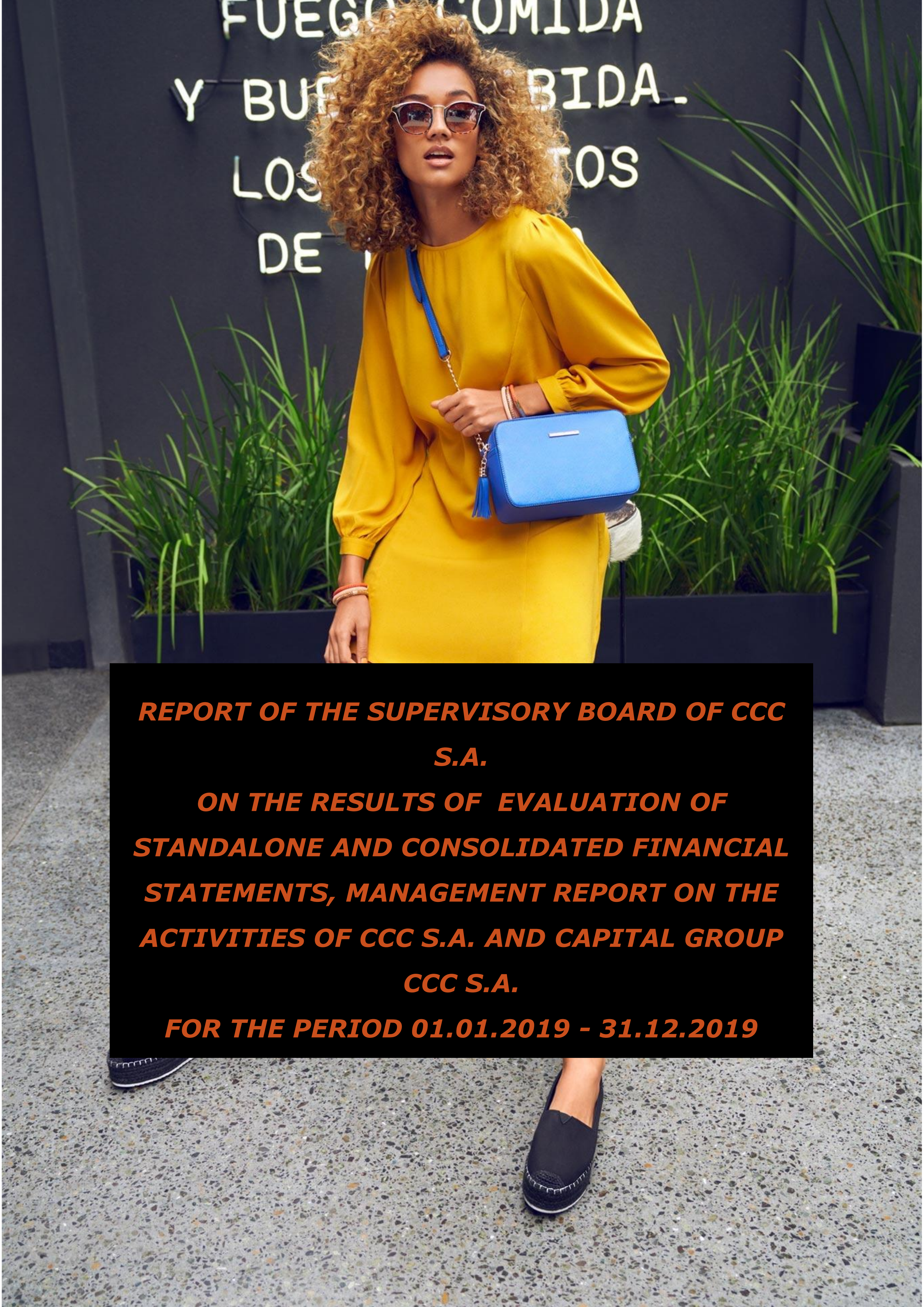

REPORT OF THE SUPERVISORY BOARD OF CCC S.A. ON THE RESULTS OF EVALUATION OF STANDALONE AND CONSOLIDATED FINANCIAL STATEMENTS, MANAGEMENT REPORT ON THE ACTIVITIES OF CCC S.A. AND CAPITAL GROUP CCC S.A. FOR THE PERIOD 01.01.2019 - 31.12.2019

1. Introduction

Acting on the basis of art. 382 § 3 of the Commercial Companies Code and § 16 point 2 paragraph 2 of the Articles of Association of Company CCC S.A., the Supervisory Board assessed and considered the following documents:

1) The standalone financial statements of the Company CCC S.A. and the annual standalone report on the activity of CCC S.A. for the period from 01.01.2019 to 31.12.2019;
2) The consolidated financial statements of the CCC S.A. Capital Group and the annual consolidated report on the activity of the CCC S.A. Capital Group for the period 01.01.2019 - 31.12.2019;
3) the non-financial report of CCC S.A. Capital Group for the year 2019;
4) the independent auditor's report on the audit of the annual financial statements;
5) the independent auditor's report on the audit of the annual consolidated financial statements;
6) the Management Board's proposal to cover the loss for 2019
7) the Management Board's proposal to pay no dividend for 2019.

The results of the assessment are presented by the Supervisory Board in this report and in the statements issued prior to the publication of the reports for the financial year 2019, in which it stated that the report on the activities of the Company and the Capital Group for 2019 in all material aspects meets the requirements set out in Article 49 and Article 55.2a of the Accounting Act and the Regulation of the Minister of Finance of 29 March 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 countries, and the information contained therein is consistent with the information contained in the Company's audited standalone financial statements and the consolidated financial statements of the Group CCC S.A. for the year 2019.

Furthermore, the Supervisory Board assessed that the standalone financial statements for the financial year 2019, the consolidated financial statements for the financial year 2019 and the report on the activities of the Company and the Capital Group for 2019 presented by the Management Board of the Company present in a reliable and clear manner all the necessary and relevant information for the assessment of the property and financial situation of the Company and the Capital Group as at 31 December 2019, and are consistent with the books, documents and the actual state of affairs.

The Supervisory Board positively assessed the standalone financial statements for the financial year 2019, the consolidated financial statements for the financial year 2019 and the report on the activities of the Company and the Capital Group for 2019 on the basis of the following:

- the contents of the above mentioned reports, submitted by the Company's Management Board;
- reports of the independent auditor, i.e. Ernst & Young Audyt Polska sp. z o.o. sp. k. based in Warsaw, on the examination of the Company's standalone financial statements and the consolidated financial statements of the CCC S.A. Capital Group as of 31.12.2019 as well as the additional report for the Audit Committee prepared pursuant to Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and the Council of 16 April 2014 on detailed requirements regarding statutory audit of public-interest entities, repealing commission decision 2005/909 and pursuant to the provisions of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision;
- meetings with representatives of the above-mentioned audit firm, including the key statutory auditor;

- information of the Audit Committee on the course, results and significance of the audit for the reliability of financial reporting in the Company and the role of the Committee in the audit process;
- results of other verification activities performed in selected financial and operational areas.

2. Evaluation of the standalone financial statements of the Company CCC S.A. and the annual standalone report on the activities of CCC S.A. for the period from 01.01.2019 to 31.12.2019

The Supervisory Board got acquainted with and analyzed the annual financial report of CCC S.A. prepared in accordance with the International Financial Reporting Standards for the financial year 2019 and the report of the independent auditor on the examination of the annual standalone financial report, as well as analyzed the economic and financial functioning of the Company. The certified auditor acting on behalf of Ernst&Young Sp. z o.o. issued a report from the audit covering the statements of financial position, the statements of financial result and other comprehensive income, the cash flow statements, the statements of changes in equity and explanatory notes.
At the same time, the auditor stated in his report that the key auditor and the audit firm during the audit remained independent of the Company in accordance with the provisions of the Act on Statutory Auditors and the principles of professional ethics and did not provide services which are not an audit, which are prohibited under Article 136 of the Act on Statutory Auditors. The appointment of the audit firm to audit the reports was made by resolution of the Supervisory Board on 28 February 2019. The statutory auditor audits the Company's financial statements continuously starting from the financial year ended on 31 December 2017; that is for a period of 3 consecutive years.

The auditor included in his report the most important observations related to with the most significant risks. The most significant risks of material distortion (key issues of the study) during the study were identified: as at 31.12.2019. :

- the value of inventories indicated in the statements of financial position amounted to 345.5 million, while the inventory write-down as at that date amounted to 4.5 million;
- valuation of assets under the right of use and lease liabilities. The issue has been identified as key to the audit of the standalone financial statements due to the significant value of the item of assets under the right of use (representing 26.7% of the balance sheet total as at 31 December 2019) and lease liabilities (representing 27.6% of the balance sheet total as at 31 December 2019) in the statements of financial position and due to the element of professional judgement of the management concerning a number of assumptions adopted in connection with the application of IFRS 16;
- The acquisition of a non-controlling stake in HR Group Holding S.a.r.l. and the recognition of financial settlements with the seller resulting from the acquisition were considered significant from the point of view of the Company's assets and financial result;
- financing and conditions of agreements financing the Company's operations (covenants), Availability of appropriate instruments financing the Company's operations and verification whether the Company is able to continue to meet the contractual financing conditions are important for the audit due to their impact on the assessment of the Company's business continuity assumption.

In the opinion, the certified auditor stated that the statements were prepared in all material respects in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of regulations of the European Commission and adopted accounting principles (policy). The statements are consistent in form and content with the applicable laws and present fairly and clearly all material information, financial position and financial performance of the entity and do not contain any material misstatements due to fraud or error. It has been prepared on the basis of properly maintained accounting books and is consistent in form and content with the applicable laws and the Company's Articles of Association.

Moreover, the auditor stated that the report on operations was prepared in accordance with the regulations binding on the Company and is consistent with the information contained in in the financial statements. The auditor also stated that to the best of his knowledge, the Company and its environment obtained during the audit of the financial statements have not found any material distortions in the management report.

With regard to the corporate governance statements concluded in the report, the auditor concluded in his opinion that the information contained in the report complies with the applicable regulations and the information contained in in the financial statements.
The auditor's report includes information that the Company has included in the report on operations, information on preparation of a standalone report on non-financial information referred to in Article 49b section 9 of the Act about accounting.
In the reporting period from 1 January to 31 December 2019, the Company's sales revenues in 2019 amounted to PLN 2,270.0 million, up by PLN 134.4 million (+6.3%) year on year. Retail sales increased by 4.1%, with an average increase of 17.4% in CCC stores. In June 2019, sales in the e-commerce channel on the Polish market were launched, which generated PLN 32.3m. Other sales include the sale of logistics and accounting services to CCC.eu and the sale of other services.

Revenue per sq.m of retail space in CCC in 2019 amounted to PLN 7.06 thousand and was lower by 0.7% in comparison to the previous year. The value of sales per sq.m is influenced by the increase in the area of opened stores (the average area of CCC stores at the end of 2019 was 660 sq.m and was higher by 7.6% compared to the previous year).

Revenue from retail sales in 2019 was PLN 2,113.7m, up by PLN 83.0m (+4.1%) comparing to the previous year. In the same period CCC stores with a total area of 46.5 thousand m2 were opened and expanded in Poland, the total area of 7.5 thousand m2 was closed. In 2019 in Poland (stores: CCC) the net retail space increased by 39.0 thousand m2. The change in revenue of PLN +83.0 million compared to the previous year was influenced by 1,543.8 million (-1.7%) of sales in CCC like-for-like stores and sales in other stores PLN 2,569.9m (+24.0%).

Gross profit on sales increased by PLN 31.8m (4.8%) in 2019 and amounted to PLN 693.7m. Part of the margin on sales, which until the restructuring in 2014 was shown in CCC S.A., was transferred to CCC.eu in exchange for the implementation of functions that were taken over by the newly established company.

The operating costs of the stores increased by PLN 30.9 million in 2019 and amounted to PLN 564.4 million, an increase of 5.8%, with an average increase of 7.6% in the area of CCC stores. The most significant item, apart from depreciation, were salaries and employee benefits, which represented 59.0% and 33.8% respectively.
Other selling expenses and general and administrative expenses in 2019 amounted to PLN 75.7m, down PLN 9.1m from the previous year. The decrease results, among others, from a PLN 11.1m change in the cost level of the incentive scheme and capitalization of the costs of the previous years' incentive scheme.

Other operating expenses and income were PLN 1.6m on a net basis, as compared with PLN 62.1m a year earlier on the cost side. The main reason for the change was the creation of a provision of PLN 76.4m in 2018 due to the negative fair value of the German company.

As a result of the factors described above, CCC achieved an operating result in 2019 of PLN 55.2 million, which was PLN 75.5 million lower than in the corresponding period in 2018.

In 2019, financial income amounted to PLN 35.4m, up by PLN 18.1m on the previous year. The main items of financial income in the reporting period were credit guarantees (39% of total financial income), which amounted to PLN 16.7m - in the corresponding period of the previous year it amounted to PLN 12.0m and interest income, which in 2019 amounted to PLN 11.8m (2018: PLN 4.6m).

In 2019, other financial expenses amounted to PLN 126.2m, up by PLN 97.5m on the previous year. The main component of financial expenses in the reporting period was the PLN 103.6m valuation of the non-controlling interest call option for HR Group.
Income tax in 2019 was PLN 15.4m (including a deferred portion of PLN 1.2m).
After taking into account financial income and expenses and income tax, the net loss amounted to PLN 50.9 million and was PLN 10.6 million higher than in the corresponding period last year.

Chart 1. Standalone statements of comprehensive income

	As of 31 December 2019 (PLN million)	As of 31 December 2018 (PLN million)
Sales revenue	**2 270,0**	**2 135,6**
Gross sales profit	**693,7**	**661,3**
Operating profit (loss)	**55,2**	**(20,3)**
Gross profit (loss)	**(35,6)**	**(31,7)**
Net profit (loss)	**(51,0)**	**(40,3)**

Fixed assets as at 31 December 2019 consisted of tangible fixed assets (PLN 575.8 million), intangible assets (PLN 1.4 million), loans granted (PLN 78.0 million), goodwill (PLN 48.8 million), investments in subsidiaries (PLN 511.8 million), and deferred tax assets (PLN 9.6 million). The value of fixed assets increased 13.4% to PLN 1,925.6m as compared to December 31, 2018, the main reason being an increase in investments in tangible fixed assets and related rights of use (+ PLN 71.9m) and an increase in long-term investments in subsidiaries by PLN 70.7m.

Current assets as at December 31, 2019 amounted to PLN 650.8 million and consisted of inventories (PLN 345.5 million), cash and cash equivalents (PLN 95.4 million), loans granted (PLN 172.6 million) and receivables from customers (PLN 4.9 million) and other receivables (PLN 32.4 million). The value of current assets increased by 13.3%

from PLN 574.6m as at 31 December 2018, the main reason for which was an increase in loans granted by PLN 82.6m.

In 2019, the company created a PLN 5.5m write-down on inventories in the stores, while utilizing a PLN 4.3m write-down.
The CCC Group's cash and cash equivalents at 31 December 2019 amounted to PLN 95.4 million, down by PLN 8.9 million from the end of 2018. At the end of 2019, 34% of cash was on hand and in a bank account, and 66% was placed on short-term deposits.

As at 31 December 2019, the equity of the CCC decreased compared to the end of 2018 by PLN 82.9m (-8.0%), mainly due to a PLN 19.8m dividend for 2018 and a loss of the current year.
Non-current liabilities as at 31 December 2019 amounted to PLN 746.3m, up by PLN 39.9m (+5.6%) from 31 December 2018. The total non-current liabilities as at end 2019 consisted mainly of debt of PLN 210 million, leasing liabilities of PLN 509.0 million, liabilities to employees of PLN 5.5 million, provisions of PLN 2.8 million and subsidies received, which amounted to PLN 19.0 million.

Current liabilities as at 31 December 2019 amounted to PLN 871.1 million, increasing by PLN 347.0 million (+60.2%) from PLN 524.1 million as at 31 December 2018. The total current liabilities as at the end of 2019 consisted of debts of 111.4 million PLN; liabilities towards suppliers, which amounted to 456.5 million PLN (an increase of 272.1 million PLN as compared to 31.12.2018); other liabilities of 89.0 million PLN (an increase of 15.1 million PLN as compared to 31.12.2018); income tax liabilities of 9.2 million PLN; provisions, which amounted to 1.2 million PLN and subsidies of 2.4 million PLN.

Chart 2. Statements of financial position

	As of 31 December 2019 (PLN million)	As of 31 December 2018 (PLN million)
ASSETS		
Fixed assets	**1 925,6**	**1 697,8**
Current assets	**650,8**	**574,6**
TOTAL ASSETS		**1 606,0**
LIABILITIES		
Total equity	**959,0**	**1 041,9**
Current liabilities	**871,1**	**524,1**
Non-current liabilities	**746,3**	**706,4**
TOTAL LIABILITIES	**2 576,4**	**2 272,4**

Chart 3. Report on changes in equity

	Year ended 31 December 2019 (PLN million)	Year ended 31 December 2018 (PLN million)
Equity capital at the beginning of the period	**1 041,9**	**1 151,4**
Equity capital at the end of the period	**959,0**	**1 041,9**

Net cash flows from operating activities in 2019 amounted to PLN 593.8m and were PLN 151.5m higher than in 2018. This increase resulted from positive changes in working capital, mainly due to an increase in current liabilities.
Net flows from investment activities in 2019 amounted to - PLN 467.4 million. This increase resulted, among other things, from increased expenses for tangible fixed assets related to the implementation of the expansion strategy in Poland, which amounted to PLN 129.5 million and the acquisition of investments in affiliated units in the amount of PLN 118.4 million.
Net cash flow from financial activities in 2019 amounted to PLN - 135.3 million. The main reason for the change from - PLN 278.5 million at the end of 2018 was the inflows of PLN 111.0 million from taking out credits and loans.
CCC ended 2019 with a cash level of PLN 95.4 million, a decrease of PLN 8.9 million (-8.5%) compared to 31.12.2018.

Chart 4. Standalone cash flow statements

	As of 31 December 2019 (PLN million)	As of 31 December 2018 (PLN million)
Net cash flows from operating activities	**593,8**	**442,3**
Net cash flows from investing activities	**(467,4)**	**(359,8)**
Net cash flows from financing activities	**(135,3)**	**278,4**
Net increase in cash and cash equivalents	**(8,9)**	**(196,0)**
Cash at the beginning of the period	**104,3**	**300,4**
Cash at end of the period	**95,4**	**104,3**

The Supervisory Board makes no comments or reservations to the presented cash flow statements.
The report on the activities of CCC S.A. in 2019 should be considered complete. This report includes information about the economic and financial situation of the Company and describes major events that have a significant impact on the Company's operations in the reporting period. This report was prepared in accordance with the books and documents of the Company and the facts, and contains necessary, synthetic information on the functioning of CCC S.A.

In the financial statements, the Management Board stated that the statements and comparable data have been prepared in accordance with the accounting principles in force and that they reflect the Company's property and financial situation and its result in a true, reliable and clear manner. The report on operations contains a true picture of the development, achievements and situation of the Company, including a description of basic risks and threats.
The Supervisory Board considers these reports to correctly reflect the reality and properly presenting the situation of the Company in the reporting period.

3. Analysis of the annual consolidated financial statements and the report on the activity of the CCC S.A. Capital Group in 2019.

The Supervisory Board reviewed and analysed the annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards for 2019 and the auditor's report on the audit of the annual consolidated financial statements including the consolidated statements of financial position, the consolidated statements of financial result and other comprehensive income, the consolidated statements of changes in equity, the consolidated cash flow statements and explanatory notes. In his or her report, the statutory auditor declared that during the course of the audit, the key statutory auditor and the audit firm remained independent of the entities comprising the Capital Group in accordance with the provisions of the Act on Statutory Auditors and the principles of professional ethics, and that they did not provide non-audit services which are prohibited under Article 136 of the Act on Statutory Auditors.
The appointment of the audit firm to audit the 2019 report was made by resolution of the Supervisory Board on 28 February 2019.

During the course of the audit, the auditor identified significant risks of material misstatements (key audit matters), including those caused by fraud, and developed appropriate audit procedures for those risks. The most important observations related to the significant risks have been taken into account in the auditor's opinion and are described below:

- As at 31 December 2019, the value of inventories disclosed in the consolidated statements of financial position amounted to PLN 1,942.3 million, while the inventory write-down as at that date amounted to PLN 21.1 million.
- Another key issue of the audit was the valuation of the option to acquire a minority stake in eobuwie. pl S.A. As at 31 December 2019, the consolidated financial statements included an option liability of PLN 755.4 million.
- valuation of assets due to the right to use and lease liabilities. The auditor also raised the issue of final settlement of the acquisition of entities in the consolidated financial statements. During the financial year 2019, the CCC S.A. Group made the final settlement of the acquisition of Gino Rossi S.A. (entity acquired in 2019) and Deezee sp. z o.o. (entity acquired in 2018). The impact of the settlement of the acquisition of these entities is significant from the point of view of the property situation and financial result of CCC S.A. Group, and the acquisition of control over these entities and settlement of their acquisition was associated with a number of professional judgments and estimates concerning, among others, determination of the date of taking control, determination of the purchase price, valuation of net assets of the acquired entities as at the moment of acquisition, including in particular the recognized goodwill.
- acquisition of a non-controlling stake in HR Group Holding S.a.r.l. and loss of control over CCC Germany GmbH. The case has been identified as key to the consolidated financial statements due to its significant impact on the consolidated financial statements. The acquired entity is significant from the point of view of the property situation and financial result of CCC S.A. Group.

- financing and terms of agreements financing the Group's operations (covenants). The Group finances its operations through various types of financial instruments (including loans and bonds), whose financial debt amounted to PLN 1,513.4 million as at 31 December 2019.
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The availability of appropriate instruments to finance the Group's operations and verification whether the Group is able to continue to meet the contractual financing conditions are important for the audit due to their impact on the assessment of the Group's business continuity assumption.
In its opinion, the certified auditor stated that the statements presents a reliable and a clear picture of the Group's assets and financial position and its financial result for 2019, in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy). The statements are consistent in form and content with the legal regulations and the Company's Articles of Association binding on the Group.
In addition, the auditor stated that the report on the Group's operations has been prepared in accordance with the applicable accounting regulations and other applicable laws and is consistent with the information contained in in the consolidated financial statements. The auditor also stated that, to the best of the auditor's knowledge of the Group and its environment obtained during the audit of the consolidated financial statements, no material distortions were found in the consolidated statements of operations.

With regard to the corporate governance statements concluded in the report, the auditor concluded in his opinion that the information contained in the report complies with the applicable regulations and the information contained in in the consolidated financial statements.
The auditor's report includes information that the Company has included in the report on the Group's activities, information on the preparation of a standalone report on non-financial information referred to in Article 49b section 9 of the Act about accounting.

Sales revenue in 2019 amounted to PLN 5,844.7m, which is an increase by PLN 1,118.9m (+23.7%) higher than in the previous year. Revenue growth was driven primarily by an increase in sales in the retail segment by PLN 550.6m (+15.1% y/y), e-commerce by PLN 478.1m (+48.9% y/y), and wholesale by PLN 89.8m (including through the opening of stores in the GCC region and cooperation with HR Group's affiliate).
Total revenues from retail sales in 2019 represented 72% (2018: 77%) of total sales from external customers, with an increasing share of e-commerce of 25% (2018: 21%) and 3% of wholesale sales (2018: 2%).
The Group maintains high retail sales of 1m² - last year the sales amounted to PLN 6.16 thousand per sq.m (in 2018 PLN 6.64 thousand per sq.m), with the average store area increasing by 3.2% to 587 sq.m. Revenues are affected by changes in sales in existing outlets and changes resulting from opening and closing of retail outlets.

Revenue from retail sales in 2019 amounted to PLN 2,272.8m,which is up by PLN 212.7m (+10.3%) on the previous year. Revenues of PLN 212.7m (+1.7%) were affected by sales in like-for-like stores - PLN 26.9m (-1.7%) and sales in other stores - PLN 239.6m (+50.0%). In the same period CCC and eobuwie stores with a total area of 46.5 thousand m2 were opened and enlarged in Poland, and 7.5 thousand m2 were closed. In 2019, net retail space in Poland increased by 39.0 thousand m2.
Sales revenues in 2019 in the dynamically growing e-commerce segment amounted to PLN 1,455.4 million, which is an increase of PLN 478.1 million (+48.9%) compared to the previous year. Revenue growth was driven primarily by an increase in sales in the Polish market of PLN 169.0m (+42.3%) and in the CEE segment of PLN 205.1m (+53.6%).

Consolidated gross sales profit in 2019 amounted to PLN 2,888.6 million and was 22.1% higher than in the corresponding period of the previous year. The share of the retail segment in total gross sales profit in 2019 amounted to 77% (2018: 81%), with an increasing share of e-commerce 21% (2018: 17%).
The margin in the retail segment was in 2019. It was 53.0% and its value was similar to 2018.
The gross earned profit on sales covers the costs of functioning of shtores and creates the result of segments. In 2019, compared to the previous year, the operating costs of the stores increased by PLN 307.1m and the result of the retail segment decreased by PLN 90.6m.

The item of operating costs was the largest cost group, accounting for 57% of total costs in 2019 (60% in 2018). In the period 01-12.2019, the costs of functioning of the stores amounted to PLN 1 570.8 million and were higher by PLN 307.1 million (+24.3%) than in the corresponding period of the previous year, with an increase in the average retail space by 24.2%. The main reason for the increase in costs was the acquisition of CCC franchise stores in Romania and the acquisitions of Karl Voegele and Gino Rossi. In addition, the factor affecting the increase in costs was the increase in retail space, which, without taking into account the acquired chains as at 31.12.2019 amounted to 595.5 thousand m2 (+70.9 thousand m2 compared to the same period of the previous year, without the acquired companies). Other operating expenses and income in 2019 amounted to PLN 34.2m and PLN 44.8m, respectively, representing PLN 10.6m in net income, compared to PLN 121.5m in the prior year. The main reason for the change from the same period in 2018 was the recognition in 2018 of a gain on the bargain purchase of Karl Voegele AG of PLN 104.4m.

In 2019, financial income amounted to PLN 143.3m, up by PLN 139.6m on the previous year. The main drivers of the increase in revenue were the valuation of financial instruments of PLN +108.3m (concerning put options related to the acquisition of minority interests) and a PLN +20.8m change in the result on foreign exchange differences. Financial expenses in the same period of 2019 amounted to PLN 231.3m and were higher by PLN 111.4m compared to the previous year. Financial expenses in the reporting period included interest expenses of PLN 77.6m (2018: PLN 62.2m), foreign exchange losses of PLN 15.0m (2018: PLN 30.1m), option valuation concerning, among others, the redemption of non-controlling interests of PLN 134.4m (2018: PLN 26.7m).

In 2019, income tax amounted to PLN -9.2m (2018: - PLN 32.9m), current tax was PLN -42.1m and deferred tax was PLN +32.9m.
After including finance income and expenses, share of the associate's loss and income tax, the 2019 net profit amounted to PLN 18.4m and was lower by PLN 205.1m in the corresponding period in 2018.

Chart 5 Consolidated statements of comprehensive income

	As of 31 December 2019 (PLN million)	As of 31 December 2018 (PLN million)
Sales revenue	**5 844,7**	**4 725,8**
Gross sales profit	**2 888,6**	**2 369,9**
Operating profit (loss)	**133,1**	**372,5**
Gross profit (loss)	**27,6**	**256,4**

Net profit (loss)	**(27,5)**	**56,7**

Fixed assets as at 31 December 2019 comprised, among others, tangible fixed assets (PLN 1,380.0 million), intangible assets (PLN 326.4 million), goodwill (PLN 217.9 million), deferred tax assets (PLN 110.3 million), loans granted (PLN 78.0 million).
The value of non-current assets increased by 17.8% to PLN 4,210.5m as compared to December 31, 2018, due to, among other things, the acquisition of Gino Rossi, as well as increased capital expenditures related to the opening of new stores and the expansion of the logistics centre.

tangible fixed assets as at December 31, 2019 amounted to PLN 1380.0m, having increased by PLN 235.7m (20.6%) from 2018, mainly as a result of capital expenditures for the expansion of the logistics center (+PLN 160.3m), the acquisition of Gino Rossi (+PLN 29.7m) and an increase in tangible fixed assets related to the expansion of the sales network (+PLN 40.5m).

Deferred tax assets reported as at 31 December 2019 related mainly to the recognition of deferred tax assets related to the acquisition of trademarks, provisions for liabilities and tax losses and amounted to PLN 110.3 million as at the balance sheet date.
Current assets as at December 31, 2019 amounted to PLN 2,933.2m and consisted of inventories (PLN 1,942.3m), cash and cash equivalents (PLN 542.6m), receivables from customers and other receivables (PLN 442.3m), loans (PLN 4.6m) and income tax receivables (PLN 1.4m). Current assets increased by 10.3% from PLN 2,658.5 million as compared to 31 December 2018.

The main reason for the increase in current assets was an increase in inventories (up by PLN 136.2 million or 7.5%), which at the end of the year amounted to PLN 1,942.3 million, and cash and cash equivalents, which increased by PLN 166.8 million or 44.4%.

Chart 6 Consolidated statements of financial position

	As of 31 December 2019 (PLN million)	As of 31 December 2018 (PLN million)
ASSETS		
Fixed assets	**4 210,5**	**3 574,1**
Current assets	**2 933,2**	**3 161,9**
'OTAL OF ASSETS	**7 143,7**	**6 736,0**
LIABILITIES		
Total equity	**1 089,6**	**1 147,8**
Current liabilities	**2 958,3**	**2 937,3**
Non-current liabilities	**3 095,8**	**2 650,9**
TOTAL OF LIABILITIES	**6 054,1**	**5 588,2**

Non-current liabilities as at 31 December 2019 amounted to PLN 3,095.8m, up by PLN 444.9m (16.8%) from PLN 2,650.9m as at 31 December 2018. Total non-current liabilities as at the end of 2019 comprised long-term debt of PLN 683.0m, liabilities due to the obligation to buy out minority shareholdings (primarily eobuwie and Vogele) of PLN 801.1m, leasing liabilities of PLN 1,528.6m, liabilities to employees of PLN 12.7m, provisions of PLN 14.0m, deferred tax liabilities of PLN 37.4m, and subsidies received of PLN 19.0m.

Current liabilities as at 31 December 2019 amounted to PLN 2,958.3m, increasing by PLN 539.2m (22.3%) from PLN 2,419.1m as at 31 December 2018. The total amount of current liabilities as at the end of 2019 consisted mainly of debt liabilities (PLN 830.4m); liabilities to suppliers, which amounted to PLN 1,158.2m (an increase of 34.0% as compared to 31.12.2018); and liabilities due to the financial sector, which amounted to PLN 1,358.3m (22.3%), which increased by PLN 2,419.1m as at 31.12.2018. Leasing liabilities of PLN 557.2m; other liabilities of PLN 378.0m (37.8% up on December 31, 2018); income tax liabilities of PLN 12.8m; provisions of PLN 18.3m and subsidies of PLN 2.4m; and financial derivatives of PLN 1.0m.

Chart 7 Consolidated statements of changes in equity

	Year ended 31 December 2019 (PLN million)	Year ended 31 December 2018 (PLN million)
Equity capital at the beginning of the period	**1 147,8**	**1 168,3**
Equity capital at the end of the period	**1 089,6**	**1 147,8**

Consolidated net operating cash flow in 2019 was PLN 986.6m, driven by changes in working capital of PLN 161.8m (including PLN 316.7m in short-term liabilities) and adjusted for non-cash operating profit of PLN 824.8m.
Consolidated net cash flows from investing activities in 2019 amounted to PLN -713.6 million. This value was primarily due to an increase in expenses for tangible fixed assets and intangible assets related to the implementation of the market expansion strategy (including the expansion of the logistics centre) and the expansion of commercial space in Poland and abroad - these expenses in 2019 amounted to PLN 496.9 million, as well as expenses related to investments in the associated company HR Group (PLN 118.4 million) and loans granted in the amount of PLN 148.9 million.

Consolidated net cash flows from financing activities in 2019 amounted to PLN -104.7 million. This value was primarily comprised of PLN 569.6 million in cash inflows from loans, PLN 75.0 million in loan repayments, PLN 23.9 million in dividends and PLN 491.6 million in lease payments.

Chart 8 Consolidated cash flow statements

	As of 31 December 2019 (PLN million)	As of 31 December 2018 (PLN million)
Net cash flows from operating activities	**986,6**	**995,8**
Net cash flows from investing activities	**(713,6)**	**(620,8)**
Net cash flows from financing activities	**(104,7)**	**(514,8)**

Net increase in cash and cash equivalents	**166,8**	**139,8**
Cash at the beginning of the period	**374,3**	**514,1**
Cash at end of period	**542,6**	**374,3**

The report on the activities of the CCC S.A. Capital Group in 2019 should be considered complete. This report includes information about the economic situation The Group's financial statements are prepared on a regular basis, and describe major events that had a material impact on its operations during the reporting period. This report was prepared in accordance with the books and documents of the Company and the facts, and contains necessary, synthetic information on the functioning of the Capital Group.

In the consolidated financial statements, the Management Board stated that the statements and comparable data have been prepared in accordance with the applicable accounting principles and that they reflect the Group's property and financial situation and its result in a true, reliable and clear manner. The report on operations contains a true picture of development and the Group's achievements and situation, including a description of the main risks and threats.

The Board recognizes the described statements as correctly reflecting the actual situation and presenting the situation of the Group in the reporting period.

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

Summarizing the financial year 2019, the Supervisory Board stated that the activity conducted by CCC S.A. has brought good economic results, and the continuation of conducted activities in the field of acquisitions, development of e-commerce and IT systems will lead to the strengthening of the position of the Company and the whole Group on the economic market.

The strategy of the CCC S.A. Capital Group assumes the development of e-commerce and sales network and opening new stores, both in Poland and abroad, carefully selected in terms of expected profitability and rate of return. The company aims at organizing the acquired entities. The basic axis of growth for the coming years remains the countries of Central and South-Eastern Europe. The Group assumes continuing its successful expansion in these markets and gaining or approaching the leading position in each of the important domestic footwear markets in the region.

In order to ensure further stable development of the Company, the Supervisory Board states that the adopted directions of development are properly and successively implemented by the Management Board.

The economic and financial results presented in the reports, as well as their analysis by the Supervisory Board, allow us to positively assess the functioning of the Company in 2019 and highly evaluate the work of its Management Board.

The Supervisory Board, after analysis of submitted reports and results of CCC S.A. and the Capital Group of CCC S.A. in 2019, acting in accordance with the principles of the Best Practices of WSE Listed Companies, positively assesses the activity and financial situation of the Company in the period from 1 January 2019 to 31 December 2019.

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

In view of the above, the Supervisory Board, having made an assessment, decides to propose to the Ordinary General Meeting of Shareholders to adopt the following resolutions on the matter:

1. approval of the standalone financial statements and the report on the activity of CCC S.A. for the financial year 2019;
2. approval of the consolidated financial statements and the report from the activity of the CCC S.A. Capital Group for the financial year 2019;
3. cover the loss for the financial year 2019;
4. to grant a vote of acceptance to the Management Board of the Company for the discharge of its duties in 2019.

Warsaw, 28 May 2020

Chairman of the Supervisory Board - Dariusz Miłek ……………………………………………………

Deputy Chairman of the Supervisory Board - Wiesław Oleś ……………………………………… ..…………

Member of the Supervisory Boar - Waldemar Jurkiewicz ………………………………… ...………………

Supervisory Board Member - Zofia Dzik …………………………………………………………………….

Supervisory Board Member - Filip Gorczyca …………………………… …………………………