registered preference shares | 2 votes from one share | 6.650.000 | 665.000 | cash contributions |
| „A2" | ordinary bearer shares | n/a | 13.600.000 | 1.360.000 | cash contributions |
| B | ordinary bearer shares | n/a | 9.750.000 | 975.000 | cash contributions |
| C | ordinary bearer shares | n/a | 2.000.000 | 200.000 | cash contributions |
| D | ordinary bearer shares | n/a | 6.400.000 | 640.000 | cash contributions |
| E | ordinary bearer shares | n/a | 764.000 | 76.400 | cash contributions |
| H | ordinary bearer shares | n/a | 2.000.000 | 200.000 | cash contributions |
| Total | | | 41.164.000 | 4.116.400 | |

[in mln PLN unless otherwise stated]

## 4.2.2 SHAREHOLDERS OF CCC S.A. HOLDING SUBSTANTIAL BLOCKS OF SHARES

According to information available to by the Company, the shareholders holding at least 5% of the total number of votes at the General Meeting of CCC S.A. as of 31 December 2017 were:

- ULTRO Sp. z o.o.. (a subsidiary to Mr. Dariusz Miłek and Mr. Dariusz Miłek) which held 11.060.000 shares of the Company, representing 26.87% of the share capital of the Company and giving the right to 34.91% of votes at the General Meeting of the Company,
- Leszek Gaczorek who held 2.000.000 shares of the Company, representing 4.86% of the share capital of the Company and giving the right to 6.36% of votes at the General Meeting of the Company,
- Aviva OFE, which held 3.069.920 shares of the Company, representing 7.46% of the share capital of the Company and giving the right to 6.42% of votes at the General Meeting of the Company,
- Nationale – Nederlanden OFE, which held 2.565.649 shares of the Company, representing 6,23% of the share capital of the Company and giving the right to 5,37% of votes at the General Meeting of the Company.

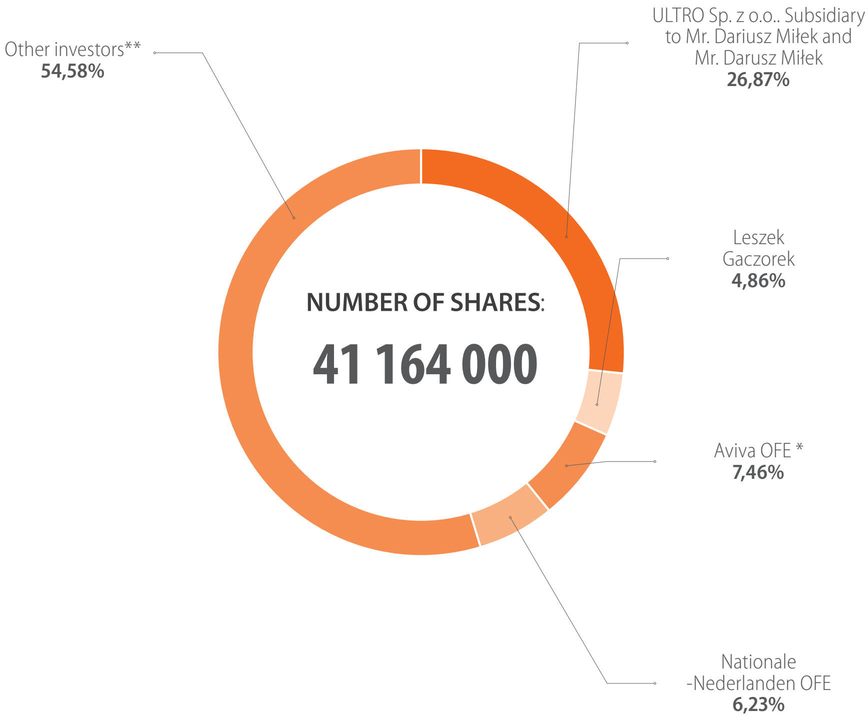
The list of shareholders holding significant blocks of shares of CCC S.A.

| SHAREHOLDER | NUMBER OF SHARES HELD | % SHARE IN SHARE CAPITAL | NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS | % SHARE IN THE NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS |
|---|---|---|---|---|
| Other investors** ULTRO Sp. z o.o.. Subsidiary to Mr. Dariusz Miłek and Mr. Darusz Miłek | 11 060 000 | 26,87% | 16 690 000 | 34,91% |
| Leszek Gaczorek | 2 000 000 | 4,86% | 3 040 000 | 6,36% |
| Aviva OFE [1] | 3 069 920 | 7,46% | 3 069 920 | 6,42% |
| Nationale-Nederlanden OFE | 2 565 649 | 6,23% | 2 565 649 | 5,37% |
| Other investors [2] | 22 468 431 | 54,58% | 22 448 431 | 46,94% |
| TOTAL | 41 164 000 | 100,00% | 47 814 000 | 100,00% |

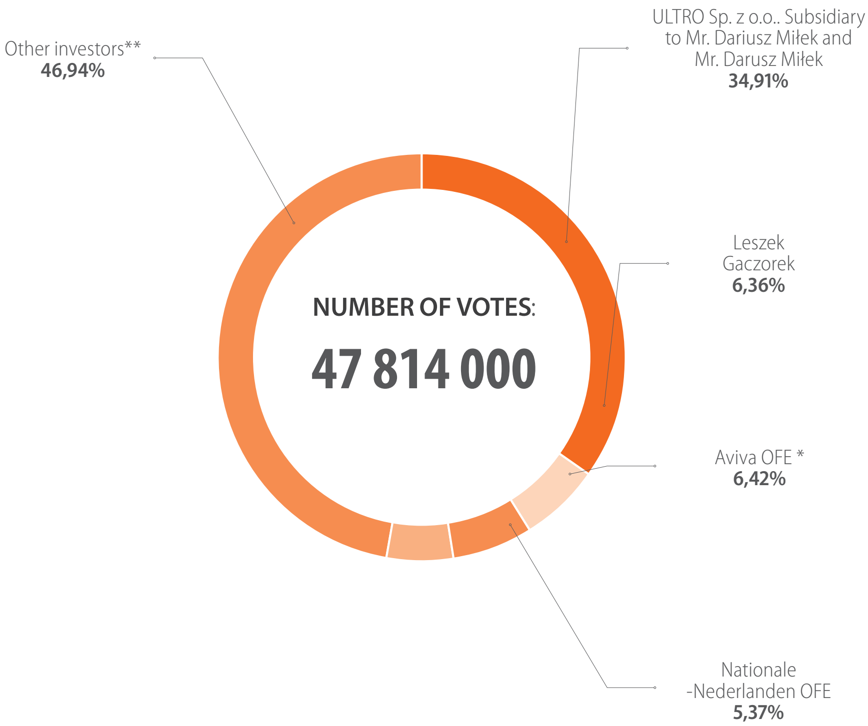
[1] Details derived from annual information on the structure of assets of the Fund Aviva OFE as of 30.12.2016.

[2] Investors holding less than 5% of votes at the General Meeting of Shareholders

## SHAREHOLDERS BY NUMBER OF SHARES




## SHAREHOLDERS BY NUMBER OF VOTES



[in mln PLN unless otherwise stated]

## 4.2.3 SHARES OF THE PARENT COMPANY AND RELATED PARTIES HELD BY MANAGING AND SUPERVISING PERSONS

To the best knowledge of the Management Board of CCC S.A., persons managing and supervising the Company at the date of this report and at the date of publication of the consolidated statement for the 12 months ended 31 December 2017 held the following number of shares:

| SHAREHOLDER | NUMBER OF SHARES AT THE SUBMISSION DATE OF THE ANNUAL REPORT | THE NOMINAL VALUE OF THE SHARES AT THE SUBMISSION DATE OF THE ANNUAL REPORT |
|---|---|---|
| **Management Board** | | |
| President Dariusz Miłek* | 11 060 000 | 1 106 000 |
| Vice-President Mariusz Gnych | 202 000 | 20 200 |

*indirectly as a dominant entity in the company ULTRO Sp. z o.o.

The remaining members of the Management Board and the Supervisory Board did not hold any shares of CCC S.A. The members of the Management Board and the Supervisory Board did not hold any shares in entities related to CCC S.A.

## 4.2.4 SYSTEM OF CONTROL OF EMPLOYEES SHARES PROGRAM

### INCENTIVE SCHEME FOR YEARS 2017-2019

The Supervisory Board of the Issuer adopted on 13 April 2017, the Resolution No. 01/04/2017/RN on the positive opinion and conditional approval of the three-year Incentive Scheme presented by the Issuer's Management Board for 2017-2019 („Scheme"), subject to a positive decision of the General Meeting of the Issuer in the scope of conditional increase of the Issuer's share capital as well as issue of shares and subscription warrants for the implementation of the Scheme. The program provides for the issue of 1,174,920 shares, which constitutes 3% of the total number of shares issued.

The value of the evaluation of the incentive scheme for 2017-2019 included in the financial result in 2017amounted to PLN 8.2 million, and the value of the scheme evaluation for years 2013-2015 included in the financial result in 2016 amounted to PLN 14.6 million, in 2015 it amounted to PLN 26.9 million and in 2014, PLN 2.2 million.

Details on the valuation of the scheme and the accounting recognition of its value are described in note 6.3 of the consolidated financial statements of the Capital Group CCC S.A. for the financial year 2016.

In the previous incentive scheme, in which the right to subscribe for the Shares expires on 30 June 2018, 86 people participated, 85 of whom, as at the balance sheet date, exercised their right to subscribe for Series E Shares.

## 4.2.5 AGREEMENTS CONCERNING POTENTIAL CHANGES IN THE SHAREHOLDERS STRUCTURE

The CCC Group Management does not have any information on contracts (including those concluded after the balance sheet date), as a result of which any changes may occur in the future in the proportions of shares held by existing shareholders and bondholders.

## 5.
## SHARES OF CCC S.A. ON THE STOCK EXCHANGE IN WARSAW


CCC
SHOES & BAGS

# 5. SHARES OF CCC S.A. ON THE STOCK EXCHANGE IN WARSAW

Since 2 December 2004, the shares of CCC S.A. have been listed on the main market of the Warsaw Stock Exchange, in the continuous trading system and are now included in the most important indices: WIG, WIG20, Wig30 and WIG-Poland, WIG-Poland, WIG-Div, WIG-Odzież (Clothing)

[in mln PLN unless otherwise stated]

## VALUATION OF SHARES CCC S.A. ON THE STOCK EXCHANGE IN WARSAW

The following is the selected information concerning the valuation of the shares of CCC S.A. in the years 2016-2017:

| Details | 2017 | 2016* | CHANGE % |
|---|---|---|---|
| Consolidated net profit attributable to shareholders | 287,1 | 307,2 | (6,5%) |
| Net profit attributable to shareholders | 37,3 | 58,5 | (36,2%) |
| Consolidated net profit per share [PLN] | 6,97 | 7,76 | (10,2%) |
| Net profit per share [PLN] | 0,91 | 1,49 | (39,2%) |
| The highest share price [PLN] | 298,00 | 203,55 | 46,4% |
| The lowest share price [PLN] | 201,20 | 112,75 | 78,4% |
| The share price at end of year [PLN] | 285,00 | 203,55 | 40,0% |
| The average share price in the period [PLN] | 241,34 | 165,61 | 45,7% |
| P / E ratio average | 34,60 | 21,34 | 62,5% |
| P / E ratio at the end of the year | 40,86 | 26,23 | 55,8% |
| Number of shares on the stock exchange at the end of the year | 41 164 000 | 39 127 900 | 5,2% |
| Free float at the end of the year | 54,60% | 58,80% | (7,1%) |
| Capitalization at the end of the year | 11 731,7 | 7 964,4 | 47,3% |
| Dividend per share [PLN] | 2,59 | 2,19 | 18,3% |

## INVESTOR RELATIONS

Investor Relations Office of the Group CCC is responsible for the implementation of Group Information Policy (See Section 6.1.3 „Information Policy of the Group CCC") whose main objective is to provide equal access to information and effective communication and building the confidence of capital market participants, and in particular individual and institutional investors from the country and abroad. The people responsible for creating investor relations make use of best practices in communicating with individual investors based on their expectations and best practices for operating in foreign markets, which is reflected in receiving the certificate „10 out of 10 – Investors Friendly Company „ granted by the Association of Individual Investors, under the honorary auspices of the educational campaign „Civic Shareholding. Invest consciously."

## BROKERAGE HOUSES THAT ISSUE RECOMMENDATION FOR THE SHARES OF CCC S.A.

| NAME OF BROKERAGE HOUSE | CONTACT DETAILS | |
|---|---|---|
| Wood & Company | Łukasz Wachełko | *lukasz.wachelko@wood.com* |
| UBS | Michał Potyra | *michal.potyra@ubs.com* |
| JP Morgan | Michał Kużawiński | *michal.kuzawinski@jpmresearchmail.com* |
| Goldman Sachs International | Yulia Gerasimova | *yulia.gerasimova@gs.com* |
| Ipopema Securities | Michał Bugajski | *michal.bugajski@ipopema.pl* |
| Haitong | Konrad Księżopolski | *kksiezopolski@haitongib.pl* |
| Citi | Rafał Wiatr | *rafal.wiatr@citi.com* |
| DM BOŚ SA | Sylwia Jaśkiewicz | *s.jaskiewicz@bossa.pl* |
| Raiffeisen Centrobank AG | Jakub Krawczyk | *jakub.krawczyk@rcb.at* |
| Dom Maklerski BZ WBK SA | Tomasz Sokołowski | *tomasz.sokolowski@bzwbk.pl* |
| Pekao IB | Maria Mickiewicz | *maria.mickiewicz@pekaoib.pl* |
| Trigon | Dariusz Dziubiński | *dariusz.dziubinski@trigon.pl* |
| PKO BP | Adrian Skłodowski | *adrian.sklodowski@pokbp.pl* |
| Vestor Dom Maklerski | Marek Szymański | *marek.szymanski@vestor.pl* |
| Erste | Marek Czachor | *marek.czachor@erste.com* |
| Dom Maklerski mBanku SA | Piotr Bogusz | *piotr.bogusz@mdm.pl* |
| Deutsche Bank | Tomasz Krukowski | *tomasz.krukowski@db.com* |
| Dom Maklerski BDM SA | Adrian Górniak | *adrian.gorniak@bdm.pl* |
| Morgan Stanley | Maryia Beransneva | *maryia.beranseva@morganstanley.com* |

## DIVIDEND POLICY

Taking into account the financial results achieved by the Company and the intention to share profits with the Shareholders generated by the Company, the Management Board of CCC S.A. on 28 April 2015 adopted a new dividend policy (the dividend policy was updated by a resolution of the Management Board on 17.03.2017).

### DIVIDEND POLICY OF CCC S.A.

1. The Management Board of CCC intends to submit to the General Meeting of Shareholders a proposal for payment of dividend in the amount of 33% to 66% of the consolidated net profit of the Capital Group CCC (attributable to shareholders of the dominant entity), assuming that the ratio of net debt to EBITDA at the end of the year, to which the distribution of profit relates, will be below 3,0.
2. At the recommendation of the distribution of the profit generated in the Capital Group CCC, the Management Board of the Company will take into account the financial and liquidity situation of the Group, existing and future liabilities (including potential limitations associated with the loan agreements and the issuance of debt instruments) and evaluate the prospects the Capital Group CCC in certain market and macro-economic conditions.
3. The new dividend policy is applied since the consolidated net profit of the Group for the fiscal year ended 31 December 2017.

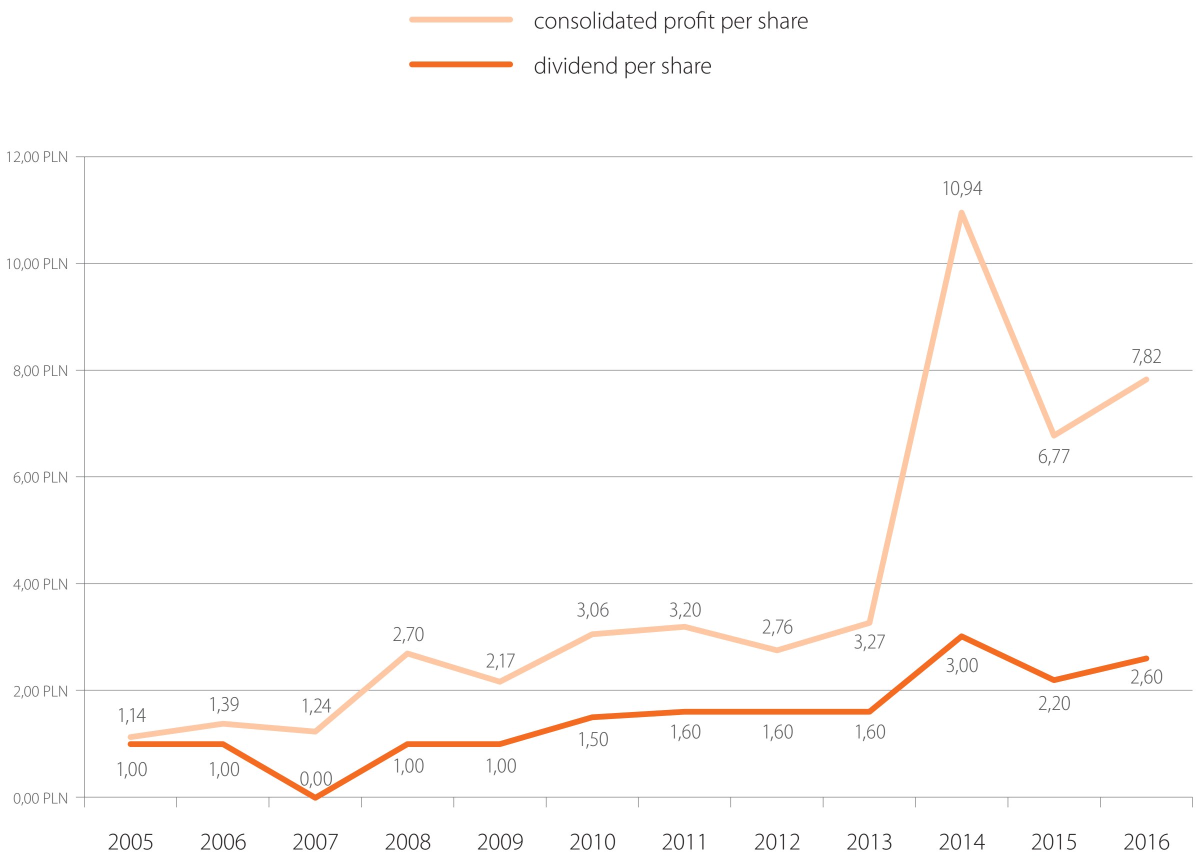
In the Group there are no preference shares for the dividend.

## HISTORY OF DIVIDENDS

| FISCAL YEAR | % OF CONSOLIDATED NET PROFIT ALLOCATED TO DIVIDEND | DIVIDEND TOTAL (MLN PLN ) | DIVIDEND PER SHARE |
|---|---|---|---|
| 2016 | 33% | 101,43 | 2,59 |
| 2015 | 33% | 86,02 | 2,19 |
| 2014 | 27% [1] | 115,20 | 3,00 |
| 2013 | 49% | 61,44 | 1,60 |
| 2012 | 58% | 61,44 | 1,60 |
| 2011 | 50% | 61,44 | 1,60 |
| 2010 | 49% | 57,60 | 1,50 |
| 2009 | 46% | 38,40 | 1,00 |
| 2008 | 37% | 38,40 | 1,00 |
| 2007 | 0% | – | – |
| 2006 | 72% | 38,40 | 1,00 |
| 2005 | 88% | 38,40 | 1,00 |

[1] as a result of clearing net profit from one-off events, the dividend accounted for 50% of net profit.

## DIVIDEND PER SHARE VS. CONSOLIDATED PROFIT PER SHARE




35 Dixon Street

# 6.
# CORPORATE GOVERNANCE


CCC
SHOES & BAGS

# 6.1
# APPLIED SET OF CORPORATE GOVERNANCE PRINCIPLES

## 6.1.1
## STATEMENT OF THE MANAGEMENT BOARD ON APPLYING CORPORATE GOVERNANCE PRINCIPLES

Since 1 January 2016, CCC S.A. has been subject to the new corporate governance principles introduced by the Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) dated 13 October 2015, „Good Practices of WSE Listed Companies 2016" (hereinafter referred to as Good Practices 2016).

Document is available in the website of WSE: www.corp-gov.gpw.pl

Starting from the reporting year 2017, the Company publishes a non-financial CSR report.

More at http://firma.ccc.eu/

## 6.1.2 INFORMATION ON THE WITHDRAWAL FROM THE APPLICATION OF THE PRINCIPLES OF CORPORATE GOVERNANCE

CCC S.A. complies with the recommendations and principles contained in the Best Practices 2016. On 20 October 2017, the Company submitted a report regarding the update of the scope of application of Best Practices 2016, informing that all the rules are applied by the Company.

The full statement of CCC concerning the application of the Good Practices 2016 (DPSN) is available on the website of the Company, in the section on corporate governance: http://firma.ccc.eu/.

## 6.1.3 INFORMATION POLICY OF THE CCC GROUP

CCC S.A. runs a corporate website which is a reliable and useful source of information about the Company for the capital market representatives. Especially, for company's shareholders, investors and analysts there operates a service within the Investor Relations website (www.ccc.eu). Its content is prepared in a transparent, fair and complete way so as to enable investors and analysts to make decisions based on the information presented by the Company. Corporate website service is run in Polish and English.

CCC Group provides equal access to information concerning the Company through the full fulfillment of the information obligations arising from the operation of the Company on the regulated market; application of the principles of corporate governance and keeping communication with all capital market participants based on the best standards and market practices.

The steps taken in the field of information policy are addressed to specific participants of the capital market, including, among others, investors (individual and institutional), shareholders of CCC S.A., entities related to the regulated market (Polish Financial Supervision Authority, Warsaw Stock Exchange), and stock market analysts.

Having regard to the proper fulfillment of the information obligations, CCC S.A. publicises:

- information required by the provisions of law applicable to companies listed on the Warsaw Stock Exchange and in accordance with the Best Practices of WSE Listed Companies 2016
- financial results and interim reports within the deadlines set by applicable laws. The company strives to make this term as short as possible;
- information about significant events affecting the price of the shares of the Company immediately after their occurrence, if the law does not provide otherwise, of the required deadline.

The tools used for communicating with capital market participants are as follows:

- Electronic System for Information Transfer (ESPI) – to execute the information obligations resulting from share trading on the regulated market;
- Electronic Information Database (EIB) – to distribute reports on application of corporate governance;
- Investor Relations service on the website of the company (http://firma.ccc.eu/pl/3,relacje-inwestorskie.html), where there are all the information about the Company, such as current reports, presentations, financial reports, information on authorities of the Company, current shareholder structure, contact information, etc.;
- Result conferences for analysts and media broadcasted live, each time after the publication of financial results (video footage from the conference is available on the Investor Relations website);
- Teleconferences for domestic and foreign investors and analysts;
- Meetings of representatives of the Management Board and Investor Relations with individual and institutional investors and analysts, including the organization of the Open Days and the Days of the Investor in the Company's headquarters;
- Participation of representatives of the Management Board and the Investor Relations team at investor conferences in Poland and abroad;
- The availability of the Investor Relations team for capital market participants by phone and e-mail. The Company endeavours to reply to the questions provided immediately upon receipt, but no later than within 3 working days. The deadline may be extended, in exceptional cases and circumstances beyond the control of the Company;
- Making materials from General Meetings of Shareholders on Investor Relations available, including video materials.

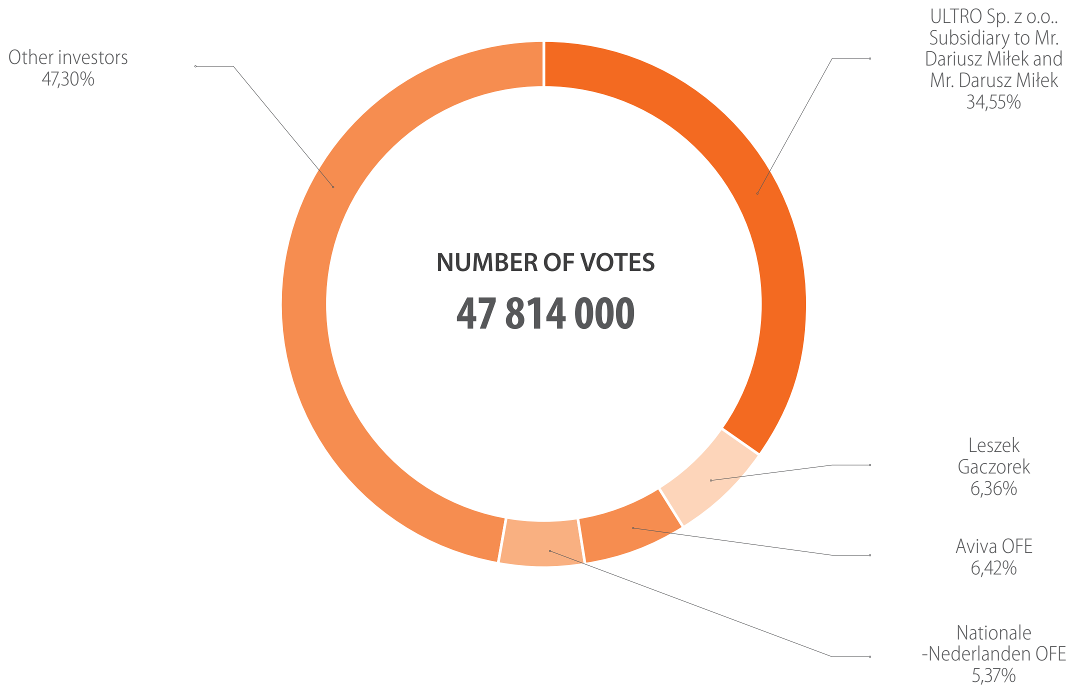
Service of Investor Relations at www.ccc.eu is subject to periodic reviews and verifications so that its contents to the fullest will meet the information needs of the capital market representatives.

## 6.1.4
## SHAREHOLDERS OF THE COMPANY HAVING SPECIAL CONTROLLING AUTHORIZATIONS

According to the Articles of Association of the Company, the shares of CCC S.A. are divided into two types:

- ordinary bearer shares, with one share carries one vote at the General Meeting of the Company,
- registered preference shares as for the voting that each share carries two votes at the General Meeting of the Company.

### SHAREHOLDERS BY NUMBER OF VOTES



[in mln PLN unless otherwise stated]

List of shareholders holding preferred shares (as of the date of submission of the annual report).

| SHAREHOLDER | NUMBER OF SHARES HELD | % SHARE IN SHARE CAPITAL | NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS | % SHARE IN THE NUMBER OF VOTES AT THE GENERAL MEETING OF SHAREHOLDERS |
|---|---|---|---|---|
| ULTRO Sp. z o.o.. Subsidiary to Mr. Dariusz Miłek | 5 460 000 | 13,26% | 10 920 000 | 22,84% |
| Leszek Gaczorek | 1 040 000 | 2,53% | 2 080 000 | 4,35% |
| Lech Chudy | 50 000 | 0,12% | 100 000 | 0,21% |
| Renata Miłek | 50 000 | 0,12% | 100 000 | 0,21% |
| Mariusz Gnych | 50 000 | 0,12% | 100 000 | 0,21% |
| TOTAL | 6 650 000 | 16,15% | 13 300 000 | 27,82% |

Section 4.2.2 indicated the shareholders holding directly or indirectly significant blocks of shares, specifying the number of shares and votes at the general meeting.

## 6.1.5 INDICATION OF ALL RESTRICTIONS ON VOTING RIGHTS IN THE COMPANY OF THE ISSUER

There are no restrictions regarding exercising voting right.

## 6.1.6 INDICATION OF ALL RESTRICTIONS ON THE TRANSFER OF OWNERSHIP OF SECURITIES

Shareholders of the parent company shall have the right to purchase registered preferred shares held for sales. In case of not exercising this right toward all or part of the shares, the transfer of ownership of the shares requires the approval of the Management Board of the Company.

## 6.1.7 DESCRIPTION OF PRINCIPLES OF AMENDMENTS TO ARTICLES OF ASSOCIATION OF THE ISSUER

In terms of amendments in the Articles of Association, the provisions of the Commercial Companies Code shall apply. Amending the Company's Articles of Association requires a resolution of the General Meeting of Shareholders adopted by a majority of ¾ of votes and an entry into the National Court Register. The Supervisory Board may, in accordance with the authorization given to it by the General Meeting, establish a uniform text of the amended Articles of Association or make other changes of editorial nature specified in the resolution of the General Meeting.

A resolution on amending Articles of Association is effective from the moment of entering into the National Court Register.

# 6.2
# GENERAL MEETING OF CCC S.A.

## 6.2.1
## OPERATIONS OF THE GENERAL MEETING OF CCC S.A. AND ITS MAIN POWERS AND THE RIGHTS OF SHAREHOLDERS AND THEIR EXECUTION METHOD

The General Meeting operates on the basis provided by the Company to the public, among others, on the website of CCC S.A., The Company's Articles of Association and Rules of the General Meeting and to the extent not indicated by indicated documents by Commercial Companies Code.

## APPOINTING AND DISMISSING THE GENERAL MEETING OF SHAREHOLDERS

This point describes the principles for appointing and dismissing the General Meeting of Shareholders of the Company:

- The General Meeting of Shareholders may be convened as ordinary or extraordinary.
- The General Meeting of Shareholders is held at the headquarters of the Company, in Warsaw or in Wrocław, in the time and venue indicated in the notice on convening the General Meeting.
- The Ordinary General Meeting is held annually within six months after the end of a fiscal year.
- Information on convening the General Meeting together with the venue and date (day and time) the Management Board provides in the form of a current report and publishes on the Company's website.

## POWERS OF THE GENERAL MEETING OF SHAREHOLDERS

Competence of the General Meeting are beyond all matters related to the activities of the Company and the matters specified in the laws, with the exception of the acquisition and disposal of real property, perpetual usufruct or shares in real estate:

- Selection and dismissal of members of the Supervisory Board
- Approval of the Regulations of the Supervisory Board
- Setting the rules for remuneration of the Supervisory Board
- Determining the amount of remuneration for the members of the Supervisory Board.

Powers of the General Meeting are set forth in the documents:

- Articles of Association of the Company, which is available on the Company's website
- Regulations of the General Meeting CCC S.A., which is available on the Company's website (www.ccc.eu)
- Code of Commercial Companies
- Taking into account the „Code of Best Practice for WSE Listed Companies".

## PARTICIPATION IN THE GENERAL MEETING OF SHAREHOLDERS

The members of the Management Board and the Supervisory Board may attend The General Meeting. The certified auditor should be present if the agenda includes the Company's financial matters.

The Management Board may also invite other experts to participate in the session and consultants in order to provide participants of the General Meeting with opinions on the matters on the agenda. CCC S.A., in compliance with the law and regarding the Company's interests, enables media representatives to attend the General Meetings. The members of the Management Board and the Supervisory Board and the certified auditor of the Company, within of their competence and to the extent necessary to resolve the matters discussed by the General Meeting, shall provide the participants of the meeting with explanations and information concerning the Company. Answering questions from the participants of the General Meeting is made taking into account the legal rules governing the functioning of the capital market, and such giving of information cannot be made by means other than resulting from these regulations.

A shareholder may participate in the Ordinary General Meeting of CCC S.A. and exercise their right to vote in person or by proxy. The power of attorney to vote shall be granted in writing or in electronic form. Granting power of attorney in electronic form does not require a secure electronic signature verified by a valid qualified certificate.

The shareholder is obliged to send information to the Company on granting the power of attorney in an electronic form together with powers of attorney to the address wza@ccc.eu. In case of granting the power of attorney to further proxy, it is necessary to submit an uninterrupted sequence of powers of attorney together with documentation showing the power of attorney to act on behalf of previous proxies.

Commencing from the year 2016 it is possible to participate in the General Meeting of Shareholders using electronic means of communication, provided that in the announcement on a given General Meeting the information about the existence of such possibility is given. Such participation includes in particular:

1. Transmission of the General Meeting in real time,
2. Bilateral real-time communication whereby shareholders will be able to speak during the General Meeting of Shareholders being in a place other than the venue of the meeting,
3. Exercising personally by the shareholder or by the proxy the voting right during the General Meeting.

## VOTING DURING THE GENERAL MEETING OF THE COMPANY

Presented below are the voting rules at the General Meeting of the Company, which are in line with the provisions of the Regulations of the General Meeting, Articles of Association and the Commercial Companies Code:

- Voting at the General Meeting is open. A secret ballot is made for elections and motions for dismissal of members of the bodies of Company to hold them accountable, as well as in personal matters. In addition, secret ballot is made at the request of at least one shareholder or its representative.
- The General Meeting can choose the Scrutiny Commission, whose duties include ensuring the proper conduct of each voting, supervising the computer service (in case of voting using electronic technology) and determining voting results and transmitting them to the Chairman of the General Meeting.
- Each share gives right to one vote at the General Meeting. In case of preferred shares Series A1 (registered privileged share) one share gives the right to two votes.
- Chairman of the General Meeting shall announce the voting results, which are then brought to the minutes of the meeting.

## 6.2.2
## GENERAL MEETING IN 2017

On January 10, 2017. the Extraordinary General Meeting of Shareholders of CCC S.A was held. During the debates of the Extraordinary General Meeting Shareholders have adopted a resolution on supplementing the composition of the Supervisory Board and the appointment of a member of the Supervisory Board. By resolution of the Extraordinary General Meeting of Shareholders, Mr. Piotr Nowjalis was appointed a member of the Supervisory Board.

At the request of the Shareholder, a break was ordered in the General Meeting until 3 February 2017. During the second part of the Extraordinary General Meeting, after the break announced on 10 January 2017, the Extraordinary General Meeting withdrew, in accordance with the motion of the Management Board, from considering the remaining items of the planned agenda. During the meeting, the Management Board announced that its intention is to present a modified content of resolutions proposed by the Management Board at the nearest general meeting of shareholders.

On 8 June 2017, the Ordinary General Meeting of CCC S.A. was held. During the session of the Ordinary General Meeting, the shareholders approved annual statements on the operations of the Company and the CCC Group and financial statements for 2016.

The General Meeting decided to allocate the entire net profit of the Company for 2016 in the amount of PLN 58,483,445.46 PLN to pay dividends and allocate part of the reserve capital in the amount of PLN 42,951,344.54 for a dividend payment (in total PLN 2.59 per share). At the same time, the Ordinary General Meeting set the day of 7 September 2017 as the dividend day and 21 September 2017 as the date of the dividend payment.

On 8 June 2017, the General Meeting adopted a resolution on the conditional increase of the Company's share capital and issue of subscription warrants related to the management options scheme for the years 2017-2019. The General Meeting conditionally increased the Company's share capital by no more than PLN 117,492 by issuing no more than 1,174,920 ordinary series F bearer shares. The purpose of the conditional increase in the Company's share capital is granting subscription rights to the holders of subscription warrants. For this purpose, the Company will issue no more than 1,174,920 registered series B subscription warrants. In addition, the General Meeting adopted a resolution to amend the Articles of Association in § 6b as regards conditional share capital increase.

On 8 June 2017, the General Meeting adopted a resolution on the conditional increase of the Company's share capital by PLN 200,000 through the issuance of 2,000,000 series G shares and the issue of series C subscription warrants related to the issue of convertible debt instruments, excluding the entire shareholders' pre-emptive rights.

On 8 June 2017, the General Meeting adopted a resolution on the conditional increase of the Company's share capital by PLN 200,000 through the issuance of 2,000,000 series G shares and the issue of series C subscription warrants related to the issue of convertible debt instruments, excluding the entire shareholders' pre-emptive rights.

The Ordinary General Meeting on 8 June 2017 adopted a resolution on the number of members of the Supervisory Board for the next term of office 2017-2019 and a resolution on appointing the Supervisory Board for a new term in the following persons: Marcin Murawski, Jerzy Suchnicki, Wiesław Oleś, Piotr Nowjalis and Waldemar Jurkiewicz. At the same time, it adopted a resolution to appoint Wiesław Oleś as the Chairman of the Supervisory Board of the Company.

# 6.3 MANAGERIAL AND SUPERVISORY PERSONS AND THEIR COMMITTEES IN CCC S.A.

## 6.3.1 THE MANAGEMENT BOARD

### COMPOSITION OF MANAGEMENT BOARD

In 2017, the Management Board operated in the following composition:

| NAME AND SURNAME OF THE MANAGEMENT BOARD MEMBER | PERFORMED FUNCTION |
|---|---|
| Dariusz Miłek | President of the Managemet Board |
| Mariusz Gnych | Vice-President of the Managemet Board |
| Marcin Czyczerski* | Vice-President of the Managemet Board |
| Karol Półtorak | Vice-President of the Managemet Board |
| Marcin Pałażej** | Vice-President of the Managemet Board |
| Piotr Nowjalis*** | Vice-President of the Managemet Board |

*Piotr Nowjalis – Vice-President of the Management Board until 04.01.2017

**Marcin Czyczerski – Vice-President of the Management Board since 01.01.2017.

***Marcin Pałażej – Vice-President of the Management Board in the period: from 09.01.2017 to 31.01.2018

Composition of the Management Board as at the date of submission of the report for 2017.

| NAME AND SURNAME OF THE MANAGEMENT BOARD MEMBER | PERFORMED FUNCTION |
|---|---|
| Dariusz Miłek | President of the Managemet Board |
| Mariusz Gnych | Vice-President of the Managemet Board |
| Marcin Czyczerski | Vice-President of the Managemet Board |
| Karol Półtorak | Vice-President of the Managemet Board |

## DARIUSZ MIŁEK | President of the Management Board

Appointed as the President of the Management Board on June 15, 2004.

Mr. Dariusz Miłek in 1993-2003 ran a business under the name Trade Company „MIŁEK" in Lubin, and since 1995 in Chróstnik. In 1999-2004 he worked in the CCC Sp. z o.o. (Ltd.) based in Polkowice as a proxy, and since 2002 as The Presidnet of the Management Board.

Since 2004 – he performs the function of the President of the Management Board in the Company CCC S.A.

The Laureate of prestigious competitions in the field of management. In 2007, Mr. Dariusz Miłek received the title of Entrepreneur of the Year 2007, and the opportunity to represent Poland in the competition for the World Entrepreneur of the Year in Monte Carlo, in 2014 he was awarded the "Kisiel" prize in the category of an entrepreneur, the laureate of the „Bulls and Bears" – Parkiet Newspaper as the best President in 2014, also awarded as Ambassador of Sports of the Free Poland.

## MARIUSZ GNYCH | Vice-President of the Management Board

Appointed to the position of Vice President on 15 June 2004.

He graduated from his doctoral studies at the University of Economics in Wrocław; previously he graduated from study at the Faculty of Computer Science and Management at Wrocław University of Technology (major: organization and management), as well as the University of Banking in Poznań (Tax Consultancy) and studies at the Faculty of Law and Administration of the University of Wrocław (Investment Law). He has been related to CG CCC since 2000, in 2004 he was appointed the President of the Management Board of CCC Factory Sp. z o.o. and management board member of the CCC S.A, and since 2007 – Vice-President of the Management Board. Previously, he worked as the deputy mayor of Polkowice Commune, he had a seat in the board of Polkowice Housing Association Sp.z o.o. and

Municipal Company Sp.z o.o.. Mariusz Gnych is entitled to sit on the supervisory boards of one-person companies of the State Treasury.

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## MARCIN CZYCZERSKI | Vice President of the Management Board

Appointed to the position of Vice President of the Management Board on 1 January 2017.

Marcin Czyczerski graduated from his PhD studies at the Wrocław University of Economics, previously graduated from the Faculty of Informatics and Management of the Wrocław University of Technology (major: financial management), as well as studies at the University of Wrocław at the Faculty of Social Sciences (major: political marketing).

He has many years of management experience. Since 2001 associated with the Volkswagen Group. In the years 2010 – 2016 he worked for the Volkswagen Group as a Managing Director of Sitech Sp. z o.o., headquartered in Polkowice, acting simultaneously as a proxy. In the Company he was responsible for management in the areas of finance, accounting, controlling, HR, IT and administration. Previously in the Company he worked as a Logistics Director and a Financial Manager.

Since 2006 he has also lectured at the Wrocław University of Economics and the JWU in Polkowice.

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## KAROL PÓŁTORAK | Vice President of the Management Board

Appointed to the position of Vice President of the Management Board on 1 December 2016.

A graduate of Warsaw School of Economics (SGH) and the University of Derby. He has had experience with the domestic capital market since 1999. In 1997, he received a license of a securities broker.

From 2014 until March 2016 he was a Vice-President of the Warsaw Stock Exchange. Previously, in the years 2011-2014 he worked for the Citibank Group as the Vice President of the Management Board of Dom Maklerski Bank Handlowego (Stock-brokerage House). Between 2000 and 2011 he worked for UniCredit CAIB (Warsaw and London) where he performed ECM and M & A transactions in various sectors of the economy, including the retail sector. Mr. Karol Półtorak's previous professional experience includes his position as an auditor at PwC (1999-2000), for Deutsche Bank Securities (formerly ProCapita) (1999), and Grant Thornton in London (1998).

## MARCIN PAŁAŻEJ | Vice President of the Management Board

Appointed to the position of Vice President of the Management Board on 9 January 2017. Vice-President of the Management Board until 31.01.2018.

Mr. Marcin Pałażej is a graduate of the AGH University of Science and Technology (major: Management) and a graduate of the Business School in Le Mans (France). Mr. Marcin Pałażej has more than 14 years of experience in management positions and as an advisor in the international clothing industry. During his professional career he has dealt with issues related to the operating management of sales network, among others, development and reorganization of the network, increasing efficiency and productivity of employees, cost reduction, strategic planning.

In the years 2015-2016 he worked as an independent business advisor and consultant, among others, for LPP S.A., he held the position of International Director at Inditex Spain in 2011-2015, where he managed the Inditex brands in six countries (Russia, Poland, Ukraine, Romania, Bulgaria and Kazakhstan), in 2005-2011 as Managing Director of Inditex Polska responsible for 7 Inditex brands. Previously, from 1998 to 2002 he was associated with the Empik Group where he subsequently held the position of a Financial Director at Beauty Distribution, a Financial Director at 3Suisse Poland and Operations Director at Galeria Centrum. In the years 1995-1998 Marcin Pałażej worked as a consultant for MAZARS.

## PRINCIPLES GOVERNING THE APPOINTMENT AND DISMISSING MANAGING PERSONS AND THEIR RIGHTS, ESPECIALLY THE RIGHT TO DECIDE ON THE ISSUE OR REDEMPTION OF SHARES

Members of the Board of the Issuer shall be appointed and dismissed by the Supervisory Board. The powers and principles of operation the Management Board of CCC S.A. are set out in the documents:

- Commercial Companies Code.
- Articles of Association of the Company, which is available on the Company's website (www.ccc.eu)
- Regulations the Management Board, which is available on the Company's website (www.ccc.eu)
- Scheme of division of responsibilities for different areas of the Company's operations between the members of the Management Board (http://firma.ccc.eu)

The Management Board of the Company is authorized in particular to:

- establish internal regulations of the Company and other normative acts of the Company;
- submit proposals to the Supervisory Board on matters of distribution of profits and covering losses;
- conclude employment contracts with employees of the Company who are not members of the Management Board;
- grant power of attorney;
- pass resolutions concerning the establishment and closure of branches of the Company;
- present proposals on all other matters to the Supervisory Board and the General Meeting;
- convene General Meetings.

The issue of new shares may take place after the adoption of the resolution by the General Meeting of the Company and it results in increasing the share capital of the Company. The regulations of the Commercial Companies Code and the provisions of the Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading and on Public Companies are in force for the issuance of new shares and repurchase of shares.

## POWERS OF THE MANAGEMENT BOARD

The scope of activities of the Management Board include conducting all the affairs of CCC S.A. not reserved by the Commercial Companies Code or the Articles of Association to the competence of other bodies of the Company. All members the Management Board of are obliged and entitled to manage the affairs of CCC S..A, manage all general operations of the Company, represent it externally and manage its assets. The Management Board is required to manage the assets and affairs of the Company with due diligence, follow the law, the provisions of Articles of Association, the Regulations of the Management Board and the resolutions adopted by the Supervisory Board and the General Meeting, in which – by law or the Articles of Association those bodies are empowered to make decisions binding the Management Board.

## DESCRIPTION OF OPERATIONS AND ORGANIZATION OF THE WORK OF THE MANAGEMENT BOARD

The President of the Management Board is in charge of the Management Board who coordinates and manages the work of the Management Board. In the absence of the President, his competence in the organization of the work the Management Board is performed by Vice President who is directly in charge of the Finance Division, subsequently Vice President – who is in charge of the Division of Logistics and Production.

Powers of individual members the Management Board in matters of ordinary management are divided into areas of activity in which the individual members of the Management Board perform a leading role. Within the scope of functions, each member of the Management Board is assigned the appropriate responsibilities for running the affairs of the Company:

## DIVERSITY POLICY REGARDING THE COMPANY'S GOVERNING BODIES AND ITS KEY MANAGERS

Due to the introduction, on the basis of Resolution No. 26/1413/2015 of the Supervisory Board of the Stock Exchange in Warsaw (WSE) as of 13 October 2015, „Best Practices of WSE Listed Companies 2016", in relation to the rules I.Z.I.15. The Management Board of CCC S.A. (The Company) applies the Diversity Policy in relation to the company's governing bodies and its key managers.

The purpose of diversity management at the company CCC S.A. is to create a work environment in which every employed person feels respected and appreciated, and in which they can fully realize their potential, which contributes to the company's success. The Company has implemented a Code of Ethics, which defines the basic values of the company, such as superior quality and teamwork, values of respect for others and openness to the diversity of employees. The Company provides employees with equal opportunities in access to professional development and promotion, regardless of skin colour, religion, sex, age, nationality, sexual orientation, citizenship, marital status, having children, political views, disability or any other legally protected status. Decisions regarding the employment of employees as well as the selection of members of the Management Board and the Supervisory Board are made on the basis of objective criteria. CCC S.A. strives to provide the versatility and diversity of the Company's bodies especially in the area of gender, fields of education, age and experience, with the main selection criteria being a high qualification, professionalism and competence of the candidate to perform a specific function. The diversity policy aims at eliminating the phenomenon of discrimination in the workplace and building an organizational culture open to various employees, which leads to building a market position and competitive advantage on the market.

## PRESIDENT OF THE MANAGEMENT BOARD | Dariusz Miłek

- directs overall operations of the Company, supervises the execution of the tasks assigned to individual members of the Management Board and subordinate managers of organizational units;
- develops a strategy and directions of development of the Company;
- supervises the expansion of the Capital Group CCC S.A., including making decisions on locations of new sales facilities;
- plans and supervises trade and product policy, promotional and marketing activities of the Company.

## VICE-PRESIDENT OF THE MANAGEMENT BOARD | Mariusz Gnych

- is responsible for the implementation process of production, efficient planning and coordination of work related to the operation of the factory located in Polkowice;
- is responsible for the implementation and realization of investment projects within Legnica SEZ in Polkowice;
- supervises the course of logistics processes, including supply chain management in the Capital Group CCC S.A..

## VICE-PRESIDENT OF THE MANAGEMENT BOARD | Marcin Czyczerski

(since 1 January 2017)

- responsible for all the economic and financial issues of the Company as well as the organization ones; and in particular for financial policy, investor relations, capital allocation and its acquisition;
- supervises the IT policy of the Capital Group CCC S.A..
- supervises the implementation of tasks resulting from the Accounting Act and the Corporate Income Tax Act;

## VICE-PRESIDENT OF THE MANAGEMENT BOARD | Piotr Nowjalis

(until 4 January 2017)

- was responsible for all economic-financial and organizational issues of the Company; and in particular for financial policy, investor relations, capital allocation and their acquisition;
- supervised the implementation of tasks resulting from the Act on accounting and the law on income tax from legal persons;
- supervised the activities of foreign subsidiaries;
- supervised personnel policy executed in the Capital Group CCC S.A..

## VICE-PRESIDENT OF THE MANAGEMENT BOARD | Karol Półtorak

(since 1 December 2016)

- supervises the implementation of development projects in the Capital Group CCC S.A.
- Defining long-term directions of development of the CCC Capital Group;
- analysis of the markets in which the Group operates or may operate;
- development of a policy of possible mergers and acquisitions and acquisitions (M & A);
- supervision of companies from CCC S.A. Capital Group operating in the area of new technologies and e-commerce, including eobuwie.pl S.A .;
- co-operation with CFO in terms of investor relations.

## VICE-PRESIDENT OF THE MANAGEMENT BOARD | Marcin Pałażej

(from 9 January 2017 to 31 January 2018)

- responsible for retail operations and network expansion process in the markets of Austria, Croatia, Slovenia and Germany.
- designing strategic development directions and responsibility for the expansion of the CCC network;
- supervision of companies from Capital Group CCC S.A. in the area of organization of the process of retail sales and marketing;
- supervising the implementation of investment projects in the Capital Group CCC S.A. in retail sales;
- overseeing the personnel policy conducted by the Capital Group CCC S.A..

[in mln PLN unless otherwise stated]

## 6.3.2 SUPERVISORY BOARD

### COMPOSITION OF THE SUPERVISORY BOARD

Composition of the Supervisory Board of CCC S.A. as of 31 December 2017:

| NAME AND SURNAME OF SUPERVISORY BOARD MEMBER | PERFORMED FUNCTION |
|---|---|
| Wiesław Oleś | Chairman of the Supervisory Board elected on 8 June 2017. (II term of office) |
| Marcin Murawski | Member of the Supervisory Board elected on 8 June 2017. (III term of office) |
| Mirosław Stachowicz* | Member of the Supervisory Board elected on 24 June 2015. (I term of office) |
| Jerzy Suchnicki | Member of the Supervisory Board elected on 8 June 2017. (II term of office) |
| Waldemar Jurkiewicz | Member of the Supervisory Board elected on 8 June 2017. (II term of office) |
| Piotr Nowjalis** | Member of the Supervisory Board elected on 8 June 2017. (II term of office) |

*Mirosław Stachowicz – Member of the Supervisory Board until 31.01.2017

**Piotr Nowjalis – Member of the Supervisory Board since 10.01.2017

Composition of members of the Supervisory Board as at the date of submission of the report.:

| NAME AND SURNAME OF SUPERVISORY BOARD MEMBER | PERFORMED FUNCTION |
|---|---|
| Wiesław Oleś | Chairman of the Supervisory Board elected on 8 June 2017. (II term of office) |
| Marcin Murawski | Member of the Supervisory Board elected on 8 June 2017. (III term of office) |
| Jerzy Suchnicki | Member of the Supervisory Board elected on 8 June 2017. (II term of office) |
| Waldemar Jurkiewicz | Member of the Supervisory Board elected on 8 June 2017. (II term of office) |
| Piotr Nowjalis** | Member of the Supervisory Board elected on 8 June 2017. (II term of office) |

## WIESŁAW OLEŚ
### Chairman of the Supervisory Board

He is the originator and founder of the Office of Legal Advisers „Oleś & Rodzynkiewicz" sp.k., he graduated from law studies at the Faculty of Law and Administration at the Jagiellonian University in Cracow. After graduating from a judge application, in 1991, he took a judicial exam, and in 1993, he obtained the entitlement of a legal adviser. After graduating from studies, Wiesław Oleś was a member of the Regional Audit Chamber in Cracow, a consultant of programs of the US Agency for International Development (USAID) and collaborated, among others with: of the Harvard Institute for International Development; he is a member of Lesław Paga Foundation Council and Chairman of the Supervisory Board of Investment Funds Association Forum S.A., since 2015 he is is a member of the supervisory board of CCC S.A.

Wiesław Oleś is a lawyer recommended by „Chambers".

## MARCIN MURAWSKI
### Member of the Supervisory Board

He graduated from studies at the Faculty of Management at Warsaw University, he is a certified auditor in the UK (ACCA Practicing Certificate), the entitlements of KIBR (Polish Certified Auditor No. 90053) and the CIA (Certified Internal Auditor). He is an independent member of supervisory boards and audit committees of companies listed on the WSE: GTC S.A., Apator S.A., since 2012 CCC S.A.

In the years 1997-2005 he worked at PricewaterhouseCoopers Sp. z o.o. – Manager in the Audit Department and then until 2012 he worked in the group Warta as a Director of Department of Internal Audit and Inspection. Approved candidate PID (Polish Institute of Directors) for a member of the supervisory board and audit committees.

## JERZY SUCHNICKI
### Member of the Supervisory Board

He graduated from studies at the Foreign Trade Department of the Univeristy of Planning and Statistics (currently SGH Warsaw School of Economics) in Warsaw. From 2014 he is an expert of evaluation and assessment of plans for the development of the largest companies in the Access 2 and a member of IMAP (International Network of Merger & Acquisition Partners). Currently, he is a Member of the Supervisory Board of Ferrum S.A., and since 2015 in CCC S.A.. In 2010-2013, he was a director, deputy director of the Department of Bad Loans of the Bank Gospodarstwa Krajowego. In 2006-2009 Jerzy Suchnicki was the CEO of PKP Cargo Service. In 2003-2005, he was the President of the Management Board of Mostostal Zabrze Holding S.A.

Previously, Jerzy Suchnicki was related with Bank Handlowy, Raiffeisen Investment Poland and Bank of Economic Initiatives S.A. He also worked in the Chair of Economics of SGH School of Economics.

## WALDEMAR JURKIEWICZ
### Member of the Supervisory Board

Waldemar Jurkiewicz – Member of the Supervisory Board

He graduated from Wrocław University of Technology in the Faculty in Computer Science and Management. He completed many courses such as: project management, human resources and new technologies and IT products.

In 1986-1991 he worked as a designer / designer of control systems at the Lumel Research and Development Center for Electrical Metrology. In the years 1991-2011 he was the founder and chairman of the board of Max Elektronik S.A.. From the year 2003 to 2007 he performed as a Chief Executive of the Product Center in the EMAX Group, and then in 2007-2011 to the Sygnity Group as Chief Executive of the Software Development Center.

With the company eobuwie.pl he has been connected since 2006 (former s.f., Traf general partnership) as the Board Advisor. In the years 2015-2016 he took the position of a member of the Supervisory Board of the company eobuwie.pl, where he also held the position of Chairman of the Supervisory Board. Currently he is also a member of the Supervisory Board of CCC S.A.

## PIOTR NOWJALIS
### Member of the Supervisory Board

A graduate of the Kozminski University (Executive MBA) and the University of Gdansk at the Faculty of Economics (major: International Economic and Political Relations, and at the Faculty of Law and Administration (major: Administration). He has been related to the Company CCC S.A. since 2008, initially as CFO and Vice President of the Management Board.

Previously, he was a member of the Management Board of the Company AB S.A., , Director of Economic Affairs in M&S Pomeranian Window Factory (M&S Pomorska Fabryka Okien Sp. z o.o.) and CFO – Executive Director of KGHM Polish Copper S.A. He also sat on the supervisory boards of TIM S.A (2010-2016), Ultro Sp. z o.o. (2014-2016), Rotopino.pl S.A. (2011-2013), Vantage Development S.A. (2011-2015) and now Dino Polska S.A (since 2015).

Piotr Nowjalis has several years of experience in managerial positions related to financial management in private and public companies. The scope of responsibility was connected with strategic management, shaping the structure of capital, obtaining financing on domestic and foreign financial markets, conducting primary and secondary issues on the WSE, financial risk management, investor relations, merger and acquisition transactions, budgeting and controlling.

## THE RULES GOVERNING THE APPOINTMENT AND DISMISSAL OF SUPERVISORY PERSONS

Members of the Supervisory Board of CCC S.A. are appointed for a joint two-year term of office. Individual members of the Management Board and the entire Supervisory Board may be dismissed at any time before the end of the term of office. The General Meeting of CCC S.A. appoints the Chairman of the Supervisory Board from the members of the Supervisory Board. The Supervisory Board of CCC S.A. consists of five to seven members.

Members of the Supervisory Board are appointed and dismissed by the General Meeting. On 10 January 2017, Extraordinary General Meeting of Shareholders of CCC S.A. adopted a resolution on completing the composition of the Supervisory Board and appointing Piotr Nowjalis a Member of the Supervisory Board (CR 4/2017).

In the financial year 2017, the resignation was submitted by a Member of Supervisory Board - Mirosław Stachowicz with effect as at 31 January 2017 (CR 6/2017). The Ordinary General Meeting of CCC S.A. appointed Members of the Supervisory Board for the new term on June 8, 2017. (CR 37/2017).

Pursuant to the Articles of Association of CCC S.A. and in accordance with the Best Practices of WSE, at least two members of the Supervisory Board should meet the criteria of independence. Independent board members should meet the independence criteria set out in the Commission Recommendation of 15 February 2005 on the role non – executive directors or being members of supervisory of listed companies and supervisory board committee (2005/162 / EC) with regard to the Code of Best Practice for WSE Listed Companies in 2016.

At least one member of the Supervisory Board meeting the independence criteria, referred to in paragraph 4 of Articles of Association of the Company, shall moreover meet the independence criteria specified in the Act on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision.

Due to the supplementation by the Extraordinary General Meeting of Shareholders on 10 January 2017 of the composition of the Supervisory Board and the appointment of Piotr Nowjalis as a member of the Supervisory Board of CCC S.A., the Supervisory Board at its meeting on 1 February 2017 assessed the statements made regarding the fulfillment of the independence criteria and approved the Resolution No. 01/02/2017/RN regarding the number of Supervisory Board members meeting the independence criteria, stating that in a five-member composition, three Supervisory Board members meet the independence criteria.

Due to appointing by the Ordinary General Meeting on 8 June 2017 of the Supervisory Board for a new two-year term of office, composed of 5 members, the Supervisory Board at its meeting on 17 August 2017 assessed the submitted statements regarding the fulfillment of the independence criteria and adopted Resolution No. 01/08/2017/RN regarding the number of members of the Supervisory Board meeting the independence criteria, stating that in a five-member composition, three members of the Supervisory Board meet the independence criteria.

While remaining in the composition of the Company's Supervisory Board in 2017, none of its members reported any changes in the scope of changing the status of independence and personal, factual and organizational links with shareholders of CCC S.A.

The changes after the balance sheet date in the composition of the Management Board concerned Marcin Pałażej, who resigned from the position of the Vice President as of 31.01.2018.

## POWERS OF SUPERVISORY BOARD

The Supervisory Board takes appropriate steps to obtain from the Management Board regular and thorough information on all important matters concerning the activities of CCC S.A. and on the risk related to the business activities and ways of managing such risks. Specific powers and rules of operation of the Supervisory Board of CCC S.A. are set out in the following documents:

- Articles of Association of the Company, which is available on the Company's website (www.ccc.eu)
- Rules of the Supervisory Board, which is available on the Company's website (www.ccc.eu)
- Resolutions of the General Meeting,
- Commercial Companies Code and other applicable laws.

## DESCRIPTION OF OPERATIONS AND ORGANIZATION OF THE SUPERVISORY BOARD

Mode of operation of the Supervisory Board is determined by the Company's Articles of Association and Regulations of the Board. The Supervisory Board performs its duties collectively, but may delegate its members to temporarily perform certain supervisory activities independently. The Supervisory Board shall meet as needed, not less than three times a year.

The meetings are convened at least one week in advance by fax, registered mail or e-mail. The Supervisory Board meetings shall be convened by its Chairman on his own initiative, at the request of the other members of the Supervisory Board or the Management Board. In case of submitting a Chairman of the Supervisory Board of application referred to above the Board meeting should be held within two weeks from the date of filing the application. Without formally convening of a meeting the Supervisory Board the resolution may be adopted, if all members of the Supervisory Board agree to its adoption. Each member of the Supervisory Board may apply for placing certain matters on the agenda of the next meeting of the Supervisory Board, provided that date is no later than three days before the meeting of the Supervisory Board.

The Supervisory Board may adopt a resolution only if at least half of the members of the Board is present at the meeting and all its members are invited. A resolution adopted contrary to the requirements laid down in this provision is invalid. Members of the Supervisory Board may adopt resolutions in writing or using means of direct remote communication. The resolution is valid if all the Supervisory Board members received notification of the draft resolution.

## 6.3.3 COMMITTEES

The Supervisory Board of CCC S.A. may appoint permanent committees or ad hoc acting as its collective advisory and opinion bodies. Within the Supervisory Board there operate no committees.

There had been no committees functioning within the Supervisory Board until 2 June 2016,

Due to the fact that the Supervisory Board operated in the minimum, provided for by law, of five members, the Supervisory Board did not establish any separate committees. The tasks of the committees referred to in Annex I to the Commission Recommendation on the role non – executive directors or being members of supervisory of listed companies and on the committees of the (supervisory) were implemented directly by the full Supervisory Board. The Supervisory Board of CCC S.A. performing the duties of the audit committee monitored the effectiveness of the Company's internal control, internal audit and assessed the significant risk factors and threats to which the Company is exposed.

The Supervisory Board of CCC S.A. acting on the basis of art. 86 of the Act as of 7 May 2009 on statutory auditors and their self-ruling, entities authorized to audit financial statements and public oversight (Journal of Laws 2015.1011), as well as due to completing by the Ordinary General Meeting of Shareholders of CCC S.A. on 2 June 2016 the composition of the Supervisory Board to six members, it appointed the Audit Committee at the Supervisory Board of CCC S.A. Out of the members of the Supervisory Board, three members were elected to the Audit Committee: Marcin Murawski – Chairman of the Committee, Jerzy Suchnicki – Member of the Committee, Karol Półtorak – Member of the Committee (until 30.11.2016), Due to the resignation of Karol Półtorak from being a member of the Supervisory Board, the composition of the Audit Committee was supplemented on 1 February 2017. The Supervisory Board adopted a resolution that Piotr Nowjalis is supplemented to the composition of the Audit Committee out of members of the Supervisory Board.

The Supervisory Board due to the appointment by the Ordinary General Meeting of Shareholders of CCC S.A., on 8 June 2017, of the Supervisory Board for the next term of office, they adopted the Resolution No. 02/08/2017/RN on the appointment of the Audit Committee for the next term of office composed by: Marcin Murawski – Chairman of the Committee, Jerzy Suchnicki – Member of the Committee, Piotr Nowjalis – Member of the Committee in accordance with the requirements of the Act as of 11 May 2017 on statutory auditors, audit firms, and public supervision.

The Supervisory Board, before appointing members of the Audit Committee, became acquainted with the submitted statements on independence. Based on the knowledge possessed about a given potential member of the Audit Committee resulting from performing functions in the structure of the Company, including in the Supervisory Board of the Company, they verified their content and adopted a resolution to appoint the Audit Committee and its members. The Supervisory Board indicated that among the members of the Audit Committee, two members met the criteria of independence, indicated a member with knowledge and skills in the field of accounting or auditing of financial statements; as well as a member with knowledge and skills in the industry in which the Company operates.

The Board indicates that from among the members of the Audit Committee, at least two members of the Committee will meet the independence criteria.

The Supervisory Board has established that the tasks of the Audit Committee which include in particular:

The Audit Committee supports the Supervisory Board in the performance of its statutory control and supervisory duties in the scope of:

- monitoring the financial reporting process at CCC S.A. and its Capital Group,
- monitoring the effectiveness of internal control systems and risk management systems in the Capital Group CCC S.A.,
- monitoring the effectiveness of the internal audit function in the Capital Group CCC S.A., including in the field of financial reporting,
- monitoring the proper functioning of risk identification and management systems,
- monitoring the independence of internal and external auditors,
- monitoring the financial audit process.

As part of supervision activities related to financial reporting, the Audit Committee, in particular:

- monitors the financial reporting process, including giving the opinion on the accounting policy adopted by the Company and the applicable rules for the preparation of financial statements,
- analyses annual, semi-annual and quarterly financial statements together with the Company's authorities,
- monitors the performance of auditing activities, in particular, making the audit by the auditing company including all requests and findings of the Audit Oversight Commission resulting from audits carried out in the audit firm, including the results of the annual audit of the separate and consolidated financial statements,
- informs the Supervisory Board about the results of the audit and explains how the audit contributed to the reliability of financial reporting in CCC S.A., and what the role of the Audit Committee was in the audit process,
- submits recommendations aimed at ensuring the reliability of the financial reporting process in CCC S.A.
- gives opinions on the Management Board's statements on operations and the Management Board's conclusions regarding the distribution of profit/coverage of losses, and presents recommendations to the Supervisory Board regarding their assessment,
- provides opinions on relevant financial information published by the Company.

As part of supervision activities related to internal audit, the Audit Committee, in particular:

- examines the adequacy of the identification, monitoring and mitigation systems for the Company's operations conducted by the Management Board,
- monitors the effectiveness of the Company's internal audit system, including the effectiveness of corrective actions taken,
- supervises the operation of the internal audit, including by monitoring its work plans and results of this work and assessing resources,
- monitors the compliance of the Company's operations with the provisions of law and other regulations.

As part of the supervision over risk management, the Audit Committee, in particular:

- monitors the effectiveness of the risk management system that has a significant impact on the functioning of the Company,
- gives opinions on draft principles of cautious and stable management as well as acceptable risk levels in the areas of the Company's operations,
- gives opinions on projects of significant regulations and changes in the Company's regulations regarding compliance with standards, including non-compliance risk policies,
- assesses the implementation by the relevant units of the Company of information on irregularities in the Company.

As part of providing the independence of external auditors, the Committee shall in particular:

- present to the Supervisory Board recommendations regarding the selection of the Company's statutory auditor, as well as its change and its remuneration,
- control and monitor the independence of the statutory auditor and the audit firm, in particular, when the services provided by the auditing firm for CCC S.A. are different other than the audit itself,
- express opinions on the involvement of an external auditor in the performance of services other than the audit of the Company's financial statements, and present its position regarding the Company's policy in this respect,
- assess the independence of the auditor and give its consent to the performance of permitted non-audit services at CCC S.A.,
- develop a policy of selecting an audit firm to conduct the study,
- elaborate the policy of providing by the auditing company conducting the audit, by entities related to this auditing company and by a member of the auditing company's network of permitted non-audit services,
- determine the procedures for the selection of an audit firm by CCC S.A.,
- review the effectiveness of the external audit process and the Management Board's response to the external auditor's recommendations.

# 6.4 REMUNERATION OF THE EXECUTIVE MANAGEMENT OF CCC S.A.

## 6.4.1 REMUNERATION POLICY OF THE MANAGING AND SUPERVISORY PERSONS

The principles of remuneration for members the Management Board are determined by the remuneration policy of the members of the management board of CCC S.A.. In determining the amount of remuneration of the members of the Management Board, the Supervisory Board should take into account the amount of work necessary for the proper performance of the functions of the Management Board member, the scope of duties and responsibilities associated with the duties of a member of the Management Board and the level of remuneration in a similar position used by other entities operating on the market; remuneration of the members the Management Board corresponds to the size of the company and remains in reasonable relation to the economic results of the Company.

## 6.4.2 PRINCIPLES OF GRANTING BONUSES

In order to improve quality and efficiency of work of Management Board members, their remuneration is determined taking into account the incentive character and the effective and smooth management of the Company, and therefore it is composed of fixed elements – monthly remuneration adopted by the Supervisory Board and the moving parts, i.e. additional remuneration granted discretionary by the Supervisory Board after the first and second half of the year and dependent on the profits realized by the Company and the extent of the tasks realization. The level of the bonus depends on the performance of individual tasks (qualitative and quantitative) established by the Supervisory Board for individual members of the Management Board. The performance evaluation of individual bonus tasks by particular Member of the Management Board is carried out every six months by the Supervisory Board.

The Supervisory Board adopts a resolution on granting the Management Board Member additional remuneration for the first half of the data at the first meeting after its completion. The resolution is the basis for the payment of additional remuneration.

[in mln PLN unless otherwise stated]

## 6.4.3 REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND OTHER BONUSES

| SPECIFICATION | 2017 [GROSS PLN] | 2016 [GROSS PLN] |
|---|---|---|
| Remuneration of the members of the Management Board including: | | |
| – remuneration and other benefits | | |
| Dariusz Miłek [1] | 840 000 | 840 000 |
| Mariusz Gnych [2] | 840 000 | 720 000 |
| Piotr Nowjalis | — | 960 000 |
| Karol Półtorak | 720 000 | 60 000 |
| Marcin Czyczerski [3] | 780 000 | — |
| Marcin Pałażej [4] | 944 762 | — |
| – bonuses for the previous year | | |
| Dariusz Miłek | — | — |
| Mariusz Gnych | 120 000 | 100 000 |
| Piotr Nowjalis | — | 100 000 |
| Marcin Czyczerski | 130 000 | — |
| Karol Półtorak | 120 000 | — |
| Marcin Pałażej | 120 000 | — |
| Total | 4 614 762 | 2 780 000 |

[1] for 2017, Mr. Dariusz Miłek additionally received a remuneration under a contract of employment in the amount of PLN 30,000 in a subsidiary CCC Factory Sp. z o.o. (in 2016 – PLN 30,000);

[2] for 2017 Mr. Mariusz Gnych additionally received a remuneration for sitting on the management board of a subsidiary company CCC Factory Sp. z o.o. in the amount of PLN 90,000 in a subsidiary (in 2016 – PLN 90,000).

[3] for 2017 Mr. Marcin Czyczerski additionally received a remuneration under a contract of employment in the amount of PLN 30,000 in a subsidiary CCC Factory Sp. z o.o.

[4] for 2017 Mr. Marcin Pałażej additionally received a remuneration under a contract of employment in the amount of PLN 30,000 in a subsidiary CCC Factory Sp. z o.o.

Managing staff for their function in the companies of the CCC S.A. Capital Group. do not receive remuneration other than indicated in the table in point 6.4.3.

On 2 June 2016, the Supervisory Board allocated subscription warrants, including to the members of the Management Board, according to the table below:

| SPECIFICATION | 2017 | 2016 |
|---|---|---|
| Dariusz Miłek | — | — |
| Mariusz Gnych | — | 132 000 |
| Piotr Nowjalis | — | 75 000 |
| Total | — | 207 000 |

[in mln PLN unless otherwise stated]

## 6.4.4
## REMUNERATION OF SUPERVISORY BOARD OF CCC S.A.

| REMUNERATION OF MEMBERS OF THE SUPERVISORY BOARD, INCLUDING: | 2017 [GROSS PLN] | 2016 [GROSS PLN] |
|---|---|---|
| Wiesław Oleś [1] | 96 000,00 | 85 909,07 |
| Marcin Murawski [2] | 72 000,00 | 72 000,00 |
| Mirosław Stachowicz [3] | 6 000,00 | 72 000,00 |
| Jerzy Suchnicki [4] | 72 000,00 | 72 000,00 |
| Waldemar Jurkiewicz [5] | 72 000,00 | 41 727,27 |
| Piotr Nowjalis [6] | 70 571,40 | — |
| Henryk Chojnacki [7] | — | 40 727,20 |
| Karol Półtorak [8] | — | 35 727,27 |
| Total | 388 571,40 | 420 090,81 |

[1] For the period from 01.01.2017 to 31.12.2017

[2] For the period from 01.01.2017 to 31.12.2017

[3] For the period from 01.01.2017 to 31.01.2017

[4] For the period from 01.01.2017 to 31.12.2017

[5] For the period from 01.01.2017 to 31.12.2017

[6] For the period from 10.01.2017 to 31.12.2017

[7] For the period from 01.01.2016 to 30.06.2016

[8] For the period from 01.06.2016 to 30.11.2016

Managing persons due to their functions in the companies of the Capital Group CCC S.A. do not take remuneration other than those indicated in 6.4.4.

# 6.5 RISK MANAGEMENT

## 6.5.1 DESCRIPTION OF THE MAIN CHARACTERISTICS OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE PROCESS OF PREPARING FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The financial statements and consolidated financial statements prepared in accordance with:

1. International Financial Reporting Standards, approved by European Union.
2. Accounting Act of 29 September 1994, (unified text – Journal of Laws of 2013, item 330, as amended)
3. Articles of Association of the Company CCC S.A.
4. Accounting standards existing in CCC S.A. and the standards existing in the subsidiaries,
5. Internal accounting records procedures.

The process of drawing up reports is covered by a system of internal control and risk management system, which contributes to maintaining the credibility and reliability of financial reporting and compliance with laws and internal regulations.

The internal control system includes:

1. controlling activities carried out by employees of the companies of CG CCC S.A. on their assigned tasks and responsibilities,

2. controlling function, implemented by the supervision over subordinate organizational units by all employees in managerial positions,

3. controlling carried out by the internal audit, the aim of which is to make an independent and objective evaluation of risk management and internal control

Risk management in the process of preparing financial statements is based on the identification and assessment of risks along with defining and undertaking measures to minimize them or their total elimination. Chief Accountant and the Vice-President for the Financial Affairs of the Company supervise the preparation of the financial statements who financial and accounting services are subject to. The risk management process begins at the lowest levels of the Group so as to ensure the fulfillment of its assumed objectives. Risk management in the Group CCC is a process supervised by the Management Board and key management personnel. Moreover, independent audits of internal financial and accounting processes are carried out. The correctness of financial reporting is also verified by the members of the Audit Committee of the Supervisory Board. In order to confirm that the data contained in the financial statements with the facts and accounting records maintained by the Company, the report is subject to a certified audit by an independent certified auditor, who issues opinions on the subject. All actions taken by the company are aimed at ensuring compliance with the law and the current condition, and early identification and elimination of potential risks so that they cannot affect the reliability and accuracy of presented financial data.

## 6.5.2 SCOPE OF THE SYSTEM OF RISK MANAGEMENT IN THE GROUP

The main objectives of risk management:

- ensuring the safety of operations of the Company,
- ensuring effectiveness of undertaken decisions aimed at maximizing profits at an acceptable level of risk

Risk Management Policy in the Group CCC, defines main objectives, principles, risk factors and ways to reduce them to ensure the control of risks that could adversely affect the Group CCC. This policy is required and followed by all companies of the Group CCC. The risk management policy is still being developed and supplemented by detailed regulations covering individual areas of risk in the Group, including:

- The remuneration policy of the Management Board
- Code of Ethics,
- Supplier Code of Conduct,
- Purchasing policy,
- Security Policy of IT systems
- Health and safety policy,
- Environmental policy.

## 6.5.3 BODIES RESPONSIBLE FOR RISK MANAGEMENT IN THE GROUP

Below we present the bodies responsible for risk management in the Group CCC together with the scope of their duties:

### MANAGEMENT BOARD OF CCC S.A.

- Acceptance of Risk Management Policy in the Group CCC, on the basis of which Risk Management System is implemented.

### AUDIT COMMITTEE

- Monitoring the effectiveness of the risk management system that has a significant impact on the Company's operations, including the effectiveness of corrective actions taken.

### SUPERVISORY BOARD

- Periodic checking of the accuracy and efficiency of the Risk Management Policy, the aim of which is to ensure that all major risks are identified and an adequate system of management was implemented.

### INTERNAL AUDITOR

- Periodic verification of the effective functioning of the systems and functions relating to: implementation and maintaining effective internal control systems, risk management, compliance and internal audit functions.

### FINANCE DIVISION

- Implementation of Risk Management System in the Group CCC,
- Supervision of staff responsible for risk management in the Group CCC,
- Continuous accumulation of knowledge and techniques aimed at improving the effectiveness of risk management systems,
- Monitoring of the Risk Management System and ensuring its integration with the processes occurring in the Group CCC.

### MANAGERIAL PERSONNEL

- Increasing awareness of the importance of the Risk Management System,
- Management of available resources in order to implement and ensure the highest efficiency of Risk Management System,
- Verification of plans and targets concerning the development of the Risk Management System.

## 6.5.4 PERMISSIBLE LEVELS OF RISK ACCEPTED BY THE GROUP

Group CCC is based on the fundamental criteria that are used to identify, assess and determine the validity of risk, which are based on the concept of risk tolerance. A very important factor in the operation of the management of the Group is to determine the strategy and acceptable level of risk, which must take into account the value of risk that the Group is willing to accept to be acceptable to ensure the realization of its objectives. This level is regularly updated, and changed whenever the Group CCC changes operation strategy.

In case when an acceptable level of risk for the Group's strategic objectives CCC shall be determined, it is also included in the Risk Management System, which is associated with its strict compliance.

## 6.5.5 SIGNIFICANT RISK FACTORS

CCC Group identified the following risks, which are presented below, along with their description and actions taken to minimize their effects.

## RISKS OF STRATEGY IMPLEMENTATION

| AREA OF RISK | DESCRIPTION OF RISK | ACTIONS TAKEN |
|---|---|---|
| Strengthening own sales chain | In 2018 the Group plans to increase floor space of CCC stores by 110 thousand m2, of which 43% is to be opened in Poland In case of non-implementation of its assumed objectives, the Group may prove to be less competitive than its competitors, and thus lose market share, which could result in lower revenues. At the same time in case of chain development, contrary to the demand, the Group may incur costs higher than necessary. | In order to minimize the risks associated with the strengthening of own sales chain, the Group introduced the following solutions:<br>• monitoring the activities of competitors,<br>• monitoring the situation in the industry,<br>• monitoring of the macroeconomic situation,<br>• creating a detailed plan and a dedicated team responsible for the implementation of the objectives connected to the development of own sales chain. |
| Activities aimed at increasing brand recognition and value of the brand | Increase of brand recognition and its value can contribute to the increase in keeping regular customers, as well as to increased growth in new customers. The result will lead to an increase in market share and revenue. In case of fall in brand recognition and its value the outflow of customers may occur and a drop in market share and ultimately a drop in revenue. | Group in order to ensure further increase in brand recognition and value of the brand has undertaken the following actions:<br>• the introduction of appropriate instruments and advertising – promotion media,<br>• the introduction of interesting interior of stores<br>• presence of stores in prestigious locations. |
| Location of commercial facilities | The location of commercial facilities is an important factor in the attractiveness of the brand to consumers. Inappropriate choice of location, may lead to low profitability of m2, and thus to reduce the Group's profitability. Strengthening the market position by the dynamic development of the chain of commercial facilities may be associated with the risk of an unfortunate location of the store, and with a limited number of new, attractive locations. | The Group in order to ensure the appropriate choice of location of commercial facilities, carry out a detailed analysis of the location before deciding to sign a lease agreement, and bases their decisions on historical data. |

## EXTERNAL RISK

| AREA OF RISK | DESCRIPTION OF RISK | ACTIONS TAKEN |
|---|---|---|
| Exchange rate risk | Companies of the Capital Group CCC S.A. generate revenue in PLN, EUR, CZK, HUF, HRK, BGN, RSD, RUB. Most of the costs are incurred in foreign currency. As a result, CZK, HUF, HRK, USD and EUR exchange rates (practically all imports are denominated in USD and EUR, and a high percentage of rental costs in EUR) will affect the Group's revenue and cost structure. The main supply market for the Capital Group CCC S.A. is the Chinese market, and hence the CNY currency exchange rate against the major world currencies may also have a significant impact on the Group's costs. CNY appreciation may worsen the conditions of import and, consequently, lead to higher costs for consumers. | The Group has undertaken the following measures to reduce the impact of exchange rate risk:<br>• continuous monitoring of significant, for the Group, changes in exchange rates,<br>• Introducing the strategy of a natural hedging |
| The risk of changes in interest rates | The Capital Group CCC S.A. is exposed to the risk of changes in interest rates, in connection with the loan agreements. These loans bear interest at a variable interest rate based on WIBOR or LIBOR. Increase in interest rates will affect the amount of interest paid on loans. | The Group has undertaken the following measures to reduce the impact of interest rate risk:<br>• diversification of sources of capital,<br>• monitoring key interest rates. |
| The risk of the overall economic situation | The Capital Group CCC S. A. conducts business activity primarily on the Polish, Czech, Hungarian and Slovak markets, so for the Group's consumer purchasing power and propensity to consume is important. The economic downturn could have a negative impact on results of operations and financial position of the Group. Group CCC also operates in several other foreign markets (inter alia: Germany, Austria, Croatia, Slovenia, Bulgaria). | The Group has undertaken the following measures to reduce the impact of risk of the overall economic situation:<br>• diversification in terms of countries where the Group operates (decrease of economic situation correlation between countries)<br>• monitoring the economic situation in the world and in the countries important for the Group, as well as suitable adjustment to the Group's strategy,<br>• monitoring of important economic indicators in selected countries (unemployment rate, GDP per capita, CPI). |
| Seasonality of sales and weather condition | Sales and inventory value depends on the seasonality of demand (peak of demand is in spring and autumn). The disorder of weather conditions may result in putting away customer purchase decisions or shortening the season of the highest sales. | Element in reducing the sensitivity of the Capital Group CCC S. A. to seasonal factors and weather is having its own manufacturing capacity. The Group is able to rapidly adjust production and deliver goods to shops line with expectations and current weather conditions. |
| Trends in fashion and unsuccessful collections | The Capital Group CCC S. A. is exposed to risks associated with unsuccessful collections of footwear. | The factor enabling to reduce this risk is a long-standing market experience of the parent company, permanent observation of trends in the European and world fashion (participation in international fairs of footwear fashion l, inter alia: Milan, Garda, Dusseldorf). |

## INTERNAL RISKS

| AREA OF RISK | DESCRIPTION OF RISK | ACTIONS TAKEN |
|---|---|---|
| Credit risk | The source of this risk is the uncertainty as to whether and when receivables are settled. Wholesaling sales are also subject to deferred payment, whereby the CCC S.A. Group is exposed to the risk of financing its customers. In order to maintain its leading position on the footwear market, the Group CCC S.A. uses the commercial credit facility, additionally increasing the company's attractiveness to wholesales counterparties. | The Group has taken the following measures to mitigate the effects of credit risk:<br>• continuous verification of financial situation of counterparties,<br>• continuous study of the history of cooperation with counterparties. |


CCC
FACTORY

## 7.
## EMPLOYEES


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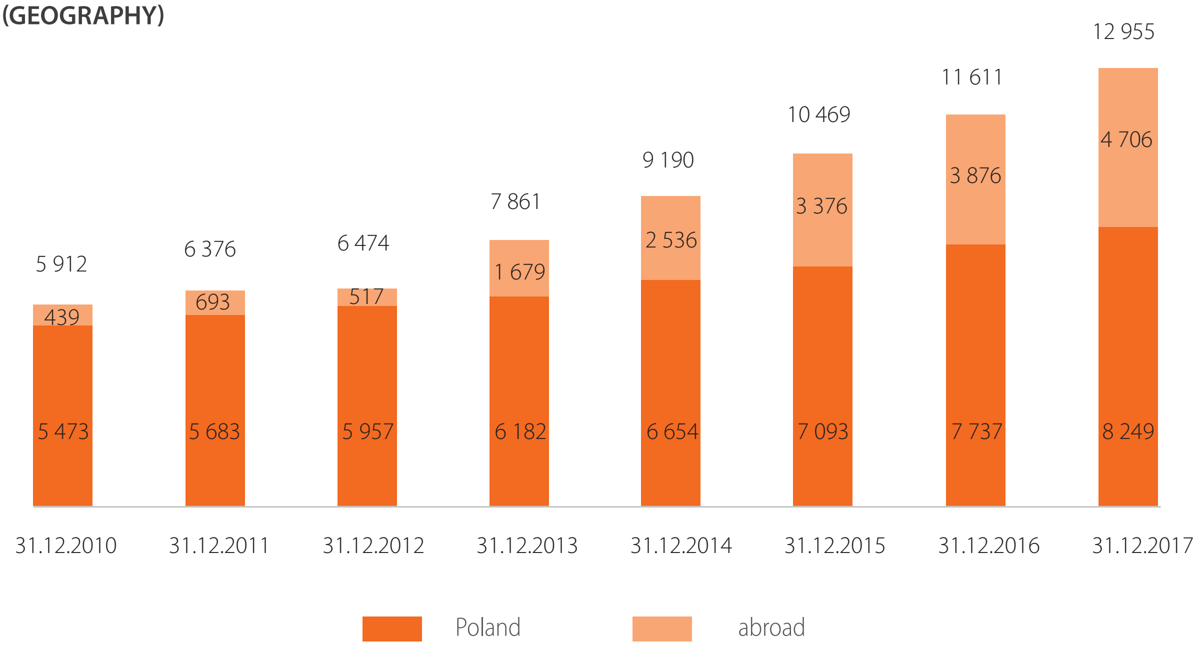
# 7.1 EMPLOYMENT STRUCTURE

Employees of the Company CCC S.A. constitute an important capital of the organization, every day they accomplish the objectives of the Company's strategy, which allows for increasing the development potential of the Company. The measure of commitment and efficiency of employees is the satisfaction of our Customers and Shareholders.

[in mln PLN unless otherwise stated]

As of December 31, 2017, the Group employed 12,955 employees compared to the previous year, employment grew by 1,344 people. Below we present the way structure of employment in individual years was shaped:

### STRUCTURE OF EMPLOYMENT (GEOGRAPHY)

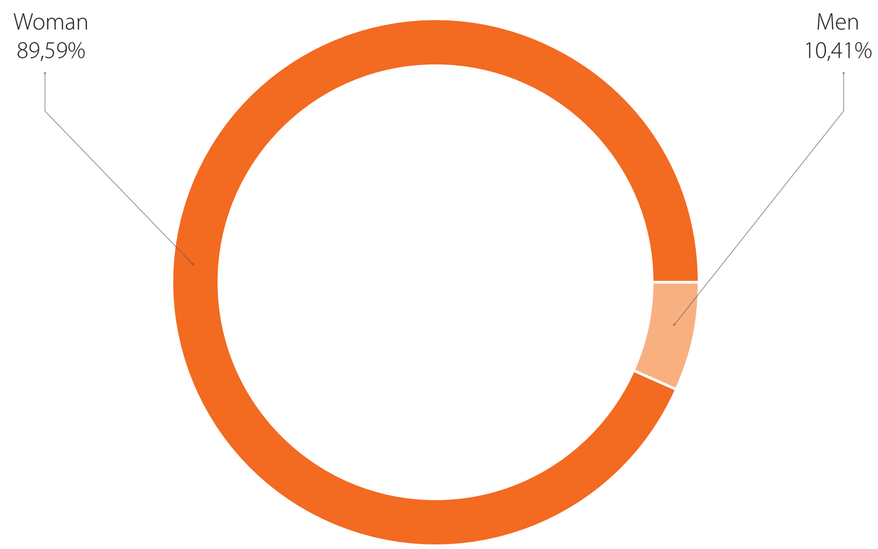



In the past few years, the number of employees has grown steadily. The largest share of the number of employees are the employees of the stores – approx. 79.6%, while administrative staff account for only 7.4% of total employment.

In comparison y / y number of employees has increased by 11.6%. Detailed data are presented in the following table.

| | POLAND | | CEE | | WESTERN EUROPE | | OTHER COUNTRIES | | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| | WOMEN | MEN | WOMEN | MEN | WOMEN | MEN | WOMEN | MEN | |
| Employees of stores | 5 633 | 164 | 2 673 | 156 | 1 265 | 121 | 259 | 42 | 10 313 |
| Manufacturing employees | 626 | 173 | — | — | — | — | — | — | 799 |
| Logistics employees | 539 | 335 | 1 | 1 | — | — | 4 | 7 | 887 |
| Administrative employees | 478 | 301 | 75 | 27 | 38 | 17 | 16 | 4 | 956 |
| **All employees** | **7 276** | **973** | **2 749** | **184** | **1 303** | **138** | **279** | **53** | **12 955** |

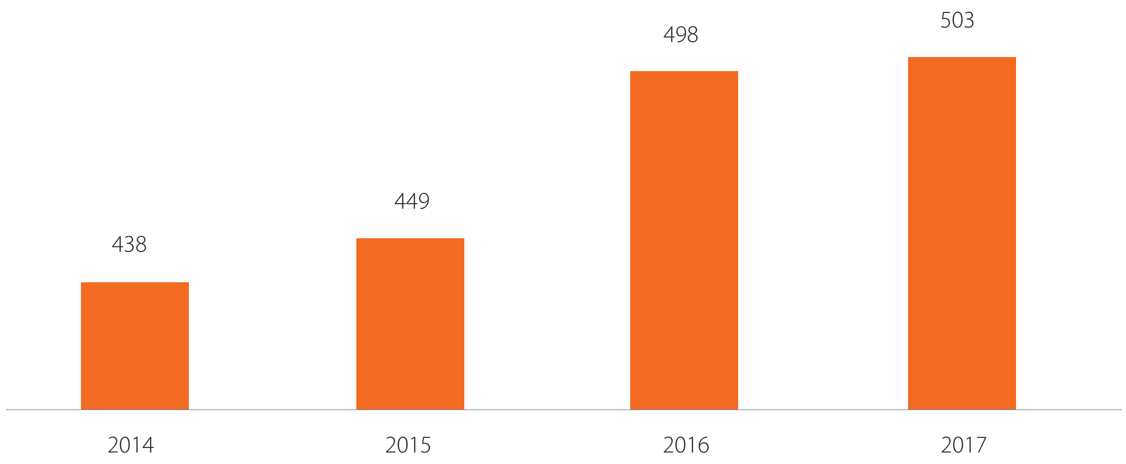
Due to the nature of the business, a large percentage is the number of women employed in the Group, which is 89.6% of total employment.




Share of employees by gender as of 31.12.2017

## EMPLOYMENT OF DISABLED PEOPLE

In addition, operating conditions enable to employ in the Group CCC S.A. people with disabilities. As of 31.12.2017, the Group employed 503 disabled persons, which is approx. 3.9 % with respect to all employees. The majority of workers with disabilities employed in Poland, it refers to about 81.8% of all persons with disabilities employed in the CCC Group.

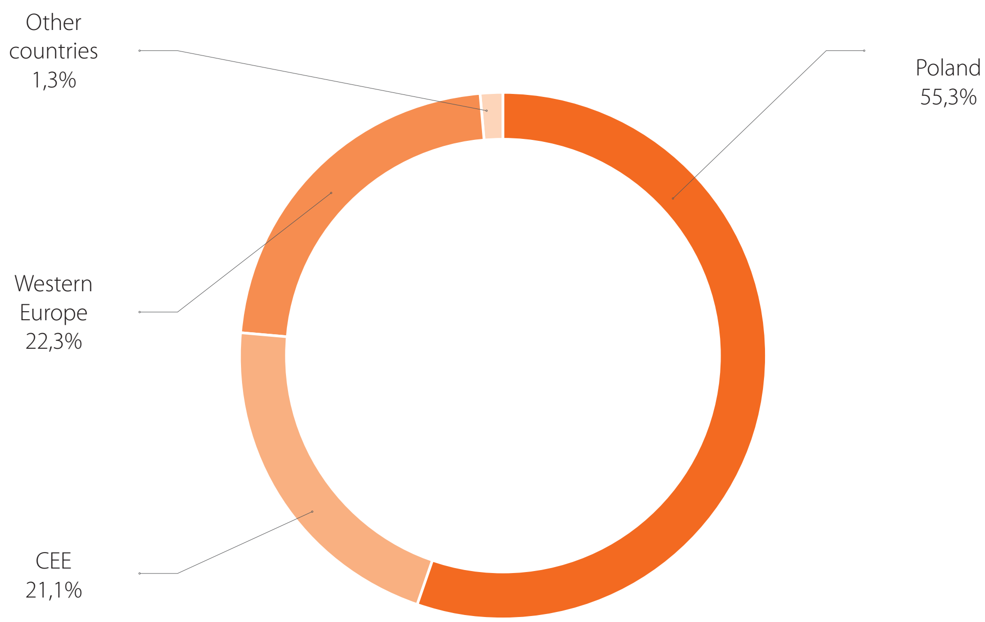


## THE REMUNERATION POLICY OF ALL EMPLOYEES

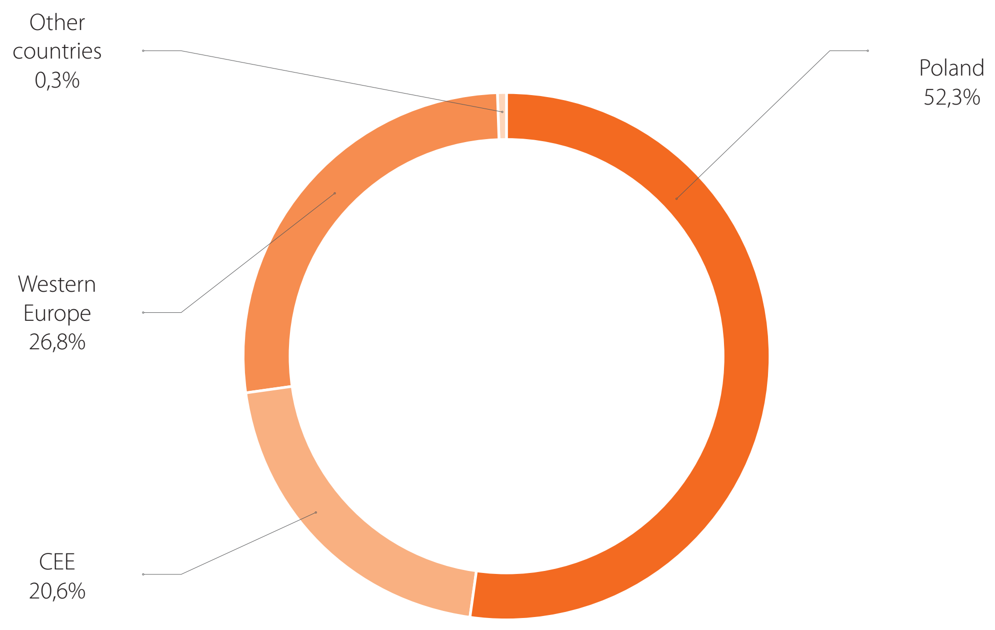
The remuneration policy in the Group is based on the principle of equality. The size of the remuneration of employees is dependent on the level of their competence and level of commitment.

In 2017, the share of remuneration expenses for CCC Group's employees shaped as follows:

**STRUCTURE OF REMUNERATION IN 2017 (GEOGRAPHY)**



**STRUCTURE OF REMUNERATION IN 2016 (GEOGRAPHY)**



# 7.2 DEVELOPMENT PROGRAMS FOR EMPLOYEES

The Group CCC implementing policies related to the management of the potential of employees is guided by the following values:

### ACTION

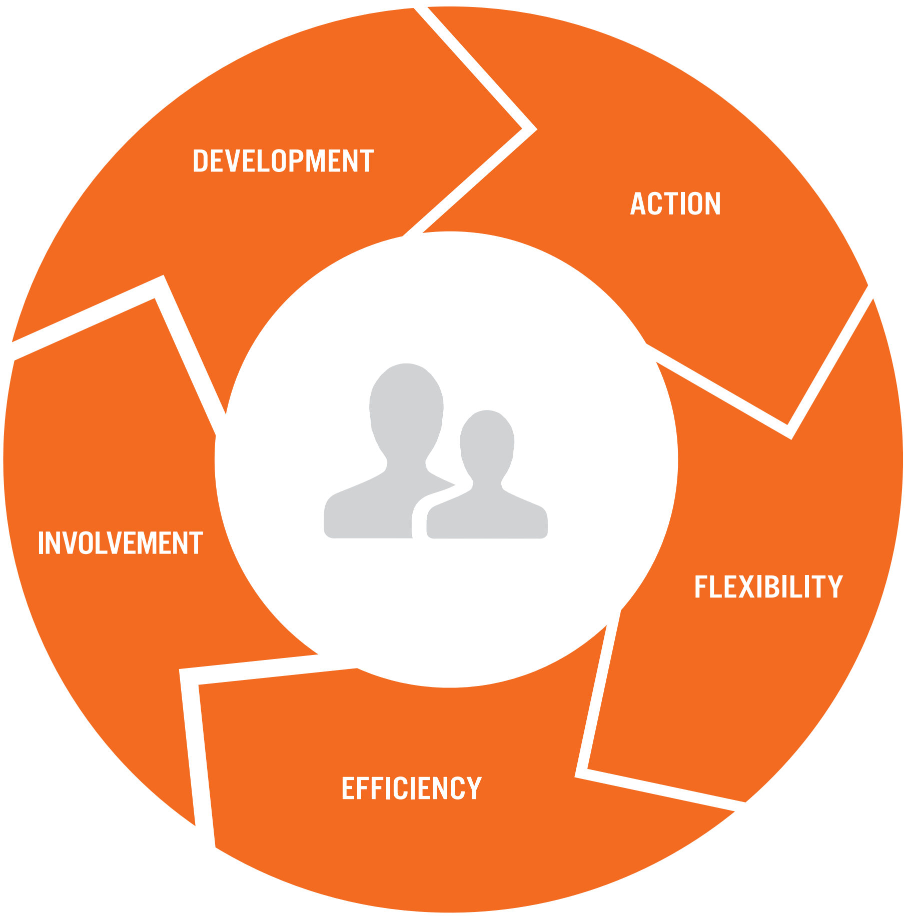
supported by FLEXIBILITY, which means a rapid response in business necessity situations and the implementation of non-standard ideas

### DEVELOPMENT

through ACTION, which is undertaking actions aimed at the development of the entire Capital Group

### FLEXIBILITY

leading to EFFICIENCY, which means the perception of changes as new opportunities, as well as the continuous responsiveness to customers' needs




### EFFICIENCY

thanks TO COMMITTMENT, undertaking activities aimed at the realization of the objectives with the optimal use of available resources

### INVOLVEMENT

in the DEVELOPMENT, every employee is part of a team striving to achieve a common goal contained in the Group's strategy

## GROWTH AND DEVELOPMENT OF EMPLOYEES' POTENTIAL

The CCC Group implements numerous programs enabling the possibility of Employees' development. Development activities and training of the employees of the Group CCC are implemented in such a way as to ensure the achievement of business objectives of adopted in the strategy and increase employees' involvements.

### The Academy of a Manager

The Capital Group realizes the annual project the Academy of a Manager, designed to ensure greater effectiveness in the area of the Group's sales, as well as enable a valuable exchange of experience. This project allows the improvement of managerial skills, presents aspects connected with building relationships in the team, motivating employees and the use of methods of coaching.

### Learning foreign languages

CCC Group also organizes in-house or e-learning language courses. Classes are divided into different levels of foreign language. These activities are aimed at gaining or expanding the knowledge necessary to carry out tasks or its updating.

### Training

Employees are constantly improving their competences, using programs enabling development through participation in trainings, conferences, symposia, seminars, workshops and studies financed or co-financed by the Employer. In 2017, CCC S.A. also benefited from trainings co-financed by the Poviat Labour Office in Polkowice. As part of the project, the funding was obtained for the organization of 407 hours of educational training, in which 118 employees took part. As part of the training, the employees gained new or expanded their existing skills, including: in the area of MS Office package service, accounting and taxes, operation of machines and devices, operation of the municipal waste management system; principles of operation of the electricity market; Lean in office processes; budget management in service and renovation costs; and in the field of textile and textile products.

Additionally, in response to competence gaps and providing constant access to knowledge in 2017, we implemented a number of training topics in the field of negotiation, communication, IT, etc. Our employees can also participate in co-financing language courses developing their language competences.

## YOU STUDY – YOU WORK

One of the major development programs in the company was the launch of postgraduate studies titled „Management of foreign expansion and development". The studies were a joint project carried out by the University of Economics in Wroclaw and CCC S.A. in February 2015 – March 2016. The innovative project was aimed at people starting their professional career, as well as those who were interested in international careers. This project enabled the recruitment of employees with high, specialist competences who are ready to meet foreign challenges. In March 2017, the next edition of studies was launched.

### Lower Silesian Education Cluster

As CCC, we signed the declaration of joining the Education Cluster of the Legnica Special Economic Zone. The Lower Silesian Education Cluster is a way to create companies' competitiveness through close cooperation of enterprises, people of science, public authorities and business institutions. Through the effective promotion of dual education, it increases the availability of practical vocational training that takes place in a real work environment. Today, the Lower Silesian Education Cluster consists of 99 partners: companies, schools, universities and institutions. .

### Dual education with Witelon University in Legnica, together with Accenture and Oracle

CCC also cooperates with the Witelon University in Legnica. Together with Accenture and Oracle, we run a series of lectures for students. In this project, we are among the companies that implement new technological solutions in the field of retail sales support. Our goal is to provide students with specialist knowledge, as well as give them a unique opportunity to apply for future work while studying. The series of lectures assumes two trends: technological, addressed mainly to IT students, as well as business and analytical students, educating future consultants. CCC together with business partners, with whom it implements the RMS project, proposed a completely unique educational program in this part of Europe. Students of the Faculty of Technical and Economic Sciences will be able to participate, among others, in a series of classes during which they will gain additional knowledge and competences passed on by experienced specialists – practitioners. There are lectures and workshops on the subject of economic processes and supporting IT tools characteristic of the fashion industry. London – this is the closest place thus far, where you could acquire knowledge of the most modern IT solutions in the trade and fashion industry in a practical way.

### Internships and apprenticeships

CCC cooperates closely with Labour Offices and organizes apprenticeships in their stores, creating jobs for graduates of universities as well as secondary and high schools ones. In the summer semester of 2018, the best students will be offered paid internships at the CCC, during which they will be able to expand the knowledge acquired during the classes with practical skills and gain valuable professional experience while studying. These internships will be, by definition, a potential pass to permanent employment at CCC.

## COMMUNICATION

The multi-channel communication scheme operates in the Group, thanks to which the employees are informed about ongoing changes and development plans of the Group. In addition, once a year, a job satisfaction survey is carried out, which allows for recognition of the needs of employees and elimination of reported irregularities, which increase employee involvement and strengthens our position on the market.

In 2017, the Group prepared a new company intranet to better respond to the needs of employees. The idea is to create one place where employees could, among others, follow trainings, view internal job offers, read the company's news and internal information or look for various types of formal documents. The CCC intranet will officially be launched in 2018.

In its activity, the CCC Group is guided by high ethical values, therefore the Company's Code of Ethics operates within the company. The Code defines the principles both in relations with co-workers as well as suppliers and contractors. The purpose of the Code is the ability to implement processes and procedures preventing the occurrence of violations, as well as taking action in the event of occurrences of illegal incidents, regulations and ethical standards.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# 8.
# COMMITMENT OF CCC


CCC
SHOES & BAGS

# 8. COMMITMENT OF CCC

The Group CCC takes into account in its long-term strategy for the development policies for sustainable economic development through the promotion of social progress and taking into account aspects of environmental protection of the Company's investments. CCC fulfilling the tasks set out in the Group's strategy takes into account all the regulations applicable by law.

# NON-FINANCIAL INFORMATION ABOUT THE CCC GROUP

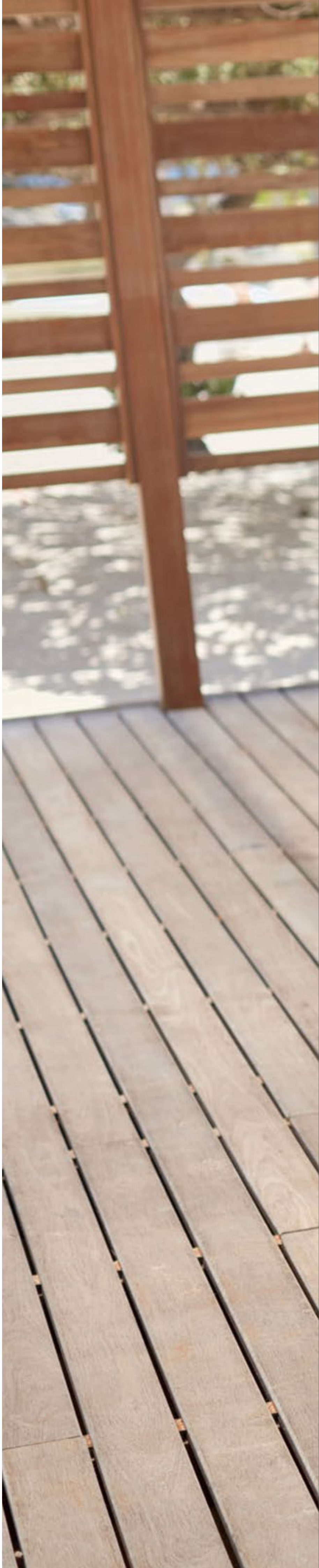
The CCC Group in accordance with the requirements of the Accounting Act and having regard to the principles of the policy for sustainable economic development prepared a report containing key non-financial information about the Group.

In the non-financial report of the CCC Group, which is an integral part of the Annual statements of operations, contains information on the Group's business model, key non-financial performance indicators related to the Group's operations, employed policies by the Group in relation to social, employment, environmental issues, respect for human rights and counteracting corruption with a description of the results of their application, as well as due diligence procedures.

The risks related to the Group's operations and the manner of managing them were also presented. The non-financial report was developed in accordance with the methodology of the Global Reporting Initiative (GRI) reporting guidelines, version G4, in accordance with the CORE application option.

The collected information can be used by the most important stakeholders of the Group as a source of reliable information on the non-financial aspects of the operations of the CCC Group. More at http://firma.ccc.eu/

# 9.
# STATEMENTS OF MANAGEMENT BOARD

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# 9.1 STATEMENT ON THE FAIRNESS FINANCIAL STATEMENTS PREPARATION

To the best knowledge of the Management Board of CCC S.A., the annual consolidated financial statements and comparable data were prepared in accordance with applicable accounting principles, they give a true and fair view of the financial position the Group CCC S.A. and its financial result.

The Management Board's statements on the operations of the Group CCC S.A. includes true view of the development and achievements of the Group, including basic risks and threats.

# 9.2 STATEMENT AND INFORMATION ON THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The Management Board of CCC S.A. declares that the entity authorized to audit financial statements, auditing the annual consolidated and financial statements, was chosen according to law. This body and the auditors conducting the audit complied with the conditions to issue an impartial and independent opinion on the audit, in accordance with applicable regulations and professional standards.

In accordance with the applicable regulations and professional standards, on 10 May 2017, the Supervisory Board adopted a resolution on selecting Ernst & Young Audyt Polska sp. z o.o. sp. k. to review the semi-annual financial statements of CCC S.A. and semi-annual consolidated financial statements of the Capital Group CCC S.A., as well as the audit of the separate financial statements of the company CCC S.A. and the consolidated financial statements of the Capital Group CCC S.A. for the years 2017-2018. The net remuneration for the services indicated amounts to PLN 240,000. PLN in a year.

[in mln PLN unless otherwise stated]

The company CCC S.A. concluded on 23 June 2017 with Ernst & Young Audyt Polska sp. z o.o. sp. k. the agreement regarding the audit of the financial statements and the consolidated financial statements for the period from January 1 to 31 December 2017 and the review of the condensed financial statements and condensed consolidated financial statements for the period from January 1 to 30 June 2017. The amount of net remuneration for the services indicated amounts to PLN 240,000.

The company CCC S.A., on 28 June 2016, concluded the contract on conducting the audit of the financial statements and consolidated financial statements for the period from 1 January to 31 December 2016 and the review of financial statements and consolidated statementsfor the period from 1 January to 30 June 2016. The net remuneration for the services indicated is PLN 310.0 thousand.

In addition, in 2016 PricewaterhouseCoopersSp. z o.o. provided the consulting services to the parent company. The amount of net remuneration for the above-mentioned services amounted to PLN 753.5 thousand.

The company CCC.eu Sp. z o.o. concluded on 22 September 2017 with Ernst & Young Audyt Polska sp. z o.o. sp. k. the agreement regarding the audit of the financial statements for the period from 1 January to 31 December 2017. The amount of net remuneration for the services indicated amounts to PLN 80,000.

The company CCC Factory concluded on 22 September 2017 with Ernst & Young Audyt Polska sp. z o.o. sp. k. the agreement regarding the audit of the financial statements for the period from January 1 to 31 December 2017. The amount of net remuneration for the services indicated amounts to PLN 60,000.

The Company eobuwie.pl S.A. concluded on 22 September 2017 with Ernst & Young Audyt Polska sp. z o.o. sp. k. the agreement regarding the audit of the financial statements for the period from 1 January to 31 December 2017. The amount of net remuneration for the services indicated amounts to PLN 95.000 PLN.

| AUDITOR'S REMUNERATION (IN PLN) | 2017 | 2016* |
|---|---|---|
| **CAPITAL GROUP CCC S.A. AND CCC S.A.** | | |
| Examination and reviews of financial statements | 240 000 | 378 550 |
| Other | 62 375 | 753 533 |
| Total | 30 2375 | 1 132 083 |
| **SUBSIDIARIES** | | |
| Examination and reviews of financial statements | 235 000 | 235 000 |
| Other | — | — |
| Total | 235 000 | 235 000 |
| **Total** | **537 375** | **1 367 083** |

# 10.
# OTHER INFORMATION


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## 10.1 INFORMATION ON BRANCHES (FACILITIES) OWNED BY THE UNIT

The parent company does not own any branches (facilities).

## 10.2 THE MOST IMPORTANT ACHIEVEMENTS IN THE FIELD OF RESEARCH AND DEVELOPMENT

Not applicable.

## 10.3 DESCRIPTION OF THE STRUCTURE OF MAIN CAPITAL DEPOSITS OR MAJOR CAPITAL INVESTMENTS MADE WITHIN THE ISSUER'S CAPITAL GROUP DURING THE FISCAL YEAR

Subsidiaries did not make any significant deposits or capital investment during 12 months ended 31 December 2017.

# 10.4 BASIS OF THE PREPARATION OF THE STATEMENTS ON OPERATIONS OF THE GROUP CCC

This statements on the operations of the Group CCC S.A. covers the reporting period from 1 January to 31 December 2017 and the comparative period from 1 January to 31 December 2016.

The consolidated statements on the operations was prepared in compliance with the financial statement and current and periodic reports.

The content of the statement on the operations of the Group is in accordance with § 92 item 3 and 4 of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and the conditions for recognizing as equivalent information required by the law of non-member states and contains the required elements specified in § 91 paragraph 5-6 for issuers conducting manufacturing activities, construction, trade and services activities.

The rules set out in the Act of 29 September 1994 on accounting referred to in article 55 item 2 point 5 in conjunction with art. 49 item 2 and 3, and art. 63 d are applicable.

In case of Rules of the Stock Exchange in Warsaw S.A. the provisions of § 29 item 1, 2, 3 and 5 are applicable.

# 10.5 AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND MANAGERIAL PERSONS

The above mentioned agreements were not concluded between the Issuer and managing persons.

# 10.6 PROCEEDINGS PENDING BEFORE COURT, BODY COMPETENT FOR ARBITRATION OR PUBLIC ADMINISTRATION BODY

The Companies of the Capital Group CCC S.A. are not a party to the court proceedings the amount in dispute exceeds 10% of the equity of the Group.

## 10.6.1 ACQUISITION OF OWN SHARES

In the reporting period the Group CCC S.A. did not make an acquisition of own shares.

## 10.6.2 INDICATION OF ALL RESTRICTIONS ON EXERCISING VOTING RIGHTS IN THE COMPANY OF THE ISSUER

In the reporting period, there were no restrictions on the exercising voting rights in the company of the Issuer.

The financial statements were approved for publication by the Management Board of the Company on 26 March 2018 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS

| | | |
|---|---|---|
| Edyta Banaś | Chief Accountant | |

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

| | | |
|---|---|---|
| Dariusz Miłek | President of the Management Board | |
| Mariusz Gnych | Vice-President of the Management Board | |
| Marcin Czyczerski | Vice-President of the Management Board | |
| Karol Półtorak | Vice-President of the Management Board | |

Polkowice, March 2018