Annex No. 1 to the Resolution No. 2/05/2014/RN

The brief assessment of the Company CCC S.A. for the financial year 2013 including the assessment of the internal control and risk management system essential for the Company
/ Approved by the Supervisory Board of CCC S.A. on 20th May 2014 /

According to Chapter III, paragraph 1, section 1) "Best Practices of WSE Listed Companies", the Supervisory Board of CCC S.A. submits a brief assessment of the Company including an evaluation of risk management and internal control system of the Company. This assessment was prepared on the basis of the documents submitted by the Management Board, discussions made at meetings of the Supervisory Board with the participation of the Management Board, independent auditors and taking into account the financial statements and the reports on Company's operations and on the basis of the conclusions of the study of the books of the Company by the independent auditor.

1. Implementation of the Company's strategy

The Company CCC S.A. after starting the operations in new countries and the recognition rate of expansion had to revise the strategic objectives for the coming years. The company raised its growth forecast for retail space from 80% to 100% during 2013-2015 (i.e., from nearly 160,000 m² to over 200,000 m²), with the distribution for the years: 2013 - 42.3 thousand m², in 2014 - 75 thousand m² (an increase of over 30%), 2015 - 80-95 thousand m² (estimated growth of 25-30%). The Company's strategy assumes consistent enlargement of sales chain and opening new stores, both in Poland and abroad, carefully selected in terms of expected profitability and rate of return.

In 2013, the CCC Group increased the pace of expansion, strengthening its position of a clear leader in Poland and winning more foreign markets. At the balance sheet date, the Group comprises of companies in the Czech Republic, Slovakia, Hungary, Germany, Austria, Slovenia, Croatia and Turkey, whose primary business is the distribution of goods supplied by the CCC S.A.. In the countries of Central Europe the rapid expansion was carried out and at the end of the year the ownership of stores amounted to 712 units: which consisted of: 350 CCC company stores in Poland, including 37 agencies, 73 CCC stores in the Czech Republic, 25 CCC stores in the Slovak Republic, 50 stores in Hungary, 6 stores in Austria, 2 stores in Slovenia, 3 stores in Croatia, 2 stores in Turkey, 4 stores in Germany, 20 Lasocki stores, 72 Boti owned stores, 34 CCC franchise stores, including 6 franchised stores CCC in Russia, 5 CCC stores in Latvia, 19 CCC stores in Romania, 2 CCC stores in Kazakhstan, 2 CCC stores in Ukraine and 34 Boti franchise stores. At the end of 2013, the owned area of sales chain amounted to 224.2 thousand m² (+18.7% yoy), including in Poland – 154,3 thousand m². The retail space in franchise stores in 2013 amounted to 19,8 thousand m² (55.7% yoy), including in Poland – 5,9 thousand m².

In the coming years, the Group will aggressively and dynamically continue to pursue the strategy of international expansion. In addition to the countries of Central Europe, the Group will carry out major investments in brand new markets for the Group - in Germany, Austria, Slovenia, Croatia and Turkey. The dynamic development of the domestic sales network aims to increase market share and strengthen its leadership position in the domestic footwear market and build a leadership position in the footwear market in Central - Eastern Europe.

The Company's strategy is also reflected in the product offer and its competitiveness, which consequently increases the potential of sales chain. Price and quality of goods is an important element of competitiveness, but also the systematic expansion of the product range and the introduction of a new range of goods to shops, through the introduction of: new brand of leather shoes manufactured by CCC, a wide range of children's shoes, sports shoes of world famous brands and an expanded range of accessories accompanying the sale of shoes.

The company regularly conducts marketing activities supporting CCC brand by both classical advertising campaigns in the media, sports sponsorship as well as harmonization of internal and external arrangement of advertisements in stores. As a part of strengthening the market position is also maintaining a standardized customer service and promoting customer loyalty program (CCC Club) and effectively using this manner in activities supporting the sales.

The chosen strategy aims at increasing the scale of operations while maintaining high efficiency and operational efficiency and thereby increasing the value of the Company.

The presented development plans were well received by the capital market. The Supervisory Board also shares the ambitious plans of the Company and the business model approved by the Management Board, in addition that the Company has the potential and the right resources for their implementation, for further development and creating growth of the Company's value.

2. Basic results of the Company

In the reporting period the CCC S.A. sold more than 22,865 thousand of pairs of shoes with a value of 1,383,914 billion PLN. The Company's sales structure is dominated by sales of women shoes, representing 61.5 % of sales value of footwear in 2013.

In 2013, sales revenues amounted to 1,511,592 billion PLN (+20.1 % yoy). Retail sales revenue amounted to 1,256,134 billion PLN against 1,119,034 billion PLN in 2012 (+12.3 % yoy). During the same period, sales revenues of a franchise and other (wholesale) amounted to 255,458 million PLN (+82.9 % yoy). Changing the structure of sources of sales revenue is in line with the development strategy of the Company. In the future further increase of the share of retail sales in total revenues is expected.

Balance of CCC S.A. as of 31.12.2013 at the assets and liabilities amounted to 1,033,385 million PLN. The total balance sheet increased by 121,601 million PLN in relation to the value as of 31.12.2012. Significant change in current assets is an increase in receivables of 103,445 million PLN up to the level of 206,294 million PLN. Other important changes include a decrease in cash and cash equivalents to the level of 92,654 million PLN (99,611 million PLN at the end of 2012) and an increase in the value of inventories by 31,982 million PLN (356,496 million PLN at the end of 2012). At the fixed assets side there was a decline in tangible fixed assets (-2.6 % yoy).

On the liabilities side significant changes is the decline in liabilities from short-term loans to the amount of 200,748 million PLN (244,876 million PLN - 31.12.2012) while increasing liabilities from long-term loans to the amount of 158,000 million PLN (88,000 million PLN - 31.12.2012). Increase in long-term loan obligations is due to the increased participation of financing the activity with a foreign capital. Trade and other liabilities increased to 238,884 million PLN (178,877 million PLN - 31.12.2012).

The Supervisory Board concludes that the general situation of the company in 2013 was very good. According to the assessment of the Supervisory Board, the chosen strategy for years 2013-2015, rational cost policy, financial security in the form of concluded loan agreements enable the Company to the proper functioning and implementation of investment objectives.

3. Assessment of the market risk management system in the Company in 2013.

The Supervisory Board took note of the significant risks and hazards, along with the exposure of the Company to them as well as of the risk management system in CCC, specifically described in point 3 of the report of the activities of CCC S.A. for the year 2013.

The main identified types of risks may be connected with internal conditions, strengthening its own sales chain, the increase of recognition and brand value as well as external conditions. The other types of risks are as follows:

- the level of currency exchange rates,
- change of interest rates,
- credit risk,
- general economic situation in Poland and abroad,
- seasonal sales and weather conditions,
- locations of retail units,
- trends in fashion and misguided collections.

The Management Board is responsible for the risk management at the strategic level. The supervision over the financial reporting process is in the hands of the Vice President of the Management Board. The organization of the financial reporting process corresponds to the Chief Accountant of the Company, who simultaneously supervises the proper recording of the business transactions in the accounts of the Company. The way of documents flow allows minimizing the potential risks associated with the recording of the normal business operations. The effectiveness of the risk management system is provided on the basis of the division of responsibilities related to the economic decision-making and their registration and the established scope of financial reporting used by the Company, including the internal budgeting system.

Managing the risk management procedures is to identify and assess risk areas for all areas of activity of the Company and define the actions necessary to reduce these risks. The Company's aim in risk management is to protect the Company's ability to continue its operations, so that it can realize the return for shareholders and benefits for other interested parties as well as maintaining an optimal capital structure to reduce its cost. The Company monitors the capital using a debt ratio. The change of the ratio is consistent with the expectations of the Company.

The Supervisory Board exercising, in the full composition, the duties of the Audit Committee exercises the permanent supervision over the Company's activities also in the assessment of internal control system and risk management and makes decisions that affect increasing the likelihood of running the company's business in an effective and efficient way in order to achieve strategic objectives. The Supervisory Board states that the Company currently conducts the analysis on currency exchange markets, actively manages financial liquidity defined as the ability to pay the obligations on time and raise funds to finance current operations and investment needs, which meets the necessary functional needs.

4. Evaluation of internal control system.

The Company has a multi-level system of internal control, which is designed to prevent effectively and eliminate quickly possible arising irregularities. The internal control system covers all areas and organizational units of the Company. At the same time, the obligation of self-control staff and functional control has been maintained in full, that is exercised by all levels of leadership in the coordination and oversight-coordination responsibilities, which meets the necessary functional needs. In the process of preparing financial statements of the Company one of the basic elements of control is the verification of the financial statements by an independent auditor. The tasks of the independent auditor include in particular: to review an interim financial statement and the preliminary and major examinations of annual reports. To ensure the reliability of the accounts of the Company and the generation of the data for presentations, the Management Board adopted and approved to be used the Accounting Policy in accordance with International Financial Reporting Standards.

According to the Supervisory Board's evaluation, the system of internal control and risk management, financial reporting process functioning in CCC as well as financial auditing activities are compliant with legal requirements and meet the necessary functional needs.

Polkowice, on 20.05.2014