

**ANNUAL STATEMENTS ON  
OPERATIONS OF CCC S.A.  
FOR 2017**



**CCC**  
SHOES & BAGS



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# 1. OPERATIONS OF COMPANY CCC







**CCC**  
SHOES & BAGS

## SELECTED FINANCIAL DATA

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

- individual items of assets and liabilities in the 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 statement of profit and loss and other comprehensive income and 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.



## OPERATIONS OF COMPANY CCC

[in mln PLN unless otherwise stated]

FINANCIAL ACTIVITY	IN MLN PLN		IN MLN EUR	
<b>Selected data from the statement of profit or loss and other comprehensive income</b>	<b>01.2017-012.2017</b>	<b>01.2016-012.2016</b>	<b>01.2017-012.2017</b>	<b>01.2016-012.2016</b>
Sales revenue	2 086,6	1 738,5	491,6	397,3
Gross profit (loss) on sales	625,3	545,0	147,3	124,6
Profit on operating activity	56,6	49,9	13,3	11,4
Profit before tax	49,4	74,4	11,6	17,0
NET PROFIT	37,3	58,5	8,8	13,4
<b>Selected data of the statement of financial position</b>	<b>31.12.2017</b>	<b>31.12.2016</b>	<b>31.12.2017</b>	<b>31.12.2016</b>
Fixed assets	806,4	724,4	187,1	163,7
Current assets, including:	799,6	404,8	185,6	91,5
Inventories	249,8	149,6	58,0	33,8
Cash	300,4	38,0	69,7	8,6
TOTAL ASSETS	1 606,0	1 129,2	372,7	255,2
Non-current liabilities including:	233,4	235,1	56,0	53,1
Debt liabilities	210,0	210,0	50,3	47,5
Current liabilities including:	221,2	212,7	53,0	48,1
Debt liabilities	0,7	37,8	0,2	8,5
TOTAL LIABILITIES	454,6	447,8	109,0	101,2
EQUITY	1 151,4	681,4	276,1	154,0
<b>Selected data from the statement of cash flows</b>	<b>01.2017-12.2017</b>	<b>01.2016-12.2016</b>	<b>01.2017-12.2017</b>	<b>01.2016-12.2016</b>
Net cash flows from operating activities	(14,7)	154,2	(3,5)	35,2
Net cash flows from investing activities	(118,7)	(263,3)	(28,0)	(60,2)
Net cash flows from financing activities	395,8	(33,7)	93,2	(7,7)
TOTAL CASH FLOWS	262,4	(142,8)	61,8	(32,6)
FINANCIAL ACTIVITY	IN MLN PLN		IN MLN EUR	
<b>OPERATIONAL DATA</b>		<b>31.12.2017</b>	<b>31.12.2016</b>	
Number of stores CCC		448	436	
Floor space of stores (thousand m <sup>2</sup> )		243,8	212,2	
	<b>01.2017-12.2017</b>	<b>01.2016-12.2016</b>	<b>01.2017-12.2017</b>	<b>01.2016-12.2016</b>
Capital expenditures (in million)	(124,7)	(48,8)	(29,4)	(11,2)
Average revenue per m <sup>2</sup> of floor space (in thousand) <sup>[1]</sup>	8,3	7,9	2,0	1,8

[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<sup>2</sup> of retail space as at the balance sheet date.

## 1.1 GENERAL INFORMATION

### 1.1.1 GENERAL INFORMATION ABOUT THE COMPANY

The company CCC S.A (the "Company" "Issuer", is the parent company and, together with 17 subsidiaries, forms the Capital Group CCC S.A. Its main task is the distribution of goods on Polish territory through its own sales network.

The company CCC S.A. is a leader in the Polish retail footwear market and its largest producer in Poland. It has nearly 450 stores CCC located in modern shopping centres and shopping malls in Poland, it employs more than 6.6 thousand employees and sells nearly 25 million pairs of shoes per year. In January 2016, the Company acquired a controlling stake of eobuwie.pl S.A. and acquired for the Group top class expertise in e-commerce, thereby allowing the purchase of their goods in the online channel.

The company CCC S.A. has been listed on the Warsaw Stock Exchange S.A. since 2004. Since December 2015 to be included in the index of the largest companies, the WIG 20. The capitalization of the company at the end of 2017 amounted to nearly PLN 11.7 billion.

The business activity of the Company after organizational restructuring made in 2014 covers the following areas:

- retail sales of footwear, handbags, accessories and fancy goods through its own distribution network in Poland,
- sublease of commercial space
- holding operations and providing logistic and accountancy services for CCC.eu sp. z o.o.



### 1.1.2 FACTORS AND EVENTS EFFECTING THE ACHIEVED RESULTS OF CCC S.A.

#### MACROECONOMIC DEVELOPMENT IN CENTRAL AND EASTERN EUROPE:

The company CCC S.A. operates in the Polish market. 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 Company's results due to the specific activity was consumer behaviour, in particular the propensity to consume. Economic growth favoured the development of trade – customers were willing to spend large amounts of money on consumer goods.

#### CHANGES IN CONSUMER PREFERENCES AND CHANGES IN DEMAND

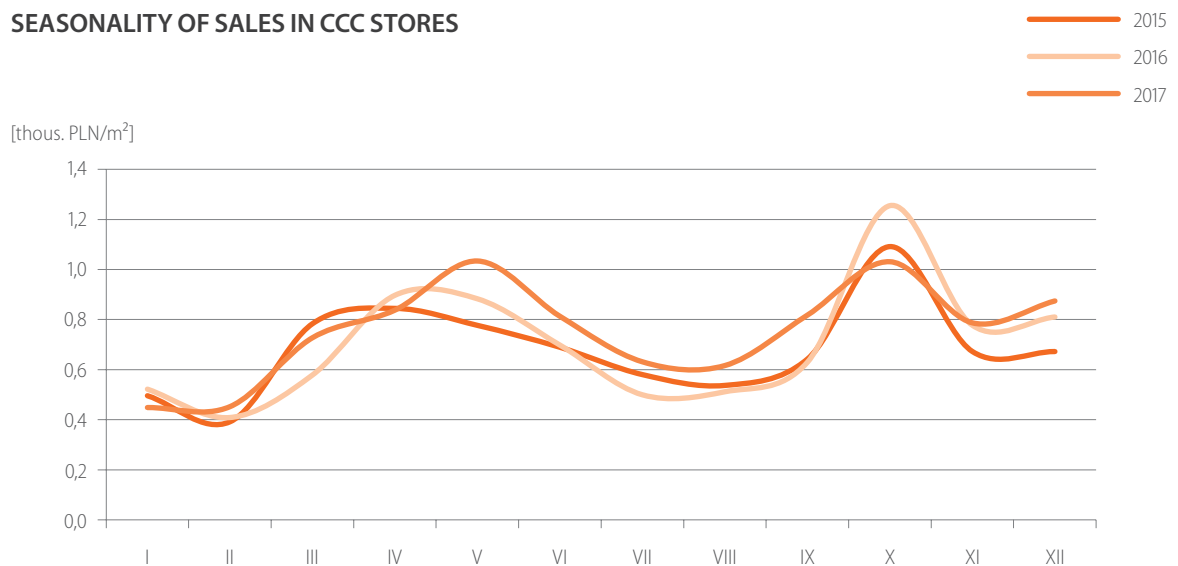
Technological advancement, constantly evolving trends or changes in mode of life significantly influenced the changes in needs and behaviour of customers in the reporting period. Also their preferences changed, including those concerning the form of purchases and therefore CCC Group expanded its operations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

**OPERATIONS OF COMPANY CCC**

[in mln PLN unless otherwise stated]

**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**



## CHANGES OF EXCHANGE RATES

Part of the cost of the company CCC S.A. is denominated in foreign currencies, the exchange rates of USD and EUR have an impact on the structure of cost of sales. The company also grants loans in foreign currencies, therefore exchange rates of EUR, TRY, BGN, USD will affect the reporting of foreign exchange differences in the statement of profit or loss.

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

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 Company.



## 1.2 PRODUCTS AND BRANDS

### PORTFOLIO OF THE COMPANY CCC

Company CCC S.A. offers its customers a range of products aimed at a broad group of consumers. Besides women, men and kids' footwear, the company 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.

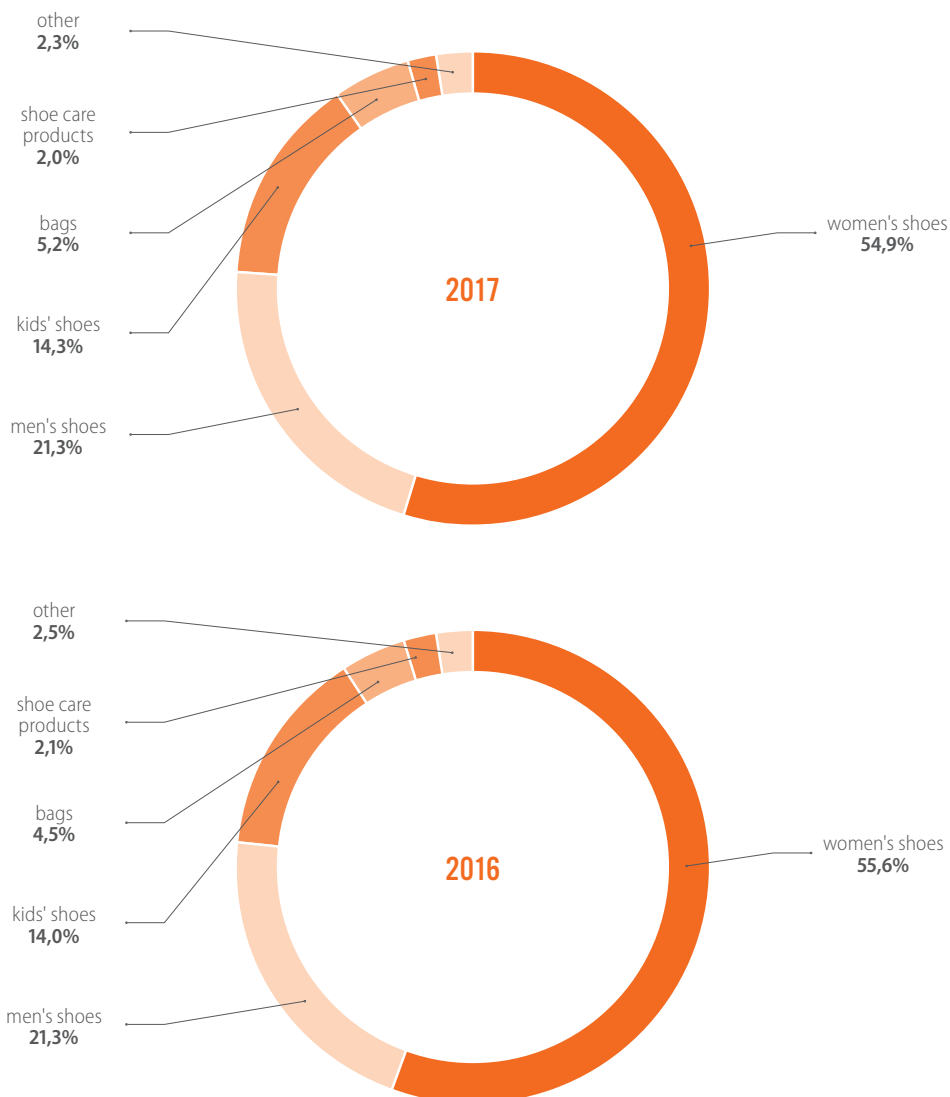
Footwear is a basic product of the Company CCC. Customers visiting stores have a choice assortment of products for every occasion – from casual shoes for sports shoes to the elegant leather shoes. The range of products offered to customers, the Company sells under its own brands and licensed brands – 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. 54.9% of sales, footwear for men is approx. 21.3%, and kids shoes is approx. 14.3%. Besides footwear, which is the main product, handbags are responsible each year for approx. 5.2% of sales, shoe care products for approx. 2%.

Product structure of sales of the Company 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:





**OPERATIONS OF COMPANY CCC**

[in mln PLN unless otherwise stated]



54,9%

**WOMEN'S SHOES**

Within the product range of shoes for women, the Company 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 54.9% (60.7% of sales of footwear), the value of sales realized in 2017, in terms of volume was 58.1% of total sales of footwear which gives sales of 14.4 million pairs of shoes sold. Compared with 2016, the sales of women's footwear increased by 25.5%.

## MEN'S SHOES

21,3%

Within the product range of men's footwear, the Company 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 21.3% (23.5% of sales of footwear), the value of sales realized in 2017, in terms of volume was 17.8% of sales of footwear which gives sales of 4.4 million pairs of shoes. Compared with 2016, sales of men's footwear increased by 22.3%.



## KIDS' SHOES

Within the product range of kids's shoes, the Company 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 14.3% (15.8% of sales of footwear) of the total value of sales in 2017 in terms of volume it was 24.1% of sales of footwear which gives sales of 6.0 million pairs of shoes. Compared with 2016, sales of children's footwear increased by 24.3%.

14,3%







5,2%

## BAGS

Within this group of product range, The company 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 5.2% of total sales in 2017 resulting in 1.6 million of units of sold bags. Compared with 2016 sales of bags increased by 50.6%

**OPERATIONS OF COMPANY CCC**

[in mln PLN unless otherwise stated]

Within the product range of shoe care products, the Company sells products for shoe care. Sales of the group of product range of shoe care products accounted for 2.0% of total sales.

2,0%

**SHOE CARE  
PRODUCTS**

2,3%

**OTHER**



within the product range of the others, the Company sells, among others, the following products: jewellery, fancy goods, cycling accessories. Sales of the group of product range of other products accounted for 2.3% of total sales.





OPERATIONS OF COMPANY CCC

[in mln PLN unless otherwise stated]



The image shows a pair of Sprandi sneakers, primarily blue with yellow accents and white laces, worn by a person whose legs in dark pants are visible. The shoes are positioned on a textured, grey pavement. The background is a soft-focus outdoor scene with sunlight filtering through trees, creating a warm, golden glow. In the lower-left corner of the image area, there is a blue rectangular box containing the Sprandi logo and tagline.

**sprandi**  
GET WHAT YOU WANT

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.

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.

**FAMILY RECREATION  
AND URBAN STYLE**

Comfortable, branded sports 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

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

#### 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

**LASOCKI  
YOUNG**

**LASOCKI  
KIDS**

- 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

*Magic Lady*  
\* for young fashion lovers \*

**ACTION BOY**  
SUPERSHOES

  
**NelliBlu**

- 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

**Disney**

**MARVEL**

- 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 current economic situation in Poland is stable with moderate growth prospects. The level of GDP per capita is steadily increasing and in 2017 reached the level of EUR 11.2 thousand (according to Eurostat data). Currently, the one of the lowest levels of unemployment is being recorded, which at the end of 2017 amounted to approx. 6.6% (statistical data from Central Statistical Office (GUS)). 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.

#### RETAIL SALES

Retail sales are conducted within the chain of own and agency stores in Polish territory.

The total number of own and agency stores of CCC as of 31 December 2017 amounted to 448. The average size of space floor of these stores increased by 60 m<sup>2</sup> to 544 m<sup>2</sup> (484 m<sup>2</sup> in 2016). The total space floor of own and agency stores on 31 December 2017 amounted to 243.8 thousand m<sup>2</sup> and increased by 14.66% compared to 2016 (212.7 thousand m<sup>2</sup>). Revenues from retail sales increased by 19.93% to PLN 2,020.6 million (PLN 1,684. million in 2016) and accounted for 96.8% of total sales. Retail sales revenue per square meter amounted to 8.29 thousand PLN/m<sup>2</sup> (7.92 thousand PLN/m<sup>2</sup> in 2016).

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

CHAIN	TYPE	2013		2014		2015		2016		2017	
		M <sup>2</sup>	NUMBER	M <sup>2</sup>	NUMBER	M <sup>2</sup>	NUMBER	M <sup>2</sup>	NUMBER	M <sup>2</sup>	NUMBER
CCC	Own	129 858	342	152 602	366	170 346	370	194 641	396	222 947	409
CCC	Agency	12 102	37	14 344	39	16 434	40	17 601	40	20 892	39
BOTI	Own	9 820	72	4 984	34	712	5	427	3	0	0
LASOCKI	Own	2 504	20	1 052	8	433	3	0	0	0	0
		154 284	471	172 982	447	187 925	418	212 669	439	243 839	448

**OPERATIONS OF COMPANY CCC**

[in mln PLN unless otherwise stated]

## **OTHER SALES**

Within this channel, the Company CCC S.A. provides logistic and accounting services for CCC.eu. In 2017, the resale of goods within the framework of intra-group transactions was also made.

## **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 square meters, 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.

New 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 for the optimization of storage space, which is currently 82.3 thousand m<sup>2</sup>.

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 Company CCC S.A. and the whole Group. The company obtains goods from domestic and foreign suppliers and from its own factory (CCC Factory Sp. z o.o.). More information about the supplies is provided in section 1.3.3. of the Annual statements on the operations of the Capital Group CCC S.A. for the year 2017.





## 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 298.00 PLN, and was thus the highest, while the lowest amounted to 201.20 PLN. 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 9.50 PLN (issue price as of 2 December 2004) to the price of PLN 285.50 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. 2.59 PLN 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.

**OPERATIONS OF COMPANY CCC**

[in mln PLN unless otherwise stated]



**OPERATIONS OF COMPANY CCC**

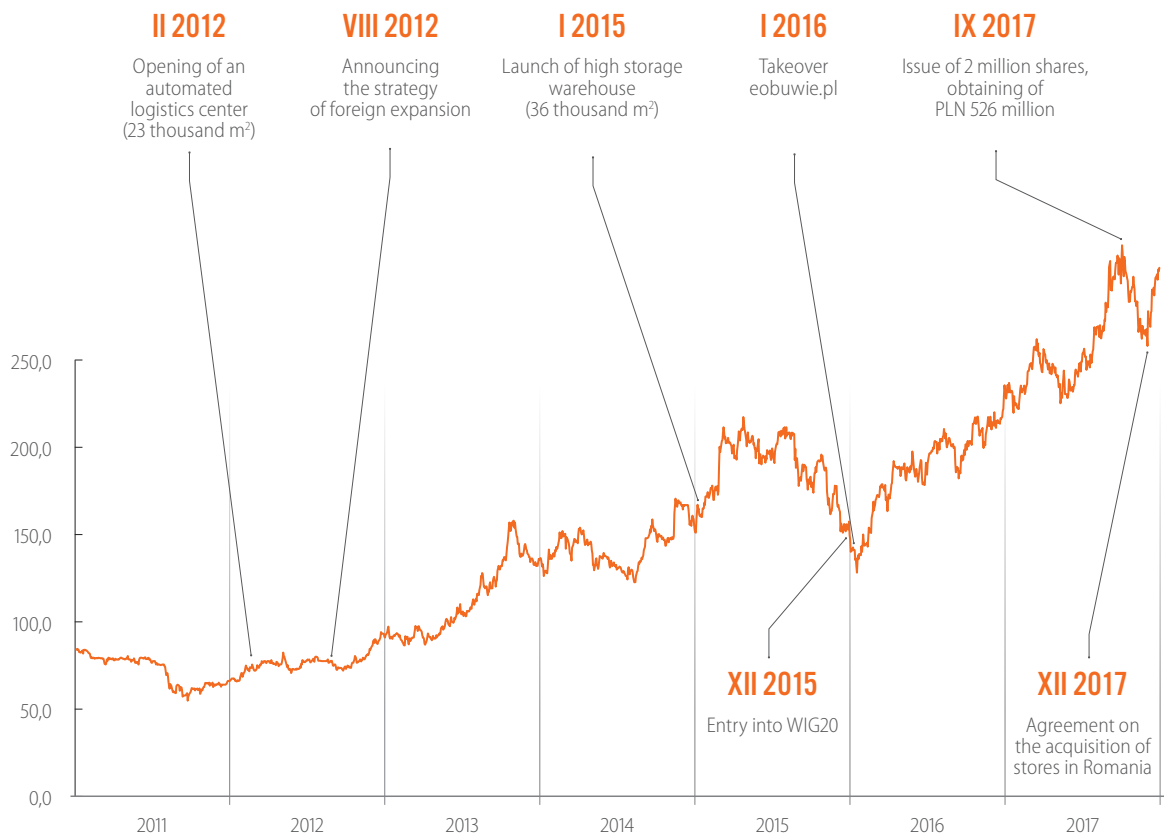
[in mln PLN unless otherwise stated]

Listing of shares of CCC since IPO until 29 December 2017





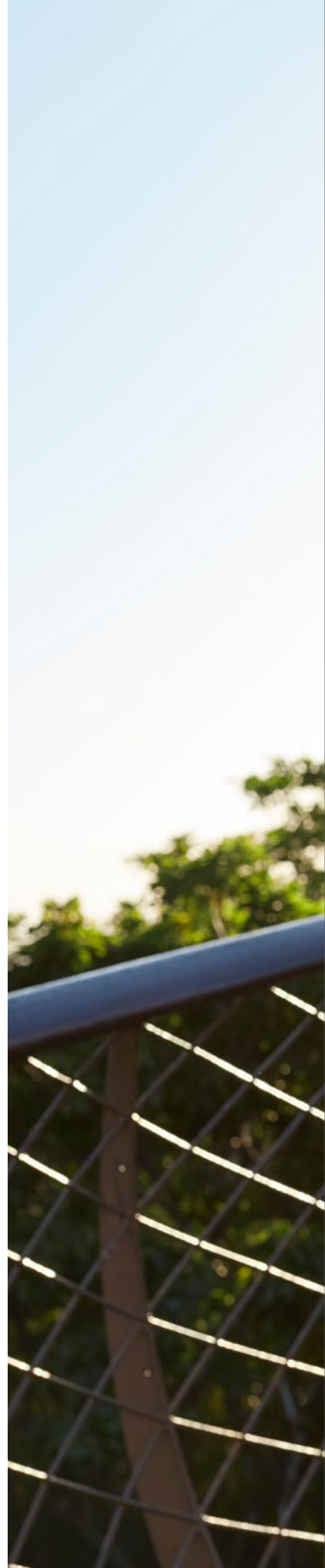
The most important events against listing of shares of CCC on WSE



## 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 m<sup>2</sup> 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<sup>2</sup>
- 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<sup>2</sup>
- 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

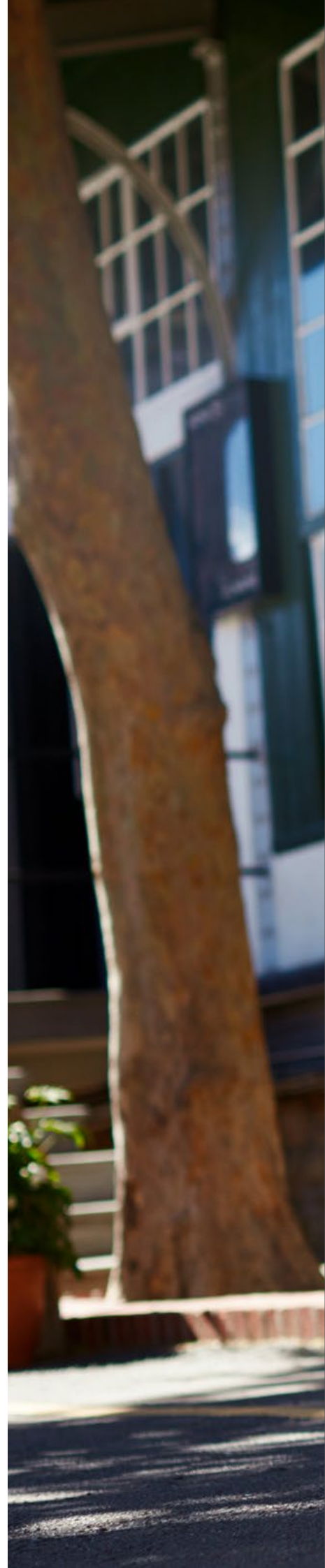
FACTORS FOR DEVELOPMENT	ISSUER'S EXPECTATIONS
the volume of sales achieved in offline stores and in the e-commerce channel	the economic situation in the countries, in which the CCC Group conducts its operations should have a positive impact on the sales revenues;
the amount of realized margins and the 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 margin
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 COMPANY 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 SEPARATE STATEMENT 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 sale of logistical services, accounting services served for CCC.eu sp. z o.o.

As the **cost of goods sold**, the Company recognizes: the value of goods sold, the value of packages sold, the cost of reserves for claims, the cost on sublease services, logistic services, accounting services, inventory impairments.

**Gross sale 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 m<sup>2</sup> of floor space and sales of comparable facilities** – definitions of these measures are included in the particular tables.

## ANALYSIS OF FINANCIAL RESULTS OF THE COMPANY CCC

[in mln PLN unless otherwise stated]

Our sales revenue was as follows:

	SALE REVENUE <sup>[1]</sup>			REVENUE PER 1M <sup>2</sup> OF FLOOR SPACE (IN THOUSAND PLN) <sup>[2]</sup>	
	2017	2016	CHANGE	2017	2016
Poland	2 020,6	1 684,8	19,9%	8,29	7,94
<b>Retail activities</b>	2 020,6	1 684,8	19,9%	8,29	7,94
Other activities	66,0	53,7	22,9%		
<b>Total</b>	2 086,6	1 738,5	20,0%		

[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<sup>2</sup> of retail space as at the balance sheet date.

Sales revenue in 2017 amounted to PLN 2,086.6 million, an increase of PLN 348.1 million (+20.0%) compared to the previous year. Retail sale increased by 19.9% with average growth of floor space of CCC stores by 14.9%. Other sale only refers to the sale in the offline stores of eobuwie.pl, the sale of logistic services, accounting services and resale of goods.

Revenue per 1m<sup>2</sup> of floor space in CCC in 2017 amounted to PLN 8.29 thousand and it was higher by 4.4% compared to the previous year. The value of sales per m<sup>2</sup> was affected by increasing the floor space of opened stores (average floor space of stores CCC at the end of 2016 amounted to 544 m<sup>2</sup> and was higher by 11.7% compared to the previous year).

Revenues from retail sales in 2017 amounted to PLN 2,020.6 million, an increase by PLN 335.8 million (+19.9%) compared to the previous year. In the same period in Poland the CCC stores with a total space of 39.3 thousand m<sup>2</sup> were opened and expanded, the premises with a total space of 7.7 thousand m<sup>2</sup> were closed. In net value, in 2017 in Poland the floor space increased by 31.6 thousand m<sup>2</sup>. The impact of the change in revenues +335.8 million PLN comparing to the previous year was affected by sales in like-for-like stores of CCC 149.0 million PLN (12.7%) and sales in other stores 187.7 million PLN (+37.1 %).



Data on the distribution of sales by premises continuing operations and newly opened or closed are as follows:

	COMPARABLE FACILITIES <sup>[1]</sup>			CHANGE %	OTHER FACILITIES <sup>[2]</sup>	
	LICZBA	2017	2016		2017	2016
Poland	293	1 326,7	1 177,7	12,70%	693,8	511,4

[1] Comparable facilities which operated without interruptions during 2017 and 2016.

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

## SALES RESULT

Gross sale profit increased by 14.7% and amounted in 2017 to PLN 625.3 million. Part of the sale margin, which until the restructuring period in 2014 was recognized in CCC S.A. was transferred to CCC.eu in return for realizing the function, which was taken over by the newly established company.

## COST OF OPERATING STORES

### 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.

Cost of operating stores was as follows:

	01.2017-012.2017	01.2016-012.2016	CHANGE %
Remunerations and social security contributions	(200,5)	(151,5)	32,3%
Agency services	(54,7)	(46,6)	17,4%
Lease costs	(217,3)	(195,6)	11,1%
Amortization and depreciation	(27,7)	(20,6)	34,5%
Taxes and fees	(0,1)	(0,1)	0,0%
Consumption of materials and energy	(14,5)	(13,7)	5,8%
Other flat costs	(11,9)	(11,5)	3,5%
<b>Total</b>	<b>(526,7)</b>	<b>(439,6)</b>	<b>19,80%</b>

The cost of operating stores increased by PLN 87.1 million and amounted in 2017 to PLN 526.7 million (+19.8%), with the average increase of the floor space of CCC network stores by 14.9% . Together with the market expansion and the opening of new retail premises we experienced the biggest increase of items of store cost such as lease costs (+ PLN 21.7 million) and staff costs (+ PLN 49.0 million).

## 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 sale 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.

Other cost of sales and administrative expenses in 2017 amounted to PLN 48.6 million and were lower by PLN 2.4 million compared to the previous year. The decrease results, inter alia, from the reduction of the level of costs of other external services by PLN 10.1 million.

Other operating costs and revenue on a net basis amounted to PLN 6.6 million on the revenue side (including + PLN 2.6 million of a grant from PFRON) compared to PLN 4.5 million in the previous year on the cost side (including PLN 3.0 million of a grant from PFRON).

As a result of the factors described above, CCC reached an operating result in 2017 in the amount of PLN 56.6 million, which compared to the same period of 2016 years was higher by 13.4%.

## ANALYSIS OF FINANCIAL RESULTS OF THE COMPANY CCC

[in mln PLN unless otherwise stated]

## FINANCE INCOME AND COSTS

In 2017, finance income amounted to PLN 15.7 million and compared to the previous year were lower by PLN 20.1 million. The main item comprising financial revenues in the reporting period was the income from granted loan guarantees (64.3% of the total value of financial revenues), which amounted to PLN 10.1 million – in the like-for-like period of the previous year it amounted to PLN 6.5 million. Other items of finance income was the interest income (PLN 5.2 million) and other finance income (PLN 0.4 million).

In 2017, finance costs amounted to PLN 22.9 million and in comparison with the previous year were higher by PLN 11.6 million. The main item making up the finance costs in the

reporting period was result on foreign currency exchange rate (52.8% of total finance costs), which amounted to PLN 12.1 million.

Income tax in 2017 amounted to PLN 12.1 million [including PLN 4.9 million as of a deferred part]

After taking into account finance income and costs and income tax, the net profit amounted to PLN 37.3 million and was 36.2% lower than in 2016.

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

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

	31-12-2017	31-12-2016	CHANGE %
<b>Fixed assets, and including:</b>	806,4	724,4	11,3%
Tangible fixed assets	391,6	314,1	24,7%
Deferred tax assets	1,8	6,7	-73,1%
<b>Current assets, and including:</b>	799,6	404,8	97,5%
Inventories	249,8	149,6	67,0%
Cash and cash equivalents	300,4	38,0	>100%
<b>TOTAL ASSETS</b>	1 606,0	1 129,2	42,2%
<b>Non-current liabilities, and including:</b>	233,4	235,1	-0,7%
Debt liabilities	210,0	210,0	0,0%
<b>Current liabilities, and including:</b>	221,2	212,7	4,0%
Debt liabilities	0,7	37,8	-98,1%
Trade liabilities and other liabilities	217,4	166,4	30,6%
<b>TOTAL LIABILITIES</b>	454,6	447,8	1,5%
<b>EQUITY</b>	1 151,4	681,4	69,0%

## 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 of 31 December 2017 consisted of tangible fixed assets (PLN 391.6 million), intangible assets (PLN 2.8 million), loans granted (PLN 31.0 million), investments in related entities (PLN 379.2 million) and deferred income tax assets (PLN 1.8 million). The value of fixed assets compared to 31 December 2016 increased by 11.3% to PLN 806.4 million, which the main reason was an increase in investments in tangible fixed assets related to plant and distribution (+ PLN 45.5 million).



## CURRENT ASSETS

### HOW WE DEFINE PARTICULAR ELEMENTS OF THE ASSETS

**Inventories** are recognized at purchase price or net sale price, depending on which of these amounts is lower.

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 of 31 December 2017 amounted to PLN 799.6 million and consisted of inventories (PLN 249.8 million), cash and cash equivalents (PLN 300.4 million), loans granted (PLN 169.2 million) income tax receivables (million 26.0 PLN) and customer receivables and other receivables (PLN 54.2 million). The value of current assets compared to 31 December 2016 increased by 97.5% from PLN 404.8 million, the main reason of which was the increase in cash (+ PLN 262.4 million PLN).

In 2017, the Company did not identify the prerogatives for setting up an impairment loss for inventories at stores.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the CCC Group as of 31 December 2017 amounted to PLN 300.4 million, increasing by PLN 262.4 million regarding the end of 2016. At the end of 2017, 9.3% cash was in hand and in bank accounts, and 90.7% was located on current deposits.

## 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 of CCC compared to the end of 2016 increased by PLN 525.8 million (69.0%), mainly due to share issue (+ PLN 44.7 million) with the dividend payment for 2016 in the amount of PLN 101.4 million at the same time.

Non-current liabilities as of 31 December 2017 amounted to PLN 233.4 million, decreasing by PLN 1.7 million (-0.7%) as of 31 December 2016. The total amount of non-current liabilities at the end of 2017 consisted mainly of non-current debt liabilities in the amount of PLN 210.0 million; provisions of a value of PLN 0.7 million and received grants which amounted to PLN 2.4 million.

Current liabilities as of 31 December 2017 amounted to PLN 221.2 million, increasing by the amount of PLN 8.5 million (4.0%) from PLN 212.7 million as of 31 December 2016. The total amount of current liabilities at the end of 2017 consisted of debt liabilities PLN 0.7 million; liabilities to suppliers which amounted to PLN 166.8 million (an increase by 45.3% compared to the end of 2016); other liabilities which amounted to PLN 50.6 million (a decrease by 1.9% compared to the end of 2016); provisions which amounted to PLN 0.7 million and grants which amounted to 2.4 million PLN (a decrease by 7.7% compared to the end of 2016).

**Data for 2016 after correction, more information in the separate financial statements in section 6.4.**

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

### 3.1.1.3 STATEMENT ON CASH FLOWS (OVERVIEW OF MAIN ITEMS)

	01.2017-012.2017	01.2016-012.2016	CHANGE %
<b>Gross profit before tax</b>	49,4	74,4	-33,6%
Adjustments	59,3	(29,3)	>100%
Income tax paid	(31,6)	(16,9)	87,0%
<b>Cash flows before changes in working capital</b>	77,1	86,8	-11,2%
Changes in working capital	(91,8)	(67,4)	0,0%
<b>Cash flows from operating activities</b>	(14,7)	154,2	<-100%
<b>Cash flows from investing activities</b>	(118,7)	(263,3)	-54,9%
<b>Cash flows from financing activities, including:</b>	395,8	(33,7)	<-100%
Dividends paid	(101,4)	(85,7)	18,3%
<b>Total cash flows</b>	262,4	(142,8)	<-100%

#### NET CASH FLOWS ON OPERATING ACTIVITIES

Net cash flows on operating activities in 2017 amounted to PLN – 14.7 PLN decreasing by PLN 168.9 million in relation to 2016. This decrease was primarily due to changes in working capital, which in regard to the end of 2016 was lower by PLN 159.2 million.

#### NET CASH FLOWS ON INVESTING ACTIVITIES

Net cash flows on investing activities in 2017 amounted to PLN – 118.7 million. The amount of this was affected by, among others an increase in expenditure on tangible fixed assets related to the implementation strategy of market expansion and enlargement of floor space in Poland – the expenditure in 2017 amounted to PLN 124.7 million.

## NET CASH FLOWS ON FINANCIAL ACTIVITIES

Net cash flows on financial activities in 2017 amounted to PLN 395.8 million, increasing by PLN 429.5 million from PLN – 33.7 million achieved in 2016. The main reason for change was the increase in equity (PLN + 525.8 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 aforementioned cash flows, the Company CCC completed the year 2017 with the level of cash PLN 300.4 million, a decrease by PLN 262.4 million (+690.0%) versus 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 Company CCC S.A. finances its activities by means of equity and external capital, which consists of credits taken out, loans and issued bonds.



## BORROWINGS AND BONDS

At the end of 2017, the Company had non-current debt liabilities in the amount of 210.0 million PLN, which consisted primarily of bonds issued in June 2014 with a total value of 210.0 million PLN.

As of the end of 2017, current debt liabilities amounted to PLN 0.7 million of borrowings. This item decreased by PLN 37.1 million (-98.1%) regarding the end of 2016.

Below are the details on bonds and loans held as of 31 December 2017:

Bank	COMPANY	TYPE	DATE OF CONCLUSION	MATURITY DATE	VALUE [MLN]	CURRENCY
<b>Credit agreements</b>						
PKO BP S.A.	CCC S.A.	Multi-purpose credit limit agreements	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
<b>limits for guarantees</b>						
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

## 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 500 million PLN.

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 – PLN 210,000,000;
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

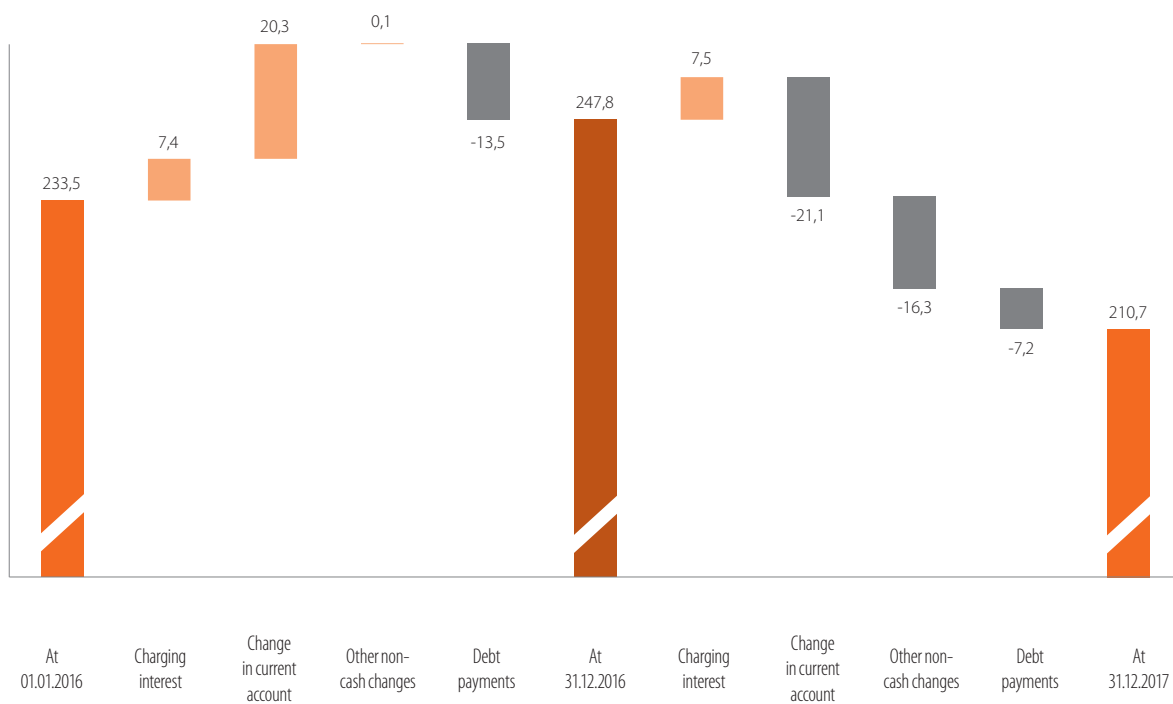
Under the terms of the bond issue agreement, of which the balance of the debt at the balance sheet date amounts to 210.0 million PLN (2016: 210.0 million PLN) and with loan agreements with the level of PLN 37.8 million as of 31.12.2017, (at the level of the Capital Group). The Group is required to comply 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 2017 the value of Ratio 1 was 0.8 (1.5 as of 31 December 2016), and the value of Ratio 2 was 15.9 (21.2 as of 31 December 2016) and the 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 concluded 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 separate financial statements):



## ANALYSIS OF FINANCIAL RESULTS OF THE COMPANY CCC

[in mln PLN unless otherwise stated]

## NET CASH FLOWS ON FINANCIAL ACTIVITIES

In 2017, cash flows from contracted and repaid loans respectively amounted to PLN – 22.6 million in 2016, these figures amounted respectively to PLN 20.8 million and PLN 6.4 million. Additionally in 2017, shareholders were paid a dividend in the amount of PLN 101.4 million (increase of a dividend payment by PLN 15.7 million compared to 2016). Interest paid in 2017 amounted to PLN 7.5 million and were by PLN 0.1 million lower regarding the previous year.

Taking into account the aforementioned changes in financial activities, net cash flows on financial activities in 2017 amounted to 395.8 million PLN, whereas in 2016 they amounted to PLN – 33.7 million.

## DEBT RATIO

The Management Board of CCC analysing the level of debt uses the general debt ratio. Below is the description of the ratio.

**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 statement of financial position) less cash and cash equivalents. Total capital employed is calculated as equity recognized in the consolidated statement of financial position with net debt. The following is a calculation of the debt ratio:

	31.12.2017	31.12.2016
<b>Net debt</b>		
Loan liabilities	0,7	37,8
(+) Bonds liabilities	210,0	210,0
<b>= Debt liabilities</b>	210,7	247,8
(-) Cash and cash equivalents	300,4	38,0
<b>= Net debt</b>	(89,7)	209,8
<b>Debt ratio</b>		
Total equity	1 151,4	681,4
(+) Net debt	(89,7)	209,8
<b>= Capital employed</b>	1 061,7	891,2
<b>The debt ratio (net debt/capital employed)</b>	—8%	24%

## 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
<b>Inventories</b>	249,8	149,6
(+) Trade and other receivables	249,4	217,2
(+) Cash and cash equivalents	300,4	38,0
<b>= Current assets</b>	799,6	404,8
<b>Current debt liabilities</b>	0,7	37,8
(+) Trade liabilities and other liabilities	217,4	171,9
(+) Provisions	3,1	3,0
<b>= Current liabilities</b>	221,2	212,7
<b>Current liquidity ratio (current assets/current liabilities)</b>	3,6	1,9

The current liquidity ratio of the CCC S.A. from the end of 2016 till the end of 2017, increased from 1.9 to 3.6, mainly due to the increase in current assets (by 97.6%), the main reason of which was the increase in cash (by 690%).

The Management Board of CCC S.A. highly assesses the compliance of the company 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 Company. In addition, in order to prevent potential danger, the Company is constantly diversifying external sources of obtaining financing.



### **3.2.2 FINANCIAL INSTRUMENTS**

At the balance sheet date, the Issuer did not use hedging instruments to secure the risks which it is exposed to during operational activity. A detailed description of the financial instruments used is presented 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 FEASIBILITY OF INVESTMENT PLANS**

The company intends to finance investment projects with own funds and external capital. The Management Board believes currently there are no major risks that could negatively affect the implementation of investment plans in the future.





### **3.3**

## **INFORMATION ON AGREEMENTS CONDUCTED BY COMPANIES OF THE GROUP CCC**



### 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 Company 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

## ANALYSIS OF FINANCIAL RESULTS OF THE COMPANY CCC

[in mln PLN unless otherwise stated]

## 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

Received by CCC S.A.:

COMPANY	BANK	DEBTOR	TYPE OF SECURITY	TERM PERIOD		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 credit agreement	19.09.2017	30.09.2021	80,0	PLN



Granted by CCC S.A. to foreign subsidiaries:

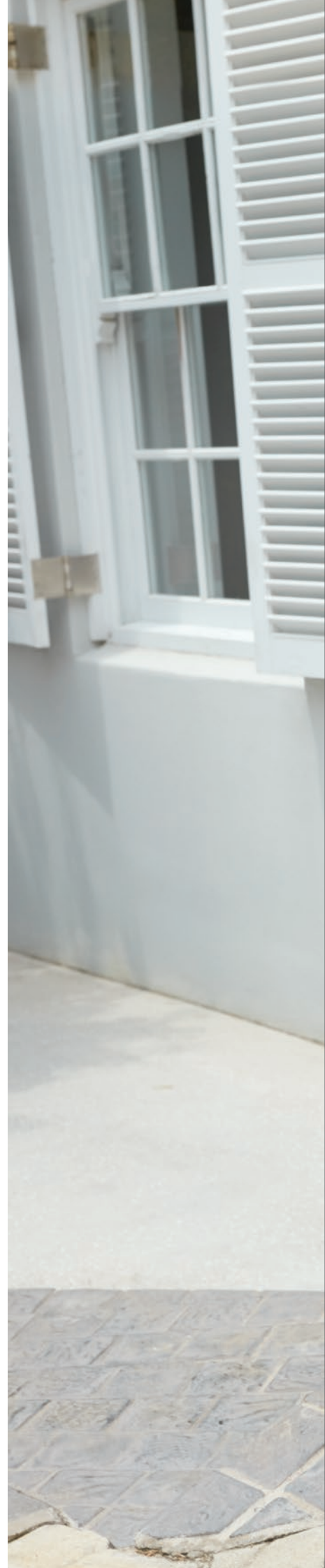
COMPANY	BANK	DEBTOR	TYPE OF SECURITY	DURATION		SURETY OR GUARANTEE VALUE (MLN)	CURRENCY
				BEGINNING	END		
CCC S.A. (Surety granted together with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.)	Citibank	CCC Russia	Surety to a guarantee/ securing letter of credit	07.12.2017	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 4.2 "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. 3.3. „Transactions with related entities”

#### **4. ORGANIZATION OF THE CAPITAL GROUP CCC**





**CCC**  
SHOES & BAGS

**ORGANIZATION OF THE CAPITAL GROUP CCC**

[in mln PLN unless otherwise stated]

## 4.1 STRUCTURE OF THE CAPITAL GROUP

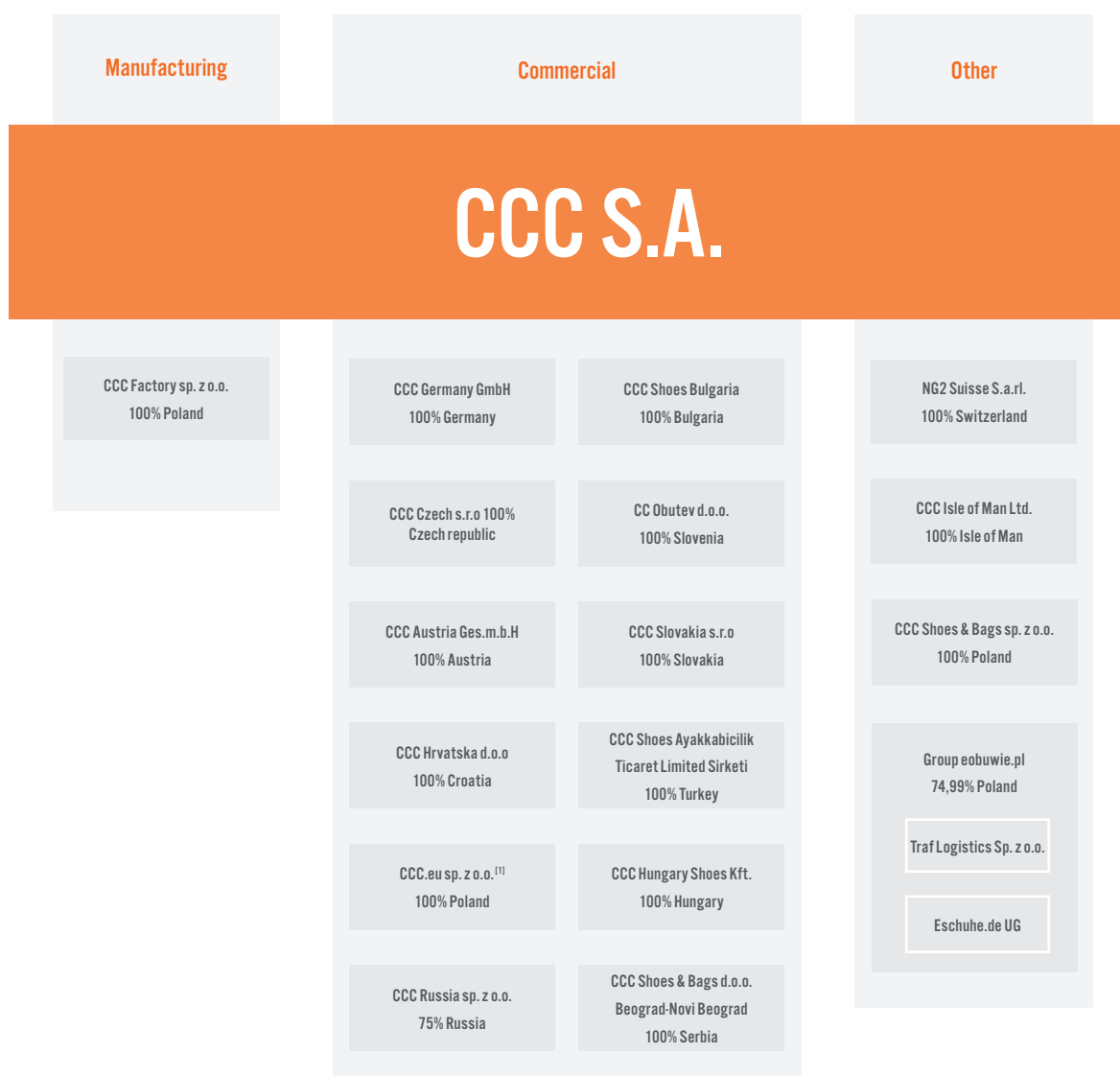
### 4.1 STRUCTURE OF THE CAPITAL GROUP

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



<sup>[1]</sup> 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%).



**ORGANIZATION OF THE CAPITAL GROUP CCC**

[in mln PLN unless otherwise stated]

**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 for trading 36,100 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 for trading 2,000,000 ordinary H-series 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.



**ORGANIZATION 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
<b>Total</b>			<b>41.164.000</b>	<b>4.116.400</b>	

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

According to information available 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.

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 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 <sup>[1]</sup>	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 <sup>[2]</sup>	22 468 431	54,58%	22 448 431	46,94%
<b>TOTAL</b>	<b>41 164 000</b>	<b>100,00%</b>	<b>47 814 000</b>	<b>100,00%</b>

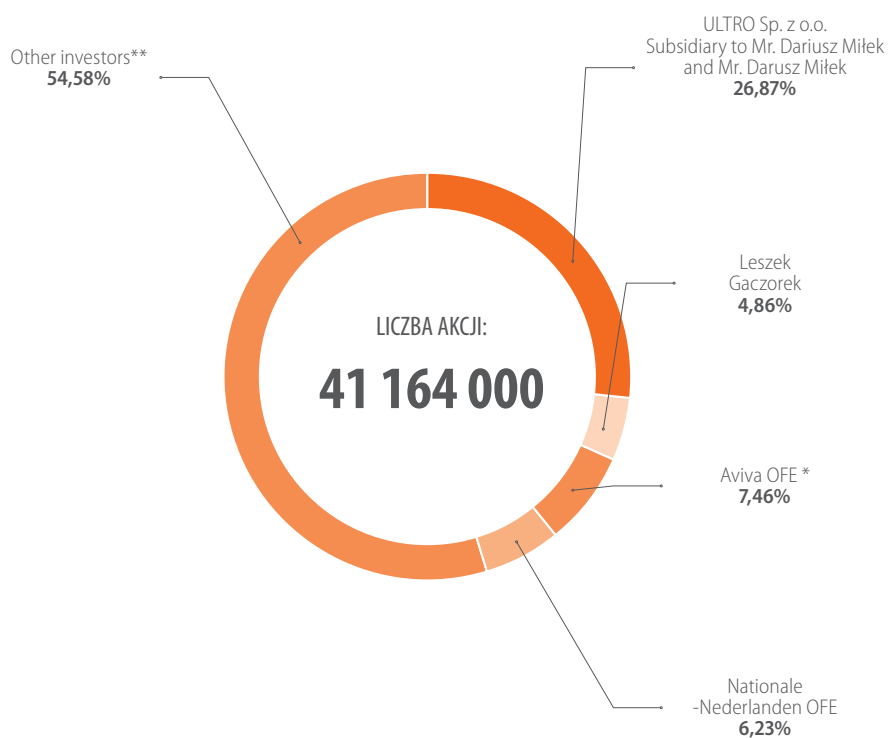
[1] Details derived from annual information on the structure of assets of the Fund Aviva OFE as of 30.12.2016.

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

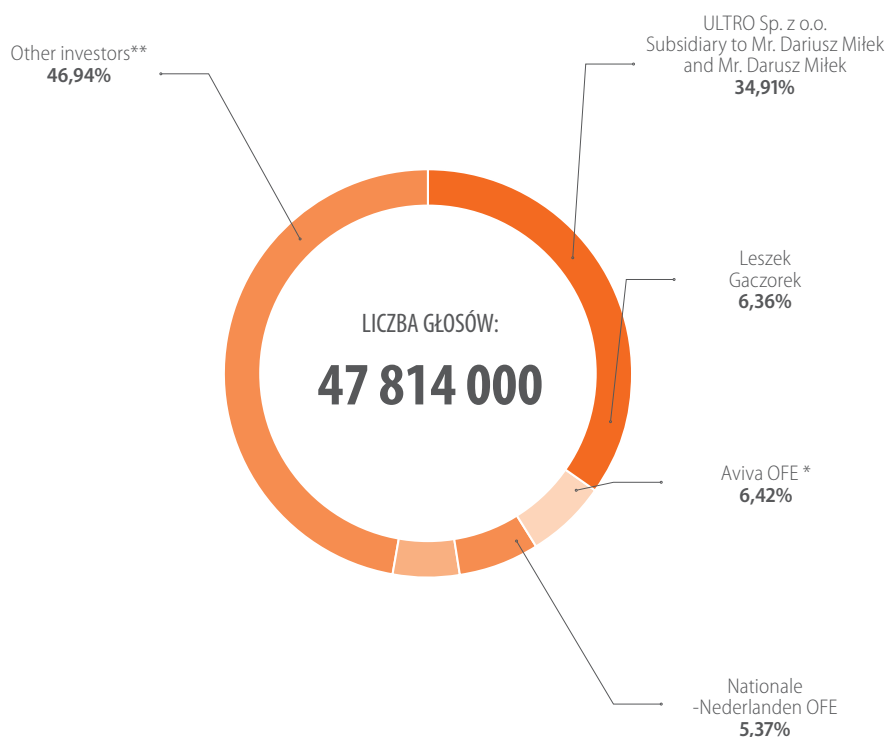
**ORGANIZATION OF THE CAPITAL GROUP CCC**

[in mln PLN unless otherwise stated]

**SHAREHOLDERS BY NUMBER OF SHARES**



**SHAREHOLDERS BY NUMBER OF VOTES**





#### 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 [PCS.]	THE NOMINAL VALUE OF THE SHARES AT THE SUBMISSION DATE OF THE ANNUAL REPORT [PCS.]
<b>Management Board</b>		
President Dariusz Miłek <sup>[1]</sup>	11 060 000	1 106 000
Vice-President Mariusz Gnych	202 000	20 200

[1] indirectly as a dominant entity in the company ULTRO S.A.

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 amount of the valuation of the scheme referred to the costs of the financial result in 2017 amounted to PLN 3.6 million, in 2016 it amounted to PLN 4.4 million, in 2015 it amounted to PLN 20.4 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

Management Board of the Group CCC is not aware of any agreements (including those concluded after the balance sheet date), which may result in future changes 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)



## 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 Wachelko	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	Sylvia 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	marcin.stebakow@dmmps.pl
Erste	Marek Czachor	marek.czachor@erste.com
Dom Maklerski mBanku SA	Piotr Bogusz	piotr.bogusz@mdm.pl
Deutsche Bank	Tomasz Krukowski	marcin.palenik@millenniumdm.pl
Dom Maklerski BDM SA	Adrian Górniak	adrian.gorniak@bdm.pl
Morgan Stanley	Maryia Beranseva	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 Company 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% <sup>[1]</sup>	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







## 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](http://www.corp-gov.gpw.pl)

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



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

CCC SA 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/>.



**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]

### 6.1.3

#### INFORMATION POLICY OF THE GROUP CCC

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](http://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](http://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.

**CORPORATE GOVERNANCE**

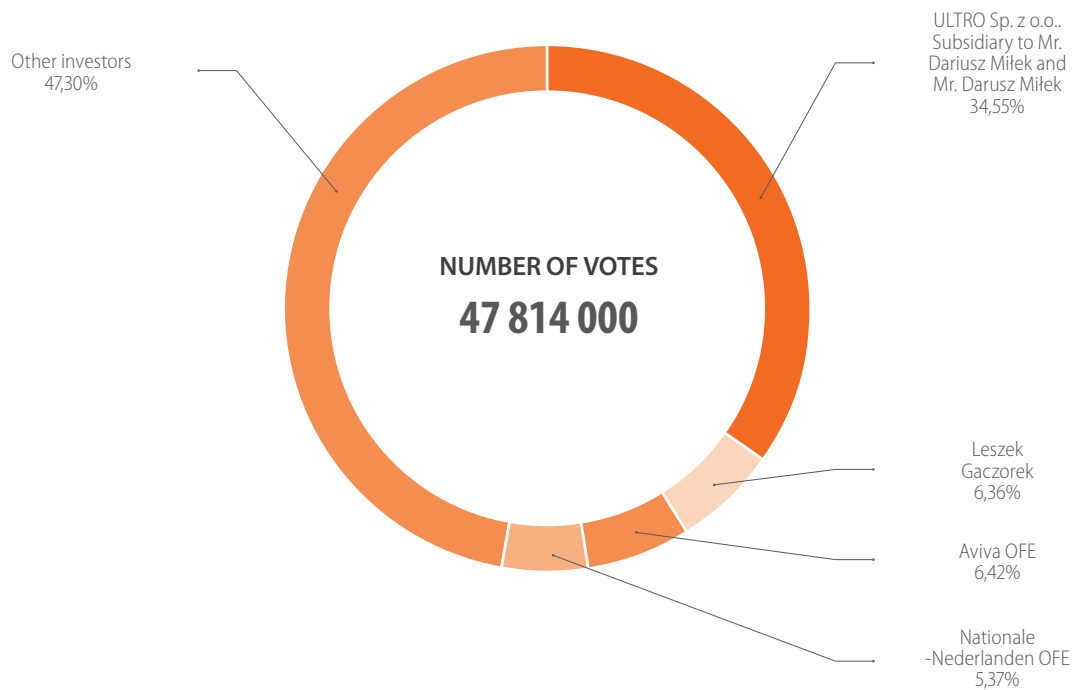
[in mln PLN unless otherwise stated]

### 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



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%
<b>TOTAL</b>	<b>6 650 000</b>	<b>16,15%</b>	<b>13 300 000</b>	<b>27,82%</b>

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 OF THE ISSUER PRAWA WŁASNOŚCI PAPIERÓW WARTOŚCIOWYCH EMITENTA

Shareholders of the parent company shall have the right to purchase registered preferred shares held for sale. 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  $\frac{3}{4}$  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](http://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](mailto: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.

**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]

**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. 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.

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.

In addition, the General Meeting adopted a resolution on amending the Company's Articles of Association with respect to the Company's target capital, authorizing the Company's Management Board to increase the Company's share capital within three years by making one or several increases in the Company's share capital and authorizing the Management Board to deprive current shareholders of the company of all pre-emptive rights to shares issued within the limits of the target capital; i.e. by an amount not exceeding PLN 200,000.00 (two hundred thousand zlotys) by issuing no more than 2,000,000 (two million) ordinary bearer shares with a nominal value of PLN 0.10.



**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]

## 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 Milek	President of the Management Board
Mariusz Gnych	Vice-President of the Management Board
Piotr Nowjalis *	Vice-President of the Management Board
Karol Półtorak	Vice-President of the Management Board
Marcin Czyczerski **	Vice-President of the Management Board
Marcin Pałajej ***	Vice-President of the Management Board

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 Milek	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

\*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 Pałajej – Vice-President of the Management Board in the period: from 09.01.2017 to 31.01.2018 r.





### **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 President 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.

**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]



**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 Capital Group 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.



### **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.

**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]



**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 Póltorak'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 PAŁAZEJ | 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 Pałazej 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 Pałazej 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 Pałazej 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](http://www.ccc.eu))
- Regulations the Management Board, which is available on the Company's website ([www.ccc.eu](http://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 of the Management Board 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 of 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 of 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.

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[in mln PLN unless otherwise stated]

**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)

- is responsible for all economic-financial and organizational issues of the Company; and in particular for financial policy, investor relations, capital allocation and their acquisition;
- supervises the implementation of tasks resulting from the Act on accounting and the law on income tax from legal persons;
- supervises the activities of foreign subsidiaries;
- supervises 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 Pałazej**

(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..

**CORPORATE GOVERNANCE**

[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. (II 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 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 University 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.

**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]



**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 S.A. (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 Pałazej, who resigned from the position of the Vice President as of 31.01.2018.

**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]

**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](http://www.ccc.eu))
- Rules of the Supervisory Board, which is available on the Company's website ([www.ccc.eu](http://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:



**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]

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 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.



## CORPORATE GOVERNANCE

[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)
<b>Remuneration of the members of the Management Board including:</b>		
– remuneration and other benefits		
Dariusz Miłek <sup>[1]</sup>	840 000	840 000
Mariusz Gnych <sup>[2]</sup>	840 000	720 000
Piotr Nowjalis	—	960 000
Karol Pótorak	720 000	60 000
Marcin Czyczerski <sup>[3]</sup>	780 000	—
Marcin Pałajej <sup>[4]</sup>	944 762	—
– bonuses for the previous year		
Dariusz Miłek	—	—
Mariusz Gnych	120 000	100 000
Piotr Nowjalis	—	100 000
Marcin Czyczerski	130 000	—
Karol Pótorak	120 000	—
Marcin Pałajej	120 000	—
<b>Total</b>	<b>4 614 762</b>	<b>2 780 000</b>

<sup>[1]</sup> 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);

<sup>[2]</sup> 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).

<sup>[3]</sup> 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.

<sup>[4]</sup> for 2017 Mr. Marcin Pałajej 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
<b>Total</b>	—	207 000



**CORPORATE GOVERNANCE**

[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 <sup>[1]</sup>	96 000,00	85 909,07
Marcin Murawski <sup>[2]</sup>	72 000,00	72 000,00
Mirosław Stachowicz <sup>[3]</sup>	6 000,00	72 000,00
Jerzy Suchnicki <sup>[4]</sup>	72 000,00	72 000,00
Waldemar Jurkiewicz <sup>[5]</sup>	72 000,00	41 727,27
Piotr Nowjalis <sup>[6]</sup>	70 571,40	—
Henryk Chojnacki <sup>[7]</sup>	—	40 727,20
Karol Pótorak <sup>[8]</sup>	—	35 727,27
<b>Total</b>	<b>388 571,40</b>	<b>420 090,81</b>

<sup>[1]</sup> For the period from 01.01.2017 to 31.12.2017<sup>[2]</sup> For the period from 01.01.2017 to 31.12.2017<sup>[3]</sup> For the period from 01.01.2017 to 31.01.2017<sup>[4]</sup> For the period from 01.01.2017 to 31.12.2017<sup>[5]</sup> For the period from 01.01.2017 to 31.12.2017<sup>[6]</sup> For the period from 10.01.2017 to 31.12.2017<sup>[7]</sup> For the period from 01.01.2016 to 30.06.2016<sup>[8]</sup> 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.

**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]

## 6.5.5 SIGNIFICANT RISK FACTORS

CCC Group identified the 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	<p>In 2018 the Group plans to increase floor space of CCC stores by 110 thousand m<sup>2</sup>, of which 43% is to be opened in Poland</p> <p>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.</p>	<p>In order to minimize the risks associated with the strengthening of own sales chain, the Group introduced the following solutions:</p> <ul style="list-style-type: none"> <li>• monitoring the activities of competitors,</li> <li>• monitoring the situation in the industry,</li> <li>• monitoring of the macroeconomic situation,</li> <li>• creating a detailed plan and a dedicated team responsible for the implementation of the objectives connected to the development of own sales chain.</li> </ul>
Activities aimed at increasing brand recognition and value of the brand	<p>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.</p>	<p>Group in order to ensure further increase in brand recognition and value of the brand has undertaken the following actions:</p> <ul style="list-style-type: none"> <li>• the introduction of appropriate instruments and advertising – promotion media,</li> <li>• the introduction of interesting interior of stores</li> <li>• presence of stores in prestigious locations.</li> </ul>
Location of commercial facilities	<p>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 m<sup>2</sup>, 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.</p>	<p>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.</p>

## EXTERNAL RISKS

AREA OF RISK	DESCRIPTION OF RISK	ACTIONS TAKEN
Exchange rate risk	Spółki Grupy Kapitałowej CCC S.A. realizują przychody w PLN, EUR, CZK, HUF, HRK, BGN, RSD, RUB. Większość kosztów ponoszą w walutach obcych. Co za tym idzie kursy CZK, HUF, HRK, USD i EUR (praktycznie całość importu denominowana jest w USD i EUR, a duży odsetek kosztów wynajmu powierzchni w EUR) będą miały wpływ na strukturę przychodów i kosztów Grupy. Głównym rynkiem zaopatrzeniowym dla Grupy Kapitałowej CCC S. A. jest rynek chiński, a co za tym idzie, kurs waluty chińskiej CNY w stosunku do głównych walut światowych również może mieć znaczny wpływ na koszty Grupy. Aprecjacja CNY może pogorszyć warunki importu, a co za tym idzie spowodować wzrost kosztów dla konsumentów.	The Group has undertaken the following measures to reduce the impact of exchange rate risk: <ul style="list-style-type: none"> <li>• continuous monitoring of significant, for the Group, changes in exchange rates,</li> </ul> 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: <ul style="list-style-type: none"> <li>• diversification of sources of capital,</li> <li>• monitoring key interest rates.</li> </ul>
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, Serbia, Russia).	The Group has undertaken the following measures to reduce the impact of risk of the overall economic situation: <ul style="list-style-type: none"> <li>• diversification in terms of countries where the Group operates (decrease of economic situation correlation between countries)</li> <li>• 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,</li> <li>• monitoring of important economic indicators in selected countries (unemployment rate, GDP per capita, CPI).</li> </ul>
Seasonality of sales and weather conditions	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 I, inter alia: Milan, Garda, Dusseldorf).

**CORPORATE GOVERNANCE**

[in mln PLN unless otherwise stated]

**INTERNAL RISKS**

AREA OF RISK	DESCRIPTION OF RISK	ACTIONS TAKEN
Credit risk	<p>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 wholesale counterparties.</p>	<p>The Group has taken the following measures to mitigate the effects of credit risk:</p> <ul style="list-style-type: none"> <li>• continuous verification of financial situation of counterparties,</li> <li>• continuous study of the history of cooperation with counterparties.</li> </ul>





## 7. EMPLOYEES







**CCC**  
SHOES & BAGS

**EMPLOYEES**

[in mln PLN unless otherwise stated]

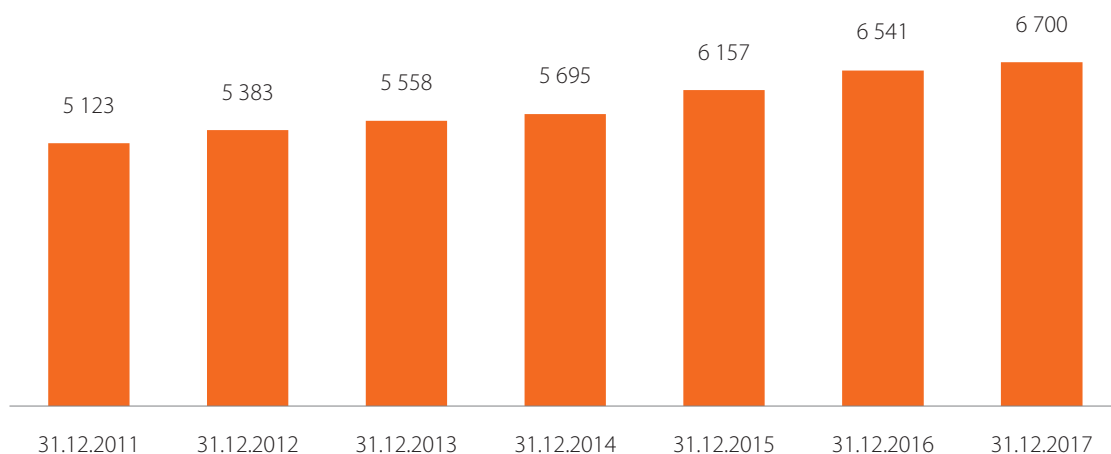
## 7.1 EMPLOYMENT STRUCTURE

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.

## EMPLOYEES

[in mln PLN unless otherwise stated]

As of December 31, 2017, the Group employed 6700 employees compared to the previous year, employment grew by 159 people. Below we present the way structure of employment in individual years was shaped:



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. 87.1%, while administrative staff account for only 3.2% of total employment. In comparison y / y number of employees has increased by 1.5%. Detailed data are presented in the following table.

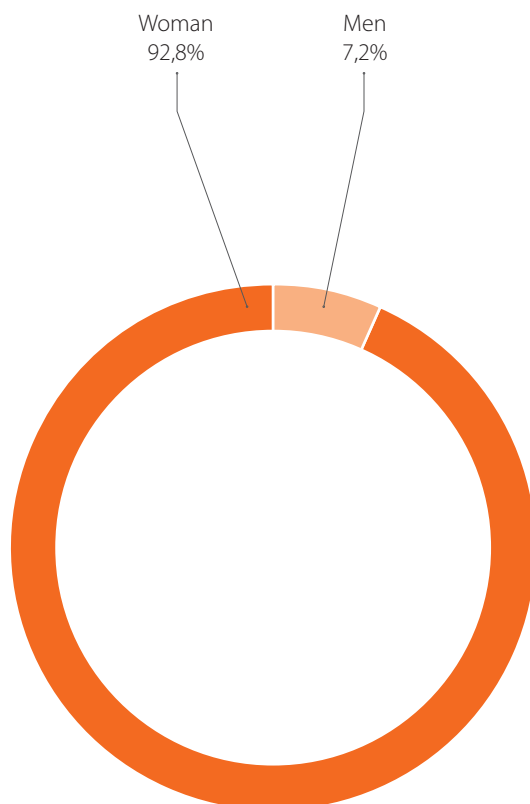
	2017			2016			CHANGE IN %
	WOMEN	MEN	TOTAL	WOMEN	MEN	TOTAL	
Employees of stores	5 620	163	<b>5 783</b>	5 663	166	<b>5 829</b>	-0,8%
Logistics employees	400	243	<b>643</b>	391	205	<b>596</b>	7,9%
Administrative employees	197	77	<b>274</b>	103	13	<b>116</b>	136,2%
<b>All employees</b>	<b>6 217</b>	<b>483</b>	<b>6 700</b>	<b>6 157</b>	<b>384</b>	<b>6 541</b>	2,4%

**EMPLOYEES**

[in mln PLN unless otherwise stated]

Due to the nature of the business, a large percentage is the number of women employed in the Company, which is 92,8% of total employment. The number of employed men as compared y / y increased by 25,8% whereas the number of employed women compared to 2016 increased by 0,97%.

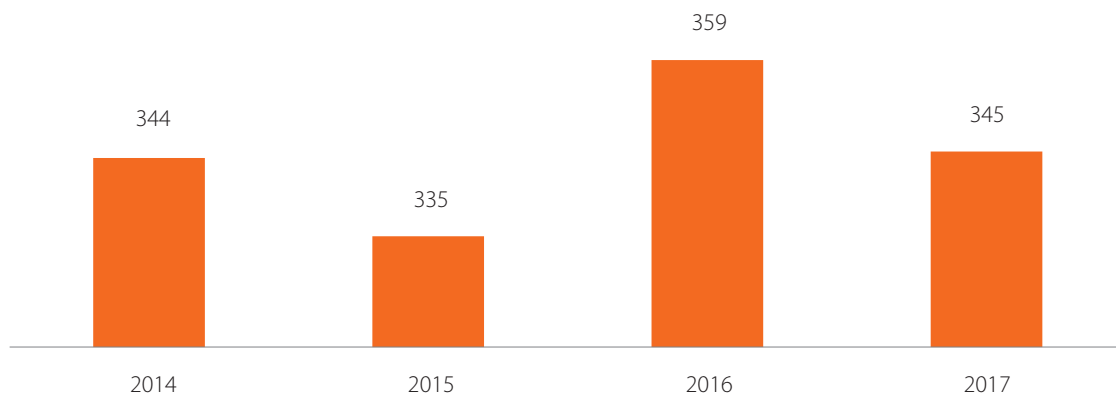
**SHARE OF EMPLOYEES BY GENDER AS OF 31.12.2017**



## EMPLOYMENT OF DISABLED PEOPLE

In addition, operating conditions enable to employ in CCC S.A. people with disabilities. As of 31.12.2017, the Group employed 345 disabled persons, which is approx. 5.1% with respect to all employees.

### NUMBER OF DISABLED EMPLOYEES



## 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.



**EMPLOYEES**

[in mln PLN unless otherwise stated]

## 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**

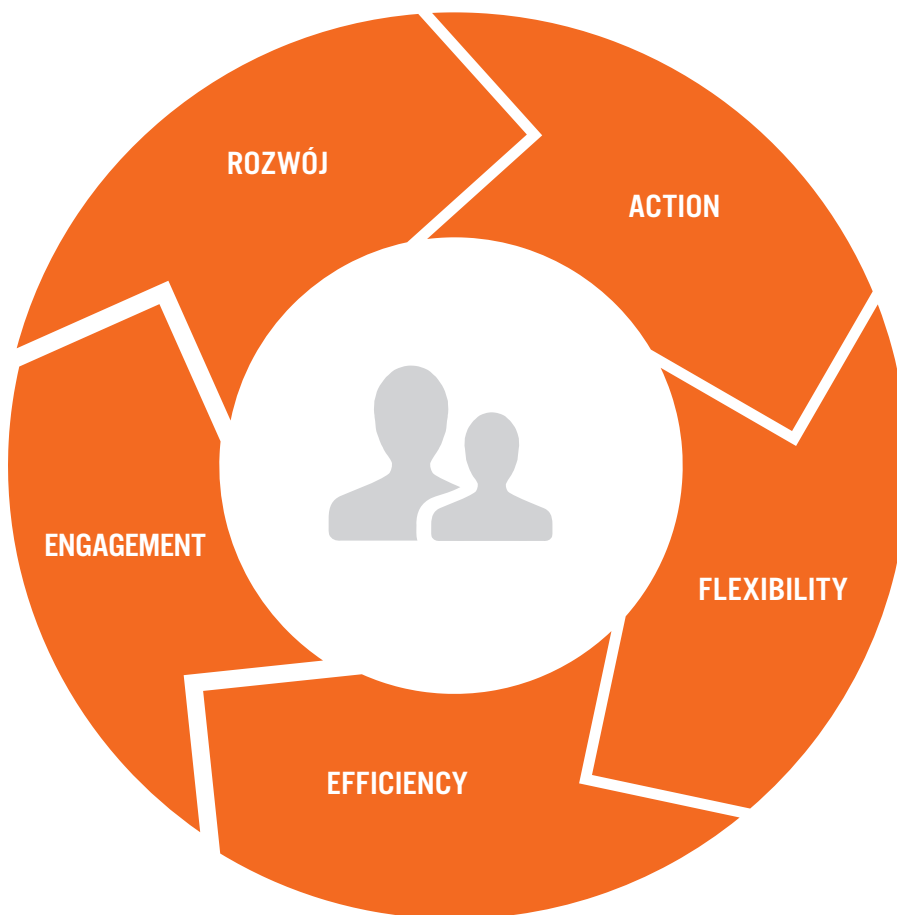
supported by FLEXIBILITY, which means a rapid response in business necessity situations and the implementation of non-standard ideas

**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 COMMITMENT, undertaking activities aimed at the realization of the objectives with the optimal use of available resources

**ENGAGEMENT**

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

**EMPLOYEES**

[in mln PLN unless otherwise stated]

**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 Poviast 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 Wrocław 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.

**EMPLOYEES**

[in mln PLN unless otherwise stated]

**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.







## **8. COMMITMENT OF CCC**







**CCC**  
SHOES & BAGS



**COMMITMENT OF CCC**

[in mln PLN unless otherwise stated]

## 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.

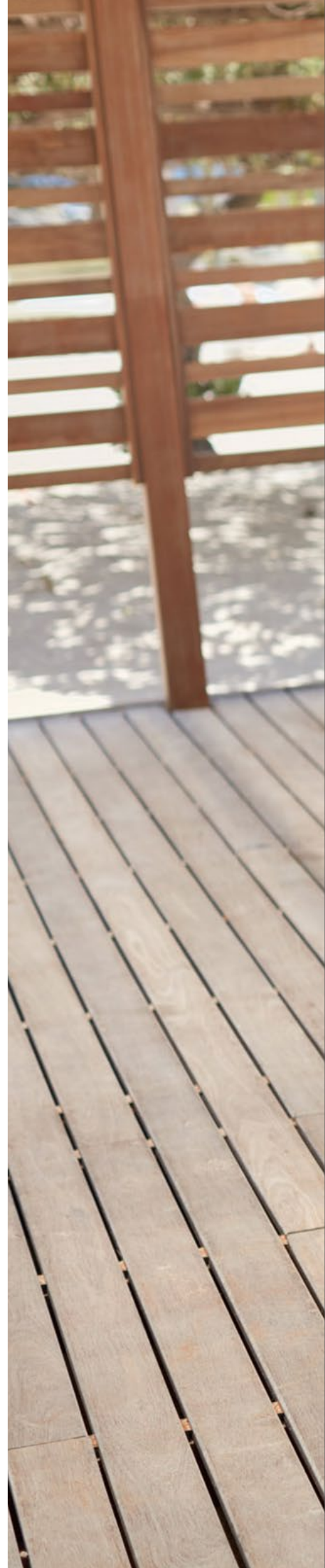
In the non-financial report of the CCC Group, which is an integral part of the Annual statements of operations, contains information on the Group's business model, key non-financial performance indicators related to the Group's operations, employed policies by the Group in relation to social, employment, 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**







**CCC**  
SHOES & BAGS

## 9.1 STATEMENT ON THE FAIRNESS FINANCIAL STATEMENTS PREPARATION

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

The Management Board's statements on the operations of CCC S.A. includes true view of the development and achievements of the Company, 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.

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 statements for 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

AUDITOR'S REMUNERATION IN PLN	2017	2016
Examination and reviews of financial statements	240 000	378 550
Other	62 375	753 533
<b>Total</b>	<b>302 375</b>	<b>1 132 083</b>



## 10. OTHER INFORMATION







**CCC**  
SHOES & BAGS



**OTHER INFORMATION**

[in mln PLN unless otherwise stated]

## **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 Company 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 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 Company 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.

**OTHER INFORMATION**

[in mln PLN unless otherwise stated]

## **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 Company CCC S.A. is not a party to the court proceedings the value of the subject of dispute exceeds 10% of the equity of the Issuer.

### **10.6.1 ACQUISITION OF OWN SHARES**

In the reporting period the Company 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 statements on operations of CCC S.A. approved for publication by the Management Board of the Company on 26 March 2018 and signed on behalf of the Management Board by:

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, 26 March 2018