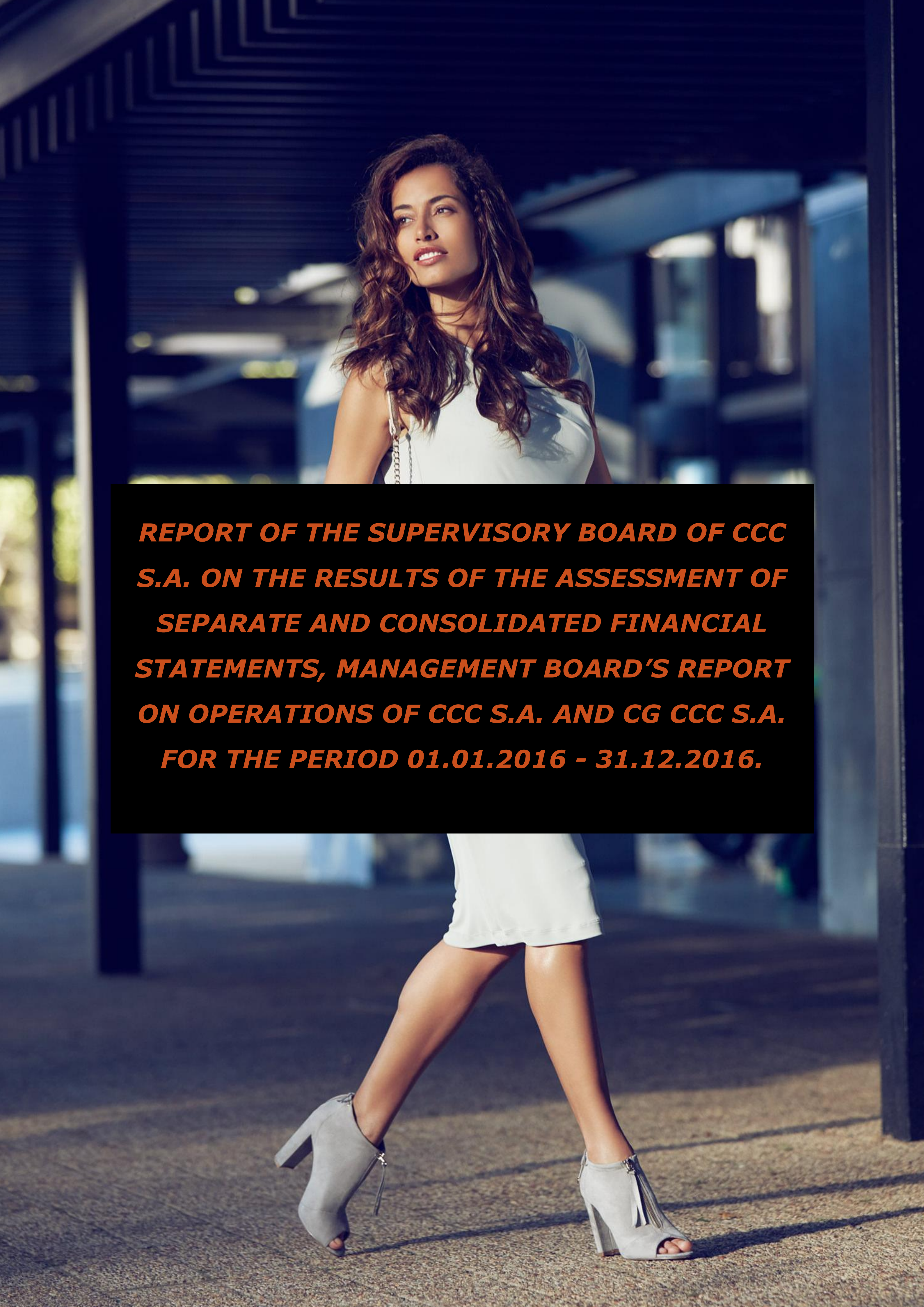

REPORT OF THE SUPERVISORY BOARD OF CCC S.A. ON THE RESULTS OF THE ASSESSMENT OF SEPARATE AND CONSOLIDATED FINANCIAL STATEMENTS, MANAGEMENT BOARD'S REPORT ON OPERATIONS OF CCC S.A. AND CG CCC S.A. FOR THE PERIOD 01.01.2016 - 31.12.2016.

1. Introduction

Acting pursuant to art. 382 § 3 of the Code of Commercial Companies and § 16 item 2 paragraph 2 of the Articles of Associations of the Company CCC S.A., the Supervisory Board performed the assessment and consideration of the following documents:
1) the financial statements of CCC S.A. and the Management Board's report on the operations of the Company for the period from 01.01.2016 - 31.12.2016;
2) the financial statements of Capital Group CCC S.A. and the Management Board's report on operations of Capital Group CCC S.A. for the period 01.01.2016 - 31.12.2016;
3) opinions and reports on the separate and consolidated financial statements for 2016, prepared by auditors from PricewaterhouseCoopers Sp. o.o. with its registered office in Warsaw;
4) Management Board's proposal on allocating a part of a reserve capital for the payment of a dividend and the distribution of profit for 2016.
The results of the assessment made, the Supervisory Board presents in this report.

2. Assessment of the financial statements of the Company CCC S.A. and the Management Board's report on the operations of the Company for the period from 01.01.2016 - 31.12.2016

The Supervisory Board took note and analysed the Financial Statements of CCC S.A. prepared in accordance with International Financial Reporting Standards for the financial year 2016 and the opinion and the auditor's report on the separate financial statements of CCC S.A., as well as it analysed the economic - financial of operations of the Company. The certified auditor acting on behalf of PricewaterhouseCoopers Sp. z o.o. issued a positive opinion of the submitted financial statements for 2016, stating that it was prepared, in all material aspects, in accordance with the accounting principles of International Financial Reporting Standards and related interpretations in the standards and based on properly kept accounting records. The report complies in form and content with the applicable laws and regulations and gives a true and fair view of all relevant information, material and financial situation, as well as the financial result of the unit.

In the reporting period from 1 January to 31 December 2016, the sale revenue of the Company CCC amounted to PLN 1,738.5 billion, that is an increase by PLN 64.6m (+ 3.9%) (yoy). Retail sales increased by 17.1%, with average growth of CCC stores by 14.0%. Other sale concerns only the sale of logistic and accounting services and resale of goods. The revenue of 1m² of retail floor space in CCC in 2016 amounted to 7.94 thousand PLN and was lower by 2.9% (yoy). The sales volume per m² is affected by the increase in retail floor space of the newly opened stores (the average retail floor space of CCC stores at the end of 2016 was 487 m² and increased by 6.9% yoy).
Retail sale revenue in 2016 amounted to PLN 1,684.8 billion, an increase by PLN 246.4m (+17.1%) yoy. In the same period, in Poland CCC stores were opened and enlarged with a total area of 27.7 thousand m² and the stores of a the total floor space of 2.3 thousand m² were closed. In 2016 in Poland (CCC, BOTI and Lasocki stores), the net commercial area increased by 24.2 thousand m², including CCC + 25.4 thousand m², BOTI and LASOCKI -1.2 thousand m². The change of revenue PLN 246,4m was affected yoy by sales in like-for-like CCC stores at PLN 101.8m (10.0%) and sale in other stores totalled PLN 144.6m (+ 31.3%). Gross profit on sales increased by 12.0% and amounted to PLN 545.0m in 2016. A part of the sale margin, which until the restructuring period in 2014 was shown in CCC S.A., was transferred to CCC.eu in exchange for the performance of functions taken by the newly established company.

Cost of operating stores increased by PLN 53.8m and amounted to PLN 439.6m in 2016, representing an increase of 14.0%, with the average growth of CCC stores floor space by 14.0%. Together with the market expansion and the opening of new stores, such items as cost of rent (+20.0 million PLN) and employee costs (+22.8 million PLN) and employee cost (+22.8 million PLN) increased the most. Other cost of goods sold and administrative expenses in 2016 amounted to PLN 51.0m and were lower by PLN 5.9m yoy. The decrease in costs is due, among others, to the decrease in the incentive scheme cost by PLN 6.0m. Other operating and income cost in net were PLN 4.5m on the cost side (including, inter alia, + PLN 3.0m a subsidy from PFRON) compared to PLN 4.2m in the previous year also on the cost side (including PLN 3.1m a subsidy from PFRON). As a result of the above-mentioned factors, CCC generated operating profit in 2016 of PLN 49.9m, this is an increase by 24.4% comparing to the corresponding period of 2015. In 2016, financial income amounted to PLN 35.8m and compared with the previous year were lower by PLN 233.7m. The main item for financial income in the reported period was dividend income from NG2 Suisse (52% of total financial income), which amounted to PLN 18.7m - in the corresponding period of the previous year it amounted to PLN 50,7m. **In 2015, financial income on decreasing the equity in the affiliated company NG2 Suisse in the amount of PLN 209 million was recognized.** The remaining items of financial income were interest income (PLN 5.6m), foreign exchange gains (PLN 4.7m), granted loan guarantees (PLN 6.5m) and other financial income (PLN 0.3m)). In 2016, other financial cost amounted to PLN 11.3 million and were PLN 1.2 million lower yoy. The main item of financial cost in the reporting period was interest on bonds and loans (65% of total financial cost), which amounted to PLN 7.4m and it was lower than the previous year by PLN 1.7m. Income tax in 2016 amounted to PLN 15.9m [including: PLN 0.9m of a deferred part]. Taking into account financial income and cost and income tax, the net profit amounted to PLN 58.5m, an decrease by 79.7% than it was in 2015.

Table 1. Separate statement of comprehensive Income

	At 31 December 2016. (mln PLN)	At 31 December 2014. (mln PLN)
Sale revenue	**1 738,5**	**1 673,9**
Gross sale profit	**545,0**	**486,8**
Operating profit	**49,9**	**40,1**
Gross profit	**74,4**	**297,1**
Net profit	**58,5**	**288,4**

Fixed assets as at 31 December 2016 consisted of tangible fixed assets (PLN 314.1m), intangible assets (PLN 3.1m), loans granted (PLN 29.4m), investments in subsidiaries (PLN 374.1m) and deferred tax assets (PLN 6.7m). The value of non-current assets increased by 57.5% to PLN 724.4m as compared to 31 December 2015, mainly due to an increase in investments in subsidiaries (+ PLN 246.4m), inter alia, related to the purchase of eobuwie.pl S.A. and an increase in long-term loans granted (+ PLN 18.5m).

Current assets as at 31 December 2016 amounted to PLN 404.8 million and consisted of inventories (PLN 149,6m), cash and cash equivalents (PLN 38.0m), loans granted (PLN 172.3m) and receivables from customers and other receivables (PLN 44.9m). The value of current assets as compared to 31 December 2015 decreased by 30.0% from PLN 578.2m, mainly due to a decrease in cash (-142.8m PLN) and a change in loans granted to subsidiaries (PLN -27,9m).

As at 31 December 2016, CCC's equity compared to the end of 2015 increased by PLN 32.0m (4.9%), mainly due to a transfer of profit for 2016 PLN +58.4m to retained earnings, share issue PLN +44.7m, while paying dividend for 2015 in the amount of PLN 85.7m.

Current liabilities as at 31 December 2016 amounted to PLN 207.2 million, increasing by PLN 61.4 million (42.1%) from PLN 145.8 million as at 31 December 2015. The total current liabilities at the end of 2016 consisted of debt obligations amounted to PLN 37.8m; trade liabilities, which amounted to PLN 114.8 million (an increase of 31.5% over the end of 2015); other liabilities, which amounted to PLN 49.1 million (an increase of 53.4% compared to the end of 2015); income tax liability of PLN 2.5 million; provisions amounted to PLN 0.4 million and the grants, which amounted to PLN 2.6 million, and remained unchanged in relation to 2015.

Non-current liabilities as at 31 December 2016 amounted to PLN 235.1m and were PLN 2.3m lower (-1.0%) as compared to 31 December 2015. The total Non-current liabilities as at the end of 2016 consisted of mainly non-current debt liabilities of PLN 210.0m; provisions of PLN 1.6m and subsidies received amounting to PLN 23.5m.

Table 2. Statements on the financial position

	At 31 December 2016. (mln PLN)	At 31 December 2015. (mln PLN)
ASSETS		
Fixed assets	**724,4**	**459,9**
Current assets	**404,8**	**578,2**
TOTAL ASSETS	**1 129,2**	**1 038,1**
LIABILITIES		
Total equity	**686,9**	**654,9**
Current liabilities	**207,2**	**145,8**

Non-current liabilities	235,1	237,4
TOTAL LIABILITIES	1 129,2	1 038,1

Table 3. Statement of changes in equity

	Year finished on 31 December 2016. (mln PLN)	Year finished on 31 December 2015 (mln PLN)
Equity at the beginning of the period	654,9	454,8
Equity at the end of the period	686,9	654,9

Net cash flows from operating activities in 2016 amounted to PLN 154,2 million, decreasing by 215,4 million PLN in relation to 2015. Net cash flows from investing activities in 2016 amounted to -263,3 million PLN. Net cash flows from financing activities in 2016 amounted to -33.7 million PLN, decreasing by PLN 100,1 million from PLN -133,8 million achieved in 2015. The company ended the year 2016 with the level of cash PLN 38,0 million, a decrease of PLN 142,8 million (-79.0%) versus the end of 2015.

Table 4. Separate statement of cash flows

	At 31 December 2016. (mln PLN)	At 31 December 2015. (mln PLN)
Net cash from operating activities	154,2	369,8
Net cash from investing activities	(263,3)	(114,2)
Net cash from financing activities	(33,7)	(133,8)
Net increase in cash and cash equivalents	(142,8)	121,8
Cash at the beginning of the period	180,8	59,0
Cash at the end of the period	38,00	180,8

The Supervisory Board raises no remarks and objections to that statement of cash flows. The statements on operations of the Company CCC S.A. in 2016 should be regarded as complete. This statements includes information on the economic and financial situation of the Company and describes the important events materially affecting the Company's operations in the reporting period. This report was prepared in accordance with the books and documents of the Company and the facts, and includes the necessary, synthetic information concerning the operation of CCC S.A.
The Board recognizes described statements as correctly reflecting the actual situation and accurately presenting the situation of the Company in the reporting period.

3. **Analysis of the consolidated financial statements and the statements on operations of the Capital Group CCC S.A. in 2016.**

The Supervisory Board got familiar with the opinion and report of the auditors on the consolidated financial statements, as well as analysed the economic - financial operation of the Capital Group CCC S.A. The auditor acting on behalf of PricewaterhouseCoopers Sp. z o.o. issued a positive opinion of the submitted consolidated financial statements for 2016, stating that they were prepared, in all material aspects, in accordance with the accounting principles and International Financial Reporting Standards and related interpretations and based on properly kept accounting records and kept consolidation documentation.
The report complies in form and content with the applicable laws and presents truly and fairly the financial and asset position of the Capital Group CCC S.A., as well as the financial result of the Group as of 31 December 2016.
In 2016, the Group CCC S.A. generated sale revenue in the amount of PLN 3,185.3 billion, representing an increase by PLN 878.3 million (38.1%) yoy. The increase in sales was mainly influenced by business development and expansion in individual retail markets, especially in Poland. Total retail sales in 2016 accounted for 86.0% of total sales from external customers, with 5.0% of wholesale sales and 9.0% of e-commerce sales. Poland is still the largest sales market, the share of which in total sales in 2016 amounted to 53.0% compared to 62.3% in 2015. As compared to the previous year, sales revenue to external customers increased in all markets. The Group maintains high retail sales per 1m² - during the past year such sale did not change compared with 2015 and amounted to 6.4 thousand PLN/m², with the growth of average floor space of CCC store + 9.6% up to 535 m². The volume of revenues generated is affected by changes in sales in existing facilities and changes resulting from opening and closing retail facilities. In general, for the years described, the increase in sales in like-for-like stores amounted to PLN -127.3m (+ 8.0%). Increases in like-for-like facilities were reported in Poland (+ 10.4%), Central and Eastern Europe countries (+ 4.2%) and Western Europe (+ 4.0%). Retail sale revenue in 2016 amounted to PLN 1,689.1 billion, an increase by PLN 250.7m (+ 17.4%) yoy. In the same period in Poland CCC stores were opened and enlarged with a total area of 27.7 thousand m², and the facilities were closed with a total floor space of 2.3 thousand m² net, in 2016 in Poland commercial floor space increased by 24.2 thousand m², including CCC +25.4 thousand m², BOTI and LASOCKI - 1.2 thousand m². The change of revenue PLN 246.4m yoy was affected by sale in like-for-like stores of CCC 101.8 million (10.0%) and other stores sales of PLN 144.6 million (+ 31.3%).
Consolidated gross profit on sales of the Group increased by 32.7% and amounted to PLN 1,680.1 billion in 2016. Higher growth rate of cost of goods sold + 44.6% compared to sales revenue + 38.1% caused the reduction of a gross margin by 2.2 p.p. yoy. Higher growth rate of cost of goods sold than revenues is related, among others, with the operations of the e-commerce channel, which generates a gross margin of 42.6%. The margin in the retail segment was 54.9% in 2016 and was lower by 1.0 p.p. yoy. The gross profit earned on sales covers the costs of operating the stores and creates the result of the segments. In 2016, the cost of operating stores increased by PLN 200.2m yoy and the retail segment increased by PLN 26.8m.
In 2016, the most significant cost item of the CCC Group was the costs of operating stores, which increased by PLN 200.2m (27.4%) to PLN 931.3m yoy. The main reason for the increase in costs of operating stores was the increase in retail floor space by 86.3 thousand m². Together with the market expansion and the opening new facilities, all the cost of operating stores increased, and the most significant were rental cost and employees remuneration cost which accounted for 41.4% and 37.1% of total operating costs respectively.
Other operating cost and revenues were respectively PLN 8.4m and PLN 34.6m, which accounted for PLN 26.2m on the revenue side compared to PLN 1.9m in the previous year. The main reason for the change 2016 to 2015 was, among others, a positive result on disposal of fixed assets (PLN +7.7m) against losses incurred in 2015 (-PLN 7.3m). As

a result of the above-mentioned factors, the CCC Group achieved an operating result in 2016 in the amount of PLN 373.4m, which compared to the same period in 2015 was higher by 45.5% (PLN 116.7m). In 2016, financial income amounted to PLN 0.9 million and were PLN 0.8 million higher than in the previous year. In 2016, financial cost amounted to PLN 33.4 million and were higher by PLN 9.6 million (40.3%) than in the previous year. The main item of financial costs in the reporting period there were interest on debt (62.9% of the total value of financial cost), which amounted to PLN 21.0 million and were by PLN 3.6 million higher (20.7%) than in the previous year. Other financial cost were primarily a negative result on foreign exchange rates (PLN 1.9m), commissions paid (PLN 0.5m), other financial cost (PLN 2.9m), and buy-out of minority share options valuation (PLN 7.1m PLN). Income tax in 2016 amounted to PLN 25.4m negatively impacting the net profit. Current tax amounted to PLN 38.2m and a deferred part amounted to PLN -12.8m. After taking into account financial income and cost and income tax, the net profit amounted to PLN 315.5 million and was 21.6% higher than in 2015.

Table 5. Consolidated statement of comprehensive income

	At 31 December 2016. (mln PLN)	At 31 December 2015. (mln PLN)
Sale revenue	**3 185,3**	**2 307,0**
Gross sale profit	**1 680,1**	**1 265,8**
Operating profit	**373,4**	**256,7**
Gross profit	**340,9**	**233,0**
Net profit	**315,5**	**259,4**

Fixed assets as at 31 December 2016 consisted of tangible fixed assets (PLN 679.6m), intangible assets (PLN 181.2m), goodwill (PLN 106.2m) and deferred tax assets (PLN 320.3m). The value of non-current assets as compared to 31 December 2015 increased by 39.9% to PLN 1,287.3 billion, which was mainly attributable to the recognition of goodwill and intangibles related to the acquisition of eobuwie.pl, an increase in investment expenditure related to the opening further stores and expansion of logistics center.

Tangible fixed assets as at 31 December 2016 amounted to PLN 679.6 million and increased by PLN 87.7 million (14.8%) as compared to 2015, mainly due to investment expenditures in shops (+51.6 million PLN) and a floor space increase by another 86.3 thousand m² and an increase in fixed assets in production and logistics operation, which were PLN 24.6m higher than at the end of 2015 and amounted to PLN 251.9m. Deferred tax assets disclosed at 31 December 2016 related mainly to the recognition of deferred tax assets in connection with established goodwill and the acquisition of trademarks, which amounted to PLN 320.3 million as at 31 December 2016. Current assets as at 31 December 2016 amounted to PLN 1 381.8 billion and consisted of inventories (PLN 1,034.9 billion), cash and cash equivalents (PLN 143.4m), loans granted (PLN 11.1m) and receivables from customers and other receivables (PLN 192.4m). Value of current assets as compared to 31 December 2015 increased by 20.0% from PLN 1,151.7 billion.

The main reason for the increase in the value of current assets was the increase in inventories (increase by PLN 354.4m, i.e. 52.1%), which at the end of the year amounted to PLN 1,034.9 billion.

Table 6. Consolidated statement of financial position

	At 31 December 2016. (mln PLN)	At 31 December 2015. (mln PLN)
ASSETS		
Fixed assets	**1 287,4**	**920,3**
Current assets	**1 381,8**	**1 151,7**
TOTAL ASSETS	**2 669,2**	**2 072,0**
LIABILITIES		
Total equity	**1 236,2**	**1 123,6**
Current liabilities	**772,6**	**613,4**
Non-current liabilities	**660,4**	**335,0**
TOTAL LIABILITIES	**1 433,0**	**948,4**

Non-current liabilities at 31 December 2016 amounted to PLN 660.4 million, increasing by PLN 325.4 million (97.1%) from the level of PLN 335.0 million at 31 December 2015. Total non-current liabilities at the end of 2016 consisted of non-current debt obligations of PLN 366.0m, liabilities due to the obligation to buy out the minority share of eobuwie.pl PLN 229.6m, provisions of PLN 7.2m, deferred tax liabilities, which amounted to PLN 34.1 million and received subsidies of PLN 23.5 million.
Current liabilities as at 31 December 2016 amounted to PLN 772.4m, increasing by PLN 159.0m (25.9%) from PLN 613.4m as of 31 December 2015.

As at 31 December 2016, the CCC Group's equity increased by PLN 112.5m (10.0%), mainly due to generating the profit for 2016 in the amount of PLN 315.5m as compared to 31 December 2015 while paying out the dividend for 2015 in the amount of - PLN 85.7m and recognition of liabilities to acquire shares of eobuwie.pl (put option) - PLN 222.4m. Equity recognized the shares issue related to the implementation of the incentive scheme PLN +44.7m and non-controlling interests arising from the acquisition of eobuwie.pl PLN +43.4m.

Table 7. Consolidated statement of changes in equity

	Year finished on 31 December 2016. (mln PLN)	Year finished on 31 December 2015 (mln PLN)
Equity at the beginning of the period	**1 123,6**	**952,2**
Equity at the end of the period	**1 236,1**	**1 123,6**

Consolidated net cash flows from operating activities in 2016 amounted to PLN 174.7 million and resulted, among others, from the increase of the need for the working capital and the generated profit for 2016. Consolidated net cash flows from investing activities in 2016 amounted to PLN 362.0 million. Consolidated net cash flow from financing activities in 2016 amounted to PLN. – 9.9 million

Table 8. Consolidated statement of cash flows

	At 31 December 2016. (mln PLN)	At 31 December 2015. (mln PLN)
Net cash from operating activities	**174,7**	**325,4**
Net cash from investing activities	**(362,0)**	**(155,5)**
Net cash from financing activities	**(9,9)**	**8,8**
Net increase in cash and cash equivalents	**(197,2)**	**178,7**
Cash at the beginning of the period	**340,6**	**161,9**
Cash at the end of the period	**143,4**	**340,6**

Statement on the operations of the Group CCC S.A. in 2016 should be regarded as complete. This statement includes information on the economic and financial position of the Group and describes the important events which had a significant impact on its operations during the reporting period. This statement was prepared in accordance with the books and documents of the Company and the facts and contains the necessary synthetic information on the operation of the Capital Group.
The Board recognizes the described statements as correctly reflecting the actual situation and presenting the situation of the Group in the reporting period.

4. Conclusions from the analysis of statements and recommendations for the General Meeting

Summing up the financial year of 2016, the Supervisory Board stated that the operations performed by CCC S.A. brought about very good economic results which led to the strengthening of the position of the Company and the whole Group on the financial and economic market as well as the growth of the equity.

The strategy of the CCC Group S.A. assumes a consistent expansion of the sales network and the opening of new stores, both domestically and abroad, carefully selected in terms of expected profitability and return rates.

In 2016, the CCC Group expanded its growth expansion, gaining a leading position in Central and Eastern Europe and opening new stores in Western Europe. In 2016, the CCC Group increased its net floor space by 88.3 thousand m², from 370.7 thousand m² to 459.0 thousand m² (including: CCC network of 458.6 thousand m², BOTI network of 0.4 thousand m²) at the end of the year. The change in area was due to the expansion of the existing retail space by the opening of stores of the total area of 83.0 thousand m² and the modernization and enlargement of the existing retail space by 11.7 thousand m². Retail sales in own network of stores and agencies in 2016 was made in Poland, the Czech Republic, Slovakia, Austria, Slovenia, Croatia, Turkey, Bulgaria, Germany, Hungary, Russia and Serbia. The total number of own and agency stores as at 31 December 2016 amounted to 796. The average floor space of these stores increased by

47 m² to 535 m² (488 m² in 2015). The total area of CCC own and agency stores as of 31 December 2016 amounted to 425.7 thousand m² and increased by 25.4% in comparison with 2015 (339.4 thousand m²).

The key element of the CCC Group's strategy is to continue its very successful expansion in Central and Eastern Europe, to become a leader in each of the local footwear markets in the region and to achieve sustainable profitability in the markets of Austria and Germany over the next few years. The brand is entering a new dimension and is creating new horizons of its development thanks its recognition in the market environment of the Group both in Poland and in other countries. In order to provide further stable development of the Company, the Supervisory Board states that the adopted directions of development are properly and successfully implemented by the Management Board.

The generated economic - financial results presented in the statements and their analysis by the Supervisory allow positively assess the operation of the Company in 2016 and highly assess the work of the Management Board.

The Supervisory Board, after analysing the submitted statements and the results of CCC S.A. and the Capital Group CCC S.A. in 2016, acting in accordance with the Code of Best Practice for WSE Listed Companies, positively evaluate the activities and financial position of the Company in the period from 1 January 2016 to 31 December 2016.

In the opinion of the Supervisory Board there are no threats for the continuation of the activities of CCC S.A. and the Capital Group, and actions taken are the guarantee of the further development of the Company in the future.

The Supervisory Board accepts the proposal of Management Board of CCC S.A. for allocating a part of reserve capital for the payment of dividend, a profit distribution for 2016, and the separate and consolidated financial statements for 2016, and proposes the General Meeting for their approval.

Therefore, the Supervisory Board after the assessment, decided to propose to the Ordinary General Meeting to adopt the following resolutions on:

1. approval of the separate financial statements and statements on the operations of the Company CCC S.A. for the financial year 2016;
2. approval of the financial statements and statements on the operations of the Capital Group CCC S.A. for the financial year 2016;
3. allocation of a part of reserve capital for the payment of dividend
4. distribution of generated profit for 2016;
4. acknowledgement of the vote of approval for the Management Board in 2016.

Polkowice, 10 May 2017.