

Report of the Supervisory Board of CCC S.A.

On the results of the evaluation of the individual and consolidated financial statements, the report of the Management Board on the activities of the Capital Group of CCC S.A., and Management Board's motion, on the distribution of profit for the fiscal year beginning 01.02.2023 and ending 31.01.2024.



1. Introduction

Acting based on Article 382 § 3 of the Code of Commercial Companies and § 16 item 2 paragraph 2 of the Articles of Association of CCC S.A., the Supervisory Board has evaluated and considered the following documents:

- 1) The unconsolidated financial statements of CCC S.A. for the 12-month period beginning February 1, 2023, and ending January 31, 2024 (hereinafter: the unconsolidated financial statements of CCC S.A.);
- 2) consolidated financial statements of the CCC S.A. Capital Group for the 12-month period beginning February 1, 2023, and ending January 31, 2024 (hereinafter: consolidated financial statements of the CCC S.A. Capital Group);
- 3) The consolidated report of the Management Board on the activities of the CCC S.A. Capital Group for the fiscal year beginning February 1, 2023, and ending January 31, 2024 (hereinafter: the consolidated report of the Management Board on the activities of the CCC S.A. Capital Group);
- 4) CCC Group sustainability report for the fiscal year beginning February 1, 2023, and ending January 31, 2024 (hereinafter: CCC Group sustainability report);
- 5) independent auditor's report on the audit of the annual financial statements;
- 6) independent auditor's report on the audit of the annual consolidated financial statements;
- 7) The Board of Directors' proposal on the distribution of profit for the fiscal year beginning February 1, 2023, and ending January 31, 2024.

The Supervisory Board presents the results of its assessment in this report and the statement issued before the publication of the reports for the fiscal year ended January 31, 2024, in which it stated that the Board's report on the Group's operations for the fiscal year ended January 31, 2024, complies in all material respects with the requirements set forth in Articles 49 and 55(2a) of the Accounting Act and the Regulation of the Minister of Finance dated March 29, 2018. on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent the information required by the laws of non-member states, and the information contained therein is consistent with the information contained in the audited individual financial statements of CCC S.A. and the consolidated financial statements of the CCC S.A. Group for the fiscal year ended January 31, 2024.

In addition, the Supervisory Board assessed that the unconsolidated financial statements of CCC S.A., the consolidated financial statements of the CCC S.A. Capital Group and the Management Board's report on the activities of the CCC S.A. Capital Group presented by the Company's Management Board present fairly and clearly all necessary and relevant information for the assessment of the Company's and the Capital Group's assets and financial position as of January 31, 2024, and are in accordance with the books, documents and facts.

The Supervisory Board made a positive evaluation of the stand-alone financial statements of CCC S.A., the consolidated financial statements of the CCC S.A. Capital Group and the report of the Management Board on the activities of the CCC S.A. Capital Group based on:

- The content of the aforementioned reports submitted by the Company's Board of Directors;
- the reports of the independent auditor, i.e. Ernst & Young Audyt Polska sp. z o.o. sp. k., based in Warsaw, on the audit of the stand-alone financial statements of CCC S.A. and the consolidated financial statements of the CCC S.A. Capital Group, as well as the supplementary report to the Audit Committee prepared pursuant to Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements for statutory audits of public-interest entities,

- repealing Commission Decision 2005/909, and in accordance with the provisions of the Law of May 11, 2017, on certified auditors, audit firms and public supervision;
- meetings with representatives of the aforementioned audit firm, including the key auditor;
 - the Audit Committee's information on the conduct, results and significance of the audit for the integrity of financial reporting in the Company and the Committee's role in the financial statement audit process;
 - made an assessment of the effectiveness of the functioning of the systems and functions: internal control, risk management and compliance supervision, as well as an effective internal audit function;
 - the results of other verification activities performed in selected financial and operational areas.

2. Evaluation of the non-consolidated financial statements of CCC S.A., the consolidated financial statements of the CCC S.A. Capital Group and the report of the Management Board on the activities of the CCC S.A. Capital Group for the fiscal year beginning February 1, 2023, and ending January 31, 2024.

The Supervisory Board reviewed and analyzed **the stand-alone financial statements of CCC S.A. for the 12-month period beginning February 1, 2023, and ending January 31, 2024**, prepared in accordance with International Financial Reporting Standards, and reviewed the independent auditor's report on the audit of the annual stand-alone financial statements, and analyzed the economic and financial functioning of the Company. The auditor, acting on behalf of Ernst&Young Audyt Polska sp. z o.o. sp. k., issued an audit report covering the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and notes.

At the same time, the auditor stated in his report that the key auditor and the auditing firm remained independent of the Company during the audit in accordance with the provisions of the Law on Statutory Auditors and the rules of professional ethics, and did not provide non-audit services that are prohibited under Article 136 of the Law on Statutory Auditors. The auditor Ernst&Young Audyt Polska sp. z o.o. sp. k. was first appointed to audit the annual reports by a resolution of the Supervisory Board dated May 10, 2017, and again by a resolution dated February 28, 2019. On May 24, 2021. The Supervisory Board adopted a resolution to extend cooperation with the auditing firm Ernst & Young Audyt Polska Sp. z o.o. Sp. k. with its registered office in Warsaw, registered on the list of entities authorized to audit financial statements, regarding the audit of financial statements for the years ending January 31 2023 and January 31, 2024.

In the opinion prepared, the auditor stated that the non-consolidated financial statements of CCC S.A. were prepared, in all material respects, in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations promulgated in the form of regulations of the European Commission and the adopted accounting principles (policies). The report is consistent in form and content with the applicable laws and the Articles of Association and presents fairly and clearly all material information, property and financial position, as well as the financial result of the entity and does not contain any material misstatement due to fraud or error. It has been prepared based on properly kept books of account and is consistent in form and content with the applicable legal regulations and the Articles of Association of the Company.

In his report, the auditor drew attention to the explanatory note to the non-consolidated financial statements of CCC S.A., which indicated a number of risks and circumstances related to the implementation of the Company's and the CCC S.A. Group's financial plans, as well as the actions taken and planned to be taken in connection therewith. The auditor indicated that the circumstances, described therein, indicate significant uncertainties that may raise serious doubts about the Company's and the Group's ability to continue as a going concern.

Among the key audit matters, the auditor identified:

- impairment of intangible assets (PLN 3.2 million), goodwill (PLN 48.8 million), property, plant and equipment (PLN 308.2 million), right of use (PLN 378 million) and shares (PLN 1,290.1 million), which together account for about 56% of the balance sheet total;
- Inventories, the value of which as of January 31, 2024, as indicated in the separate financial statements, amounted to PLN 351.3 million, while the inventory write-down as of that date amounted to PLN 3.9 million.

In fiscal year 2023, the company reported a decrease in sales revenue compared to the previous year by 2.4% at PLN 2,655.6 million.

Regarding the comparable period, the change in comparable store sales amounted to PLN -58.4 million (-3.7%).

In CCC SA, the retail space at the end of the period (31.01.2024) was 279.6 thousand square meters, compared to last year (31.01.2023) this is a decrease of 2.3 thousand square meters.

Compared to the previous year, gross profit on sales fell by PLN 25.1 million and amounted to PLN 768.6 million (-3.2%). Compared to the previous year, there was a decrease in trade and sales point costs of PLN 635.5 million (-9.1%) and an increase in general and administrative expenses of PLN 79.1 million (9.7%).

Other operating income and expenses, net, accounted for PLN 22.0 million on the revenue side, compared with PLN 46.9 million in the previous year.

In the reported period, financial revenues amounted to PLN 214.3 million, up by PLN 137.2 million compared to the previous year.

Financial expenses amounted to PLN 144.9 million and were higher by PLN 26.2 million compared to the previous year.

After considering financial income and expenses and income tax, net income amounted to PLN 220.8 million, improving the result by PLN 243.7 million compared to the previous year.

The Supervisory Board has reviewed and analyzed **the consolidated financial statements of the CCC S.A. Group for the 12-month period beginning February 1, 2023 and ending January 31, 2024**, prepared in accordance with the provisions of International Financial Reporting Standards and with the auditor's report on the audit of the annual consolidated financial statements including: the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes. In his report, the auditor stated that the key auditor and the auditing firm remained independent of the Group entities during the audit in accordance with the provisions of the Law on Auditors and the rules of professional ethics, and that they did not provide non-audit services that are prohibited by the provisions of Article 136 of the Law on Auditors.

In its opinion, the auditor stated that the consolidated financial statements give a true and fair view of the Group's financial position and results for the year ended January 31,

2024, in accordance with in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations promulgated in the form of European Commission regulations and the adopted accounting principles (policies). The consolidated financial statements comply in form and content with the Group's applicable laws and the Company's Articles of Association.

In addition, the auditor stated that the Consolidated Report of the Management Board on the activities of the CCC S.A. Capital Group was prepared in accordance with the applicable accounting regulations and other applicable laws and is consistent with the with the information contained in the Consolidated Financial Statements of the CCC S.A. Capital Group. The auditor also stated that, according to his knowledge of the Group and its environment obtained during the audit of the Consolidated Financial Statements, he found no material misstatements in the Consolidated Management Report.

Regarding the statement on the application of corporate governance contained in the Consolidated Report of the Management Board on the Activities of the CCC S.A. Capital Group, the auditor stated in his opinion that the information contained therein is consistent with the applicable regulations and the information contained in the consolidated financial statements.

The auditor's report includes information that the Company has included in the Consolidated Report of the Management Board information on the preparation of a separate report on non-financial information, as referred to in Article 49b (9) of the Accounting Law.

The auditor's report drew attention to the explanatory note to the Consolidated Financial Statements of the CCC S.A. Capital Group, which indicated a number of risks and circumstances related to the implementation of the Company's financial plans and the CCC S.A. Capital Group, as well as the actions taken and planned in connection with them. The auditor indicated that the circumstances, described therein, indicate significant uncertainties that may raise serious doubts about the Company's and the Group's ability to continue as a going concern.

Among the key audit matters, the auditor identified:

- impairment of intangible assets (PLN 431.5 million), goodwill (PLN 199.7 million), property, plant and equipment (PLN 1,445.5 million) and right-of-use assets (PLN 1,400.1 million), which together account for about 47% of the balance sheet total;
- Inventories, the value of which as of January 31, 2023, as indicated in the consolidated financial statements, amounted to PLN 2,911.6 million, while the inventory write-down as of that date was PLN 62.6 million.

Sales revenues in the reported period amounted to PLN 9,440.3 million, an increase of PLN 317.1 million (+3.5%) over the previous year. The largest impact on the Group's revenue growth was the increase in sales revenue in the rapidly growing HalfPrice segment (+574.9 million PLN; +68.2%). The CCC segment saw a decrease in sales revenue by PLN 175.1 million (-4.2%), eobuwie saw a decrease of PLN 240.4 million (-7.8 million), MODIVO saw an increase of PLN 196.0 million (+21.9%), while DeeZee saw a decrease of PLN 25.5 million (-22.0%).

The change in revenues in the Offline Segment of +373.5 million PLN compared to the previous year was influenced by sales in comparable stores -84.7 million PLN (CCC: -141.7 million PLN; HalfPrice: +57.0 million PLN) and sales in other stores +458.2 million PLN (CCC: -45.9 million PLN; HalfPrice +504.1 million PLN).

Retail space at the end of the period (31.01.2024) was 742.7 thousand sqm (compared to last year, this is an increase of 60.4 thousand sqm (HalfPrice +74.6 thousand sqm; CCC -14.2 thousand sqm).

Consolidated gross profit on sales in the reported period amounted to PLN 4,394.1 million, up by PLN 128.7 million (+3.0%) compared to the previous year.

CCC (50.5%) and eobu Shoes (25.1%) accounted for the largest share of total gross profit on sales in the reported period. Consolidated gross margin on sales in the reported period was 46.5% and remained at a comparable level compared to the previous year.

From a signboard perspective, margin increases are seen at CCC (+3.3 p.p.) and DeeZee (+7.4 p.p.) as a result of improved inventory structure and sales with lower discounts. Margin declines seen at eobuwie (-2.6 p.p.), MODIVO (-4.2 p.p.) and HalfPrice (-2.4 p.p.) are primarily related to efforts to improve inventory structure and de-stocking at Modivo CG.

Consolidated segment profit (EBITDA) in the reported period amounted to PLN 778.4 million, up by PLN 247.5 million (+46.6%). The largest contribution to the aforementioned level came from the CCC segment (PLN 692.0 million, or 88.9%) and HalfPrice (PLN 150.6 million, 19.3%).

In the reported period, point-of-sale costs amounted to PLN 3,867.0 million and were higher by PLN 51.9 million (+1.4%), but the increase was slower than the rate of revenue growth (+3.5%). The most significant cost groups were salaries and benefits, advertising and depreciation, which accounted for 25.6% (+1.2% y-o-y), 24.2% (-2.9% y-o-y) and 13.9% (+0.8% y-o-y) of total POS costs, respectively.

In the reported period, general and administrative expenses amounted to PLN 384.9 million, down by PLN 14.6 million (-3.7%) y/y. The most significant cost groups were salaries and employee benefits and other costs, accounting for 44.0% (-9.4% y/y) and 24.4% (-1.5% y/y) of general and administrative expenses, respectively.

Sales revenues of individual signboards in the reported period were:

- 1/ in the CCC segment - PLN 4.0 billion, a decrease of PLN 175.1 million (-4.2%);
- 2/ in the HalfPrice segment - PLN 1.4 billion, an increase of PLN 574.9 million (+68.2%) on the back of consistent expansion of the store network and an increase in LFL (like for like, comparable stores) sales;
- 3/ in the eobu Shoes segment - PLN 2.8 billion, a decrease of PLN 240.4 million (-7.8%);
- 4/ in the MODIVO segment - PLN 1.1 billion, an increase of PLN 196.0 million (+21.9%);
- 5/ in the DeeZee segment - PLN 90.3 million, a decrease of PLN 25.5 million (-22.0%).

In the reported period, other operating income and expenses accounted for PLN 85.7 million and PLN 40.1 million, respectively, which, on a net basis, represented PLN 45.6 million on the income side, compared to PLN 57.4 million on the expense side in the same period last year.

Profit from operations in the reported period amounted to PLN 183.9 million, compared to the same period last year, the result was higher by PLN 235.2 million.

In the reported period, financial revenues amounted to PLN 124.1 million and were PLN 70.1 million higher than in the same period last year.

Financial expenses in the same period amounted to PLN 446.5 million, up PLN 44.6 million from the previous year.

After considering financial income and expenses, allowances for expected credit losses, share of loss of an affiliate and income tax, the net loss from continuing operations in the reported period amounted to PLN 124.7 million and was PLN 276.8 million lower than in the same period last year. The net result in the period was impacted by higher sales, increased cost discipline on the side of POS operating expenses and general and administrative expenses, and the result from other operating activities.

The consolidated report of the Management Board on the operations of the CCC S.A. Group for the fiscal year beginning February 1, 2023, and ending January 31, 2024, includes information on the economic and financial situation of the Group and describes the major events that had a significant impact on its operations during the reporting period. This report has been prepared in accordance with the Company's books and documents of the Company and the facts, and contains the necessary synthetic information on the Group's operations. In addition, the auditor stated that the Consolidated Management's Report on the Operations of the CCC S.A. Capital Group was

prepared in accordance with the Company's applicable regulations and is consistent with the information contained in the financial statements. The auditor also stated, that according to his knowledge of the Company and its environment obtained during the audit of the financial statements, he found no material misstatements in the management report. Regarding the corporate governance statement contained in the report, the auditor stated in his opinion that the information contained therein is consistent with the applicable regulations and the information contained in the financial statements. The auditor's report included information that the Company had included in the management report on operations the information about the preparation of a separate report on non-financial information referred to in Article 49b paragraph 9 of the Accounting Act.

The consolidated report of the Management Board on the activities of the CCC S.A. Capital Group provides a true picture of the development and achievements and situation of the Group, including a description of the main risks and threats.

The Board recognizes the described reports as correctly reflecting the actual state of affairs and presenting the Group's situation during the reporting period.

3. Conclusions from the analysis of reports and recommendations for the General Assembly

The Supervisory Board, having analyzed the submitted reports and results of CCC S.A.

and the CCC S.A. Capital Group in the fiscal year ended January 31, 2024, acting in accordance with the principles of the Good Practices of Companies Listed on the WSE, considering the existing challenges and external conditions, positively evaluates the Company's activities in the period from February 1, 2023, to January 31, 2024, while noting the need for ongoing monitoring of the financial and liquidity situation of the Company, as well as the and Group companies, as well as the Company's response to changing market circumstances, including the need for the Management Board to apply appropriate measures and actions.

In the opinion of the Board, a number of measures taken by the Company and the ongoing activities of its Management Board, reflect the Company's improving situation and provide a basis for ensuring proper liquidity of the Company and the Group.

Accordingly, the Supervisory Board, after evaluation, decides to propose the following resolutions to the Annual General Meeting of Shareholders:

1. Approval of the unconsolidated financial statements of the Company CCC S.A. for the period 12 months beginning February 1, 2023 and ending January 31, 2024;
2. Approval of the consolidated financial statements of the CCC S.A. Capital Group for the 12-month period beginning February 1, 2023 and ending January 31, 2024.
3. To approve the consolidated report of the Management Board on the activities of the CCC S.A. Group for the fiscal year beginning February 1, 2023 and ending January 31, 2024;
4. Profit distribution for the fiscal year beginning February 1, 2023 and ending January 31, 2024.
5. To grant the Company's Management Board a discharge of its duties for the fiscal year beginning February 1, 2023 and ending January 31, 2024.

Polkowice, May 16, 2024

Chairman of the Supervisory Board - Wiesław Oleś

Vice Chairman of the Supervisory Board - Mariusz Gnych

Member of the Supervisory Board - Zofia Dzik

Member of the Supervisory Board - Filip Gorczyca

Member of the Supervisory Board - Piotr Kamiński

Member of the Supervisory Board - Marcin Stańko