

Report of the Supervisory Board of CCC S.A.

On the results of the evaluation of the standalone and consolidated financial statements, the report of the Management Board on the activities of the Capital Group of CCC S.A., and motion of the Management Board, on coverage of loss in the fiscal year from 01.02.2022 to 31.01.2023.



1. Introduction

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

- 1) standalone financial statements of CCC S.A. for the 12-month period beginning February 1, 2022 and ending January 31, 2023 (hereinafter: the standalone financial statements of CCC S.A.);
- 2) consolidated financial statements of the CCC S.A. Capital Group for the 12-month period beginning February 1, 2022 and ending January 31, 2023 (hereinafter: consolidated financial statements of the CCC S.A. Capital Group);
- 3) consolidated report of the Management Board on the activities of the CCC S.A. Capital Group for the fiscal year beginning February 1, 2022 and ending January 31, 2023 (hereinafter: the consolidated report of the Management Board on the activities of the CCC S.A. Capital Group);
- 4) CCC Group sustainability report for the fiscal year beginning February 1, 2022 and ending January 31, 2023 (hereinafter: CCC Group sustainability report);
- 5) independent auditor's report on the audit of the annual financial statements;
- 6) independent auditor's report on the audit of the annual consolidated financial statements;
- 7) The Management Board's proposal to cover the loss for the fiscal year beginning February 1, 2022 and ending January 31, 2023.

The Supervisory Board presents the results of its assessment in this report and the statement issued before the publication of the reports for the fiscal year ended January 31, 2023, in which it stated that the Board's report on the Group's operations for the fiscal year ended January 31, 2023 complies in all material respects with the requirements set forth in Articles 49 and 55(2a) of the Accounting Act and the Regulation of the Minister of Finance dated March 29, 2018. on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent the information required by the laws of non-member states, and the information contained therein is consistent with the information contained in the audited individual financial statements of CCC S.A. and the consolidated financial statements of the CCC S.A. Group for the fiscal year ended January 31, 2023.

In addition, the Supervisory Board assessed that the standalone financial statements of CCC S.A., the consolidated financial statements of the CCC S.A. Capital Group and the Management Board's report on the activities of the CCC S.A. Capital Group, as presented by the Company's Management Board, present fairly and clearly all necessary and relevant information for the assessment of the Company's and the Capital Group's assets and financial position as of January 31, 2023, and are in accordance with the books, documents and facts.

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

- The content of the aforementioned reports submitted by the Company's Management Board;
- the reports of the independent auditor, i.e. Ernst & Young Audyt Polska sp. z o.o. sp. k., based in Warsaw, on the audit of the stand-alone financial statements of CCC S.A. and the consolidated financial statements of the CCC S.A. Capital Group, as well as the supplementary report to the Audit Committee prepared pursuant to Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on detailed requirements for statutory audits of public-interest entities, repealing Commission Decision 2005/909, and in accordance with the provisions of the Law of May 11, 2017 on certified auditors, audit firms and public supervision;

- meetings with representatives of the aforementioned audit firm, including the key auditor;
- the Audit Committee's information on the conduct, results and significance of the audit for the integrity of financial reporting in the Company and the Committee's role in the financial statement audit process;
- made an assessment of the effectiveness of the functioning of the systems and functions: internal control, risk management and compliance supervision, as well as an effective internal audit function;
- the results of other verification activities performed in selected financial and operational areas.

2. Evaluation of the standalone financial statements of CCC S.A., the consolidated financial statements of CCC S.A. Capital Group and the report of the Management Board on the activities of CCC S.A. Capital Group for the fiscal year beginning February 1, 2022 and ending January 31, 2023. January 31, 2023.

The Supervisory Board reviewed and analyzed **the stand-alone financial statements of CCC S.A. for the 12-month period beginning February 1, 2022 and ending January 31, 2023**, prepared in accordance with International Financial Reporting Standards, and the independent auditor's report on the audit of the annual stand-alone financial statements, and analyzed the economic and financial functioning of the Company. The auditor acting on behalf of Ernst&Young Audyt Polska sp. z o.o. sp. k. issued an audit report covering the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and notes.

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

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

In his report, the auditor drew attention to the explanatory note to the standalone financial statements of CCC S.A., which indicated a number of risks and circumstances related to the implementation of the Company's and the CCC S.A. Group's financial plans, as well as

the actions taken and planned in connection therewith. The auditor indicated that the circumstances, described therein, indicate significant uncertainties that may raise serious doubts about the Company's and the Group's ability to continue as a going concern.

Among the key audit matters, the auditor identified:

- impairment of intangible assets (PLN 5.1 million), goodwill (PLN 48.8 million), fixed tangible assets (PLN 548.9 million), right-of-use assets (PLN 419.0 million) and shares (PLN 434.6 million), which together account for about 46% of the balance sheet total;
- inventories, the value of which as of January 31, 2023, as indicated in the standalone financial statements, amounted to PLN 381.7 million, while the inventory write-down as of that date amounted to PLN 7.3 million.

In fiscal year 2022, the company reported an increase in sales revenue compared to the previous year by 13% at PLN 2,721.9 million.

The year-on-year change was influenced by an increase in like-for-like store sales of PLN 40.4 million (+3.1%) and other store sales of PLN +9.3 million (+1.8%) year-on-year.

At CCC S.A., the retail space at the end of the period (31.01.2023) was 281.9 thousand sq. m. Compared to last year (31.01.2022), this is an increase of 3.1 thousand sq. m.

As a consequence of the increase in sales revenues, the level of cost of sales also increased. Compared to the same period last year, the increase amounted to PLN 323.6 million (20.2%) and costs were at PLN 1,928.2 million at the end of the reporting period. Gross profit on sales amounted to PLN 793.7 million.

The decrease in general and administrative expenses compared to the same period last year is due to lower costs of salaries and employee benefits (by PLN 19.5 million), mainly due to the realization of bonuses for the Management Board in 2021, and a decrease in other expenses (PLN 31.2 million) due to lower costs related to outsourcing and consulting services.

Other net operating income and expenses accounted for PLN 46.9 million on the income side, compared with PLN 35.1 million last year. The largest share of other operating income and expenses was accounted for by the following items: interest on overdue payments (PLN 31.0 million) and gain on settlement of lease agreements (PLN 21.8 million). In addition, an allowance for expected credit losses on receivables in the amount of PLN 4.6 million was recognized in the reported period.

In 2022, financial income amounted to PLN 77.1 million and was lower by PLN 434.5 million compared to the previous year, due to the recognition in the previous period of the result on the sale of MODIVO S.A. shares. (PLN 280.0 million) and dividends received (PLN 200.0 million) from CCC Factory Sp. z o.o. The main revenue items in the current period were interest income (PLN 37.2 million) and income from the sale of shares to Gino Rossi (PLN 21.9 million).

Financial expenses amounted to PLN 118.7 million and were higher by PLN 44.3 million compared to the previous year. The main item making up financial expenses in the reported period was interest on leases, loans, borrowings and bonds (PLN 98.8 million).

In addition, allowances for expected credit losses (net PLN 44.5 million) are included as standalone items in financial expenses.

After considering financial income and expenses and income tax, the net loss amounted to PLN 22.9 million, a year-on-year deterioration of PLN 465.1 million.

The Supervisory Board has reviewed and analyzed **the consolidated financial statements of the CCC S.A. Group for the 12-month period beginning February 1, 2022 and ending January 31, 2023**, prepared in accordance with the in accordance with International Financial Reporting Standards and with the auditor's report on the audit of the annual consolidated financial statements including: the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes. In his report, the auditor stated that the key auditor and the auditing firm remained independent of the Group entities during the audit in accordance with the provisions of the Law on Auditors and the rules of professional ethics, and that they did not provide non-audit services that are prohibited by the provisions of Article 136 of the Law on Auditors.

In its opinion, the auditor stated that the consolidated financial statements give a true and fair view of the Group's financial position and results for the year ended January 31, 2023, in accordance with in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations promulgated in the form of European Commission regulations and the adopted accounting principles (policies). The consolidated financial statements comply in form and content with the Group's applicable laws and the Company's Articles of Association.

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

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

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

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

Among the key audit matters, the auditor identified:

- impairment of intangible assets (PLN 376.8 million), goodwill (PLN 203.9 million), fixed tangible assets (PLN 1,441.9 million) and right-of-use assets (PLN 1,379.9 million), which together account for about 29% of the balance sheet total;
- Inventories, the value of which as of January 31, 2023, as indicated in the consolidated financial statements, amounted to PLN 2,691.1 million, while the inventory write-down as of that date amounted to PLN 70.4 million.

Sales revenues in 2022 amounted to PLN 9,123.2 million, up by PLN 1,581.5 million (+21.0%) compared to the previous year.

Dynamic revenue growth was observed in all segments. The biggest impact on the result in terms of value was the increase in sales revenues in the HalfPrice segment (+606.2 million PLN / +>100%) and CCC (+478.1 million PLN / +12.9%).

For the period under review, the change in comparable store sales was PLN 229.0 million (+10.2%). Increases in comparable outlets were recorded in: Central and Eastern Europe. (+20.1%) and the Polish market (+3.1%). No comparable stores in the Western Europe market.

Poland continues to be the largest retail market, with a share of in total sales in 2022 were 63.3% (PLN 2509.5 million), compared to 63.3% (PLN 2029.2 million) in the same period in 2021.

The PLN +480.3 million year-on-year change in revenue in Poland was driven by comparable store sales of PLN +40.3 million and other store sales of PLN 440.0 million (including the HalfPrice chain of PLN +430.6 million).

In Poland, the retail space at the end of the period (31.01.2023) was 406.6 thousand square meters, compared to last year (31.01.2022) this is an increase of 56.1 thousand square meters.

Consolidated gross profit on sales amounted to PLN 4,265.4 million and was higher by PLN 740.1 million (+21.0%) compared to the comparable period of the previous year. CCC (51.1%) and eobuwie (29.9%) accounted for the largest share of total gross sales profit. The consolidated gross margin on sales amounted to 46.8% and remained at a comparable level compared to the comparable period.

In 2022, point-of-sale costs amounted to PLN 3,815.1 million, higher by PLN 610.2 million (+19.0%). The most significant cost groups were the costs of salaries and employee benefits, advertising and depreciation, which accounted for 25.7%, 25.3% and 14.0% of total POS costs, respectively.

General and administrative expenses amounted to PLN 399.5 million, up by PLN 20.0 million (+5.3%) year-on-year. The most significant cost groups were salaries and employee benefits and other costs, accounting for 46.8% and 23.9% of general and administrative expenses, respectively. The increase in general and administrative expenses related to continuing operations compared to the same period last year resulted from higher salary costs (by PLN 50.3 million) mainly due to the development of sales channels and the building of a personnel base for the HalfPrice segment. There was also a decrease in other costs (by PLN 33.2 million) as a result of cost discipline and a reduction in costs related to outsourcing and consulting services.

Operating income and expenses accounted for PLN 62.5 million and PLN 119.9 million, respectively, which, on a net basis, represented PLN 57.4 million on the expense side, compared to PLN 58.1 million on the income side in the same period last year. The change is mainly due to the recognition of income from the redemption of the PFR loan in the previous period (PLN 51.0 million) and a higher foreign exchange loss in the current period (PLN 60.7 million). In addition, the current period's operating expenses included costs from the write-down of trade receivables in the amount of PLN 44.7 million.

The loss from operations in 2022 amounted to PLN 51.3 million, compared to the same period of the previous year, the result was lower by PLN 55.4 million. The decrease was mainly due to higher operating expenses, including other operating income and expenses.

Financial income in 2022 amounted to PLN 54.0 million, up by PLN 11.6 million year-on-year. The main item of financial income is the valuation of options to buy back non-

controlling interests (PLN 33.7 million; PLN 23.9 million in the same period last year). In addition, the Group recognized a share in the profits of affiliates in the amount of PLN 0.3 million.

Financial expenses in the same period amounted to PLN 401.9 million and were PLN 206.7 million higher than in the previous year. Financial expenses in the reported period consisted primarily of interest expenses on loans and bonds (PLN 293.4 million; in 2022 - PLN 106.5 million).

After considering financial income and expenses, allowance for expected credit losses, share of loss of an affiliate and income tax, net loss from continuing operations in the reported period amounted to PLN 401.5 million, higher by PLN 184.9 million than in the same period last year.

The net result in the period was affected by increased pressures on the cost side - both in terms of gross margin (foreign exchange rate increases, freight) and on the SG&A side (inflationary pressures - wages, services, etc.). Finally, considering the Group's debt, in the 2022 period, following the MPC's decisions of raising interest rates to 6.75% incurred 175.5% higher y-o-y interest/debt service costs.

The consolidated report of the Management Board on the operations of the CCC S.A. Group for the fiscal year beginning February 1, 2022 and ending January 31, 2023 includes information on the economic and financial situation of the Group and describes the major events that had a significant impact on its operations during the reporting period. This report has been prepared in accordance with the Company's books and documents of the Company and the facts, and contains the necessary synthetic information on the Group's operations. In addition, the auditor stated that the Consolidated Management's Report on the Operations of the CCC S.A. Capital Group was prepared in accordance with the Company's applicable regulations and is consistent with the information contained in the financial statements. The auditor also stated, that according to his knowledge of the Company and its environment obtained during the audit of the financial statements, he found no material misstatements in the management report. Regarding the corporate governance statement contained in the report, the auditor stated in his opinion that the information contained therein is consistent with the applicable regulations and the information contained in the financial statements. The auditor's report included information that the Company had included in the management report on operations the information about the preparation of a separate report on non-financial information referred to in Article 49b paragraph 9 of the Accounting Act.

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

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

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

The Supervisory Board, having analyzed the submitted reports and results of CCC S.A. and the CCC S.A. Capital Group in the fiscal year ended January 31, 2023, acting in accordance with the principles of the Good Practices of Companies Listed on the WSE, considering the existing challenges and external conditions, positively evaluates the Company's activities in the period from February 1, 2022 to January 31, 2023, while noting the need for ongoing monitoring of the financial and liquidity situation of the Company, as

well as the and Group companies, as well as the Company's response to changing market circumstances, including the need for the Management Board to apply appropriate measures and actions.

In the opinion of the Board, a series of measures indicated by the Management Board to offset the negative impact of risks on the Group's financial performance should adequately ensure the Group's liquidity.

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

1. to approve the standalone financial statements of CCC S.A. for the 12-month period beginning February 1, 2022 and ending January 31, 2023;
2. to approve the consolidated financial statements of the CCC S.A. Group for the 12-month period beginning February 1, 2022 and ending January 31, 2023.
3. to approve the consolidated report of the Management Board on the activities of the CCC S.A. Group for the fiscal year beginning February 1, 2022 and ending January 31, 2023;
4. to cover the loss for the fiscal year beginning February 1, 2022 and ending January 31, 2023.
5. to grant the Company's Management Board a discharge of its duties for the fiscal year beginning February 1, 2022 and ending January 31, 2023.

Polkowice, April 24, 2023

Chairman of the Supervisory Board - Dariusz Miłek

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Vice Chairman of the Supervisory Board - Wiesław Oleś

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Member of the Supervisory Board - Zofia Dzik

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Member of the Supervisory Board - Filip Gorczyca

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Member of the Supervisory Board - Mariusz Gnych

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