ANNUAL STATEMENTS ON OPERATIONS OF CAPITAL GROUP CCC S.A. FOR 2019

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DEAR SHAREHOLDERS,

Marcin Czyczerski
CEO and President of the Management Board

I submit to you this report of the Management Board on the activities of the CCC Group in 2019, in which we summarise the most important tasks we carried out during this period.

This is my first letter to you as President of the Management Board of CCC S.A., which I am proud to represent. Over the last three years, first as Chief Financial Officer and then as Chief Executive Officer, I have closely followed and participated in the process of the CCC Group's remarkable transformation from a stable, well-established entity, successfully competing for customers, especially in the CEE region, into a modern organisation which invests in advanced technologies and digital sales channels, and with management practices based on data collected from all areas of its business.

This road has not been easy and has required of lot of sacrifices, hard work and capital. But the efforts have brought about a significant change in the Group's business model, redefined the values guiding its employees and prepared the organisation well for the challenges of an ever-changing industry.

In the last three years, the CCC Group has invested nearly PLN 1.5bn in laying down the foundations for its further growth, which included significant expansion of the capacity of its e-commerce logistics centre, investments in IT aimed at increasing the productivity and efficiency of the organisation, expansion of retail space in locations offering the highest growth potential, and M&A transactions, most of which quickly proved to be successful.

One of the most pronounced projects of the CCC Group in 2019 was the expansion in the e-commerce segment, with eobuwie.pl as the pillar of the segment's growth, responsible for 93% of its revenues. In August of last year, the platform was rolled out into Switzerland, its 15th market. However, the key online sales project was the launch of ccc.eu, our e-commerce – a fully functional service channel offering the delivery of CCC products directly to our customers' homes. The next, natural stage in the development of this channel was the launch of the CCC mobile application. And thus we embarked on the omnichannel path. Since its debut, the application has been downloaded over 1.4m times and has become the main point of contact with our online customers, accounting for over 60% of CCC's e-commerce transactions. Outside of Poland, the CCC online channel also operates in the Czech Republic and Slovakia, and will soon launch in Romania, Austria and Hungary. An important element of the e-commerce segment is also the rapidly growing MODIVO concept – an online platform offering high-end brand clothing. The project, created by eobuwie.pl, opened in the second quarter of last year, and at the end of December it was already present on 10 European markets. As a sales channel complementary to eobuwie.pl, MODIVO is based on full-look sales and cross-selling synergies, and our GO.22 strategy assumes it will be responsible for more than 10% of revenue in the eobuwie Group. Last but not least, the CCC Group e-commerce projects also include DeeZee, which in its online leg grows nearly 100% year on year. It was launched last year in Ukraine, its first foreign market, and there are plans to roll out the project into further four locations in 2020.

But the online sales channels also give us a great insight into customers, their preferences and shopping habits. The integration of the club card with the CCC mobile application allowed us to analyse customers' needs more thoroughly and present a personalised offer, including attractive promotions. The CRM team was established last year with the challenging task of generating additional incremental margin.

Last year, the most important project supporting the development of e-commerce channels at the CCC Group was the construction of a new logistics centre for eobuwie.pl, with capacity over three times larger than the capacity of the existing site. The facility, equipped with state-of-the-art technology, such as order picking robots, will provide back-to-back support to all of the Group's online channels, and help reduce logistics cost per order.

In 2019, eobuwie.pl significantly expanded its chain of hybrid stores, doubling in size year on year, to 19 showrooms across Poland. This unique store concept, a combination of brick-and-mortar and Internet commerce, is very popular, attracting crowds to eobuwie.pl stores. In 2020, we will open our first foreign hybrid store in Prague, the Czech Republic. The store will serve customers from the capital city and the metropolitan area, with delivery times as short as three hours. The esize.me project – developed by eobuwie.pl and employing innovative 3D scanners to precisely measure the customer's foot and help choose perfectly fitted shoes – was rolled out last year to include nearly 200 CCC stores in Poland. The in-store devices also serve as another sales channel, allowing customers to buy shoes in a model or colour that is not currently available in the store. Esize.me is one of several aspects of the changing role of our stores, which are becoming increasingly attractive for customers. We still believe in the brick-and-mortar part of our business, but we also believe that apart from a well-structured product offering the stores must also have additional functionalities. Therefore, we will soon be adding internet kiosks, to be followed by self-service checkouts, to further improve the shopping experience.

The changing face of the CCC Group is also visible in our communication with customers. In 2019, we began collaboration with influencers to promote CCC products among the youngest customers on social media platforms. With the Internet celebrities and the industry media in mind, in the middle of last year we opened Creative City Concept, a CCC Group showroom in Warsaw. It is a place where we showcase our most fashionable products and allow customers to borrow them or even use our professional photo studio. This is a part of the Group's new marketing strategy, which will gain momentum in 2020. We will be promoting our most valuable brands, with influencers featuring in the marketing communication.

However, marketing is all about product, and we are constantly improving our products across the CCC Group. The product portfolio available in CCC stores was expanded in 2019 to include new private labels, branded sports shoes, suitcases and accessories. Particularly noteworthy is the DeeZee brand, which, as a traditional online business model, debuted in CCC brick-and-mortar stores last year with record sales of 1.3 million pairs of shoes, thus becoming the Group's best-selling brand at first prices. Another interesting proposition launched at CCC stores last year was Gino Rossi, a higher-end product outstanding for its quality and classic style. Its total sales in the traditional channel were about 400 thousand pairs in 2019, based on the brand's autumn-winter collection only. But we have much greater aspirations for Gino Rossi.

eobuwie.pl also expanded its product offering by acquiring the Rage Age brand, launching the Eva Longoria footware collection, and developing the MODIVO project. The wide availability of a variety of attractive products is expected to allow the CCC Group to restore its record-high sales levels per square metre of retail space.

We found 2019 to be a challenging year, with several one-off events that affected our results and prevented the CCC Group from releasing its full potential. In particular, we experienced problems during the roll-out of new IT systems which had a temporary adverse impact on in-store stockholding levels, which resulted in less than optimal sales of the spring-summer 2019 collection. We also made important decisions concerning the Group's presence on the markets of Western Europe – the prevailing theme across those markets is pursuit of profitability through scaling back the retail chain and focusing on the most promising stores. In the case of Karl Voegele, our Swiss subsidiary, the changes go even deeper and involve elimination of local logistics processes or centralization of corporate functions – all to release enormous cost savings. In 2019, our business model was still vulnerable to changing weather conditions. More so than we would have liked. It was a challenging year, but we also scored several significant successes. The aging of inventories, their volume per square metre and, consequently, the inventory cycle significantly improved. By the end of the year, the cash conversion cycle dropped to a record low of 110 days, and the demand for working capital was consistently decreasing.

The activities carried out by the CCC Group in the last few years became the subject of a strategic review in 2019. Findings of the review, combined with an analysis of the business environment and trends determining the future of the retail sector, served as the basis of GO.22, the CCC Group's strategy for 2020-2022 published in January 2020. The deep-reaching process, involving all of the key departments in the organisation, led to the definition of the pillars of this customer-centric Strategy. It concentrates on omnichannel development, expansion of the product range, enhancing the productivity and efficiency of the organisation, and strengthening its financial stability. We are also focused on sustainable development, supported by modern technologies and data-based management. Our goal for 2022 is to lead in omnichannel sales, with a business model adapted to new challenges, and to return to the operating profitability we had before the transformation.

At the end of 2019, the CCC Group was present in 29 countries. In 23 of them we operated more than 1,200 traditional stores and had an online presence in 15 countries. Last year, our customers purchased over 50 million pairs of shoes in all CCC sales channels. All these achievements are the result of the hard work of 15,618 employees of the CCC Group, whom I would like to thank for their contribution to building the foundations for the Group's future development.

I would also like to thank you, our shareholders, who believe in the Management Board's strategic vision of the Company. I would like to thank our contractors, business partners, market competitors and customers, who invariably, every day, motivate us to continue to improve.

Yours faithfully,

CEO and President of the Management Board
Marcin Czyczerski

ABOUT THE ANNUAL REPORT ON THE OPERATIONS OF THE CCC CAPITAL GROUP

The annual report on the operations of the CCC Capital Group for 2019 contains financial and non-financial data, presenting the results and the market position of the Group in Poland and Europe. The report is published in PDF format, available in Polish and English. The report includes the logo and photos of the registered private label products available in CCC stores.

The report covers a full financial year, from 1 January 2019 to 31 December 2019. In order to keep the information as accurate as possible, the report includes events after the balance sheet date up to the date of publication of the report.

CCC IN NUMBERS

24%
increase in sales revenues

49%
increase in sales revenues from e-commerce

25%
share of e-commerce revenue

2.5 mln
number of pairs of shoes manufactured in CCC Capital Group factories

52 mln
number of pairs of shoes sold

29 markets
offline: 23
online: 15

50
number of sales platforms *
33 desktop / 17 mobile app

* **Online-sales platform** – an online sales channel distinguished by the domain resulting from the business line of the CCC Group, as well as the language version dedicated to a given market. In this sense, the mobile applications of the websites are treated as separate sales platforms.

1.
SELECTED FINANCIAL AND OPERATING DATA OF THE CCC S.A. CAPITAL GROUP

FINANCIAL ACTIVITY		IN PLN MLN		IN EUR MLN
Selected data from the consolidated statement of comprehensive income	01.2019-12.2019	01.2018-12.2018	01.2019-12.2019	01.2018-12.2018
Sales revenue	5 844,7	4 725,8	1 358,7	1 107,5
Poland	2 272,8	2 060,1	528,3	482,8
CEE	1 148,2	1 035,4	266,9	242,7
Western Europe	616,0	430,8	143,2	101,0
Other countries	152,6	112,7	35,5	26,4
Retail activities	4 189,6	3 639,0	973,9	852,8
E-commerce	1 455,4	977,3	338,3	229,0
Wholesale	198,7	108,9	46,2	25,5
Manufacturing	1,0	0,6	0,2	0,1
Gross profit (loss) on sales	2 888,6	2 366,7	671,5	555,4
Gross profit margin on sales	49,4%	50,1%	49,4%	50,1%
Results on segments				
Poland	295,4	282,5	68,7	66,2
CEE	42,8	109,6	9,9	25,7
Western Europe	(97,5)	(72,4)	(22,7)	(17,0)
Other countries	(17,5)	(2,3)	(4,1)	(0,5)
Retail activities	223,2	317,4	51,9	74,4
E-commerce	105,3	97,4	24,5	22,8
Wholesale	31,6	28,0	7,3	6,6
Manufacturing	(0,9)	(0,4)	(0,2)	(0,1)
Profit (loss) on operating activity	133,1	372,5	30,9	87,3
Profit (loss) before tax	27,6	256,4	6,4	60,1
NET PROFIT (LOSS) ON CONTINUING OPERATIONS	18,4	223,5	4,3	52,4
ADJUSTED NET PROFIT (LOSS) ON CONTINUING OPERATIONS [1]	(64,2)	84,1	(14,9)	19,7
Selected data from the consolidated statement of financial position	2019-12-31	2018-12-31	2019-12-31	2018-12-31
Non-current assets	4 210,5	3 574,1	988,7	831,2
Current assets, including:	2 933,2	3 161,9	688,8	735,3
Inventories	1 942,3	1 806,1	456,1	420,0
Cash and cash equivalents	542,6	375,8	127,4	87,4
TOTAL ASSETS	7 143,7	6 736,0	1 677,5	1 566,5
Non-current liabilities, including:	3 095,8	2 650,9	727,0	616,5
Debt liabilities	683,0	210,0	160,4	48,8
Current liabilities, including:	2 958,3	2 937,3	694,7	683,1
Debt liabilities	830,4	806,8	195,0	187,6
TOTAL LIABILITIES	6 054,1	5 588,2	1 421,7	1 299,6
EQUITY	1 089,6	1 147,8	255,9	266,9

The result of the Western Europe segment does not include share of net profit (loss) of associates accounted for using the equity method.

FINANCIAL ACTIVITY		IN PLN MLN		IN EUR MLN
Selected data from the consolidated statement of cash flows	01.2019-12.2019	01.2018-12.2018	01.2019-12.2019	01.2018-12.2018
Net cash flows from operating activities	986,6	995,8	229,3	233,4
Net cash flows from investing activities	(713,6)	(620,8)	(165,9)	(145,5)
Net cash flows from financing activities	(104,7)	(514,8)	(24,3)	(120,6)
TOTAL CASH FLOWS	168,3	(139,8)	39,1	(32,7)

		W MLN PLN
OPERATIONAL DATA	2019-12-31	2018-12-31
Number of stores CCC	1 242,0	1 125,0
Floor space of stores (thousand m²)	760,0	660,3
Number of markets with online sales	15,0	15,0

	01.2019-12.2019	01.2018-12.2018	01.2019-12.2019	01.2018-12.2018
Capital expenditures (in mln)	(496,9)	(438,7)	(115,5)	(102,8)

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

- individual items of assets and liabilities in the consolidated statement of financial position were calculated at the exchange rate effective on the last day of the reporting period:
  - exchange rate on 31.12.2019 amounted to 1 EUR – 4,2585 PLN
  - exchange rate on 31.12.2018 amounted to 1 EUR – 4,3000 PLN
- individual items of the consolidated statement of profit and loss and other comprehensive income and consolidated 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 01.01.2019 – 31.12.2019 amounted to 1 EUR – 4,3018 PLN
  - the average exchange rate in the period 01.01.2018 – 31.12.2018 amounted to 1 EUR – 4,2669 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.

1.1 THE MOST IMPORTANT EVENTS IN 2019

Q1

I. Acquisition of 66% of shares in Gino Rossi S.A. with its headquarters in Słupsk, which operates a chain of own and franchise stores in Poland and abroad.

Launch of new IT architecture.

II. Acquisition of a 30.55% stake in Hamm Reno Group Holding S.á.r.L., with its headquarters in Luxembourg. The company runs retail sales in nearly 400 own stores under the Reno brand and is present in 2,000 outlets through wholesale.

III. The ,blue kilometers' action was launched – the first blue kilometers ridden by CCC Team cyclists for UNICEF.

Stock exchange company of the year – CCC won the first place in the category ,Competence of the Board' and the third place in the category „Success in 2018".

OCCP and the Senate Consumer Protection Committee awarded CCC with the title of Amicus Consumentium 2018. Our company has been particularly appreciated for its participation in the amicable resolution of consumer disputes.

Q2

IV. Middle East expansion – the first store in Qatar, Doha, with over 912 m² of floor space.

New brand – DeeZee products in CCC stores, over 700,000 pairs of DeeZee shoes sold by the end of the quarter.

The CCC application is ranked in the TOP 3 applications of the month in Poland with very high ratings from the users, acquiring 65 thousand new clubbers.

V. Launch of the national UNICEF campaign, publication of the advertising spot #CCC4UNICEF – 2.5 million views, in addition 32% of the transaction included UNICEF products.

Appointment of the Company's Management Board for the next VI term for 2019-2021.

Conclusion of the agreement for the acquisition of shares in the increased share capital of Gino Rossi S.A.

Appointment of the new Supervisory Board.

VI. New e-commerce channel was launched, generating PLN 1.2 million revenue in the third decade of June.

Adopting a Resolution of the Ordinary General Meeting of Shareholders of CCC S.A. on the dividend payment for the financial year 2018.

Q3

VII. Squeeze-out of 100% of shares held by minority shareholders in Gino Rossi S.A. and withdrawal of the company from the WSE.

CCC as the first entity on the Polish market, in the clothing/shoes category, offered its Clients the possibility of voice communication in the Google Assistant application.

VIII. Gino Rossi collection's debut in almost 600 stores and online channels in 23 markets in Europe, where CCC Group operates.

Marketing campaigns of Gino Rossi, YOUNGSTERS and ESIZE.ME.

IX. CCC won in the e-Commerce Poland competition in the category Best on mobile for the mobile application „CCC Shoes & Bags – Online Shop".

Further expansion in the Middle East (in Bahrain, Oman and Saudi Arabia).

Q4

X. First CCC store opens in Maribor with an area of over 1,000 m^2 – the first CCC store in premium format on the Slovenian market.

XI. Conclusion of an agreement concerning the exercise of an option to acquire another 24% of shares in the subsidiary DeeZee.

CCC awarded with the title Top Brand 2019 – first place in the ranking of brands with the best image in the footwear category.

XII. A farewell to foil in CCC – since December 2019 we will not get products packed in foil bags in any CCC store in the world.

Thanks to the sale of the blue bracelets, 186,000 children in developing countries were able to receive education during the year, 155 temporary schools and health centres were built and 930 ,School in a box' kits were delivered.

Over a million downloads of the CCC mobile app. The app is in the TOP 10 shopping apps in Google Play and App Store and is responsible for nearly 30% of all CCC sales in the e-commerce channel, which has been operating since June. In 2020 the application is planned to be available on foreign markets.

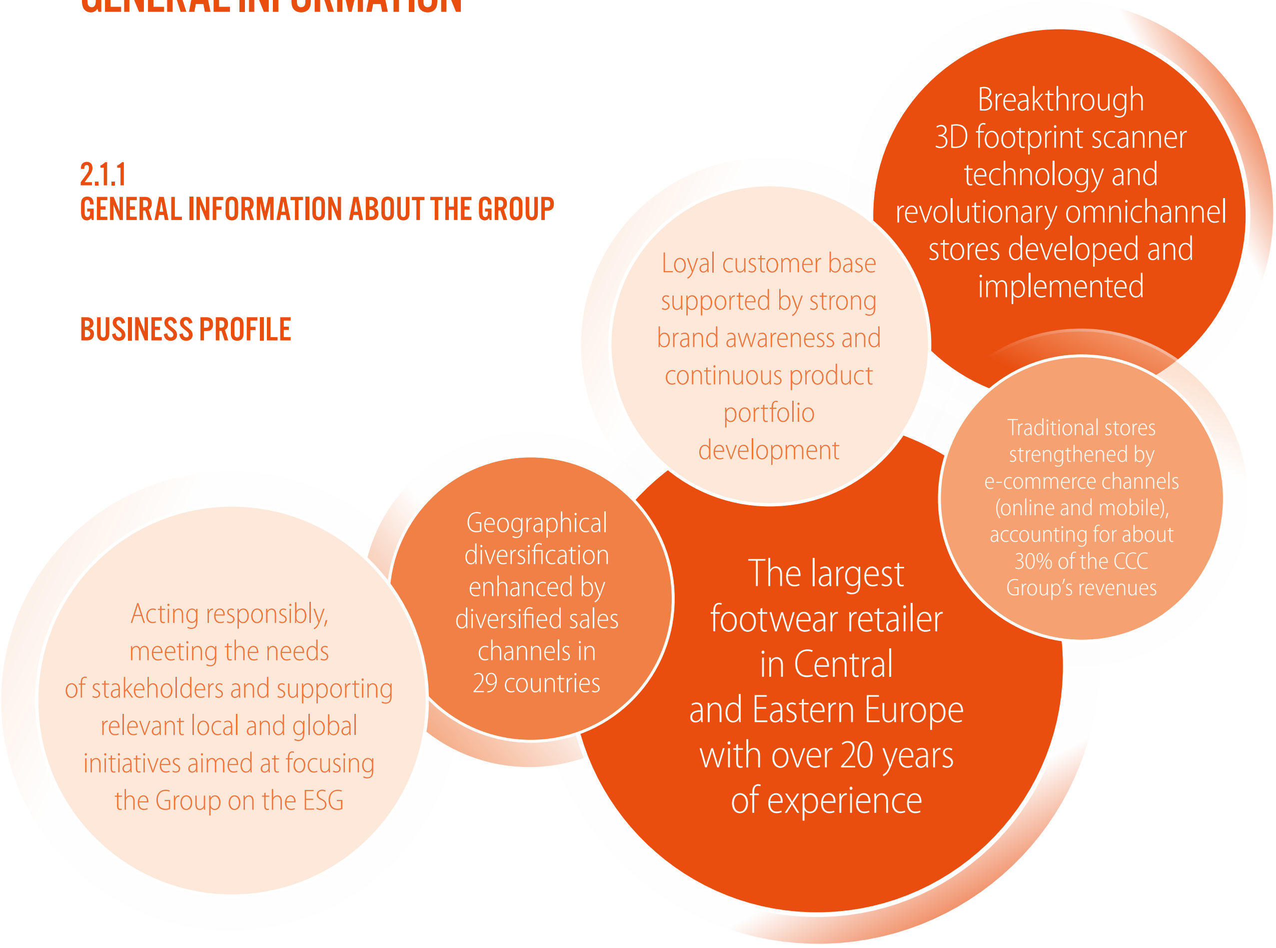
Launch of the e-commerce channel in Czech Republic through the CCC.eu platform. In 2020 it is planned to enter the following markets: Romanian, Slovak, Hungarian and Austrian.

2.
OPERATIONS OF CCC CAPITAL GROUP

2.1 GENERAL INFORMATION

2.1.1 GENERAL INFORMATION ABOUT THE GROUP

BUSINESS PROFILE



TOP FIVE COUNTRIES BY SALES REVENUE

POLAND	SWITZERLAND	CZECH REPUBLIC	HUNGARY	ROMANIA

The CCC Capital Group S.A. („CG CCC", „CCC Capital Group", „Group") is a Polish footwear retail market leader, one of the largest shoe manufacturers in Europe, and through its subsidiary eobuwie.pl SA, is also a leader in e-commerce in Central and Eastern Europe.

The CCC group consists of a total of 1,242 stores and 50 online sales platforms in Poland and 29 countries of Central and Eastern Europe, Eastern Europe, Western Europe, the Balkans and the Middle East, located in modern shopping centers and shopping malls.

Both regular and online CCC stores offer products by brands: Lasocki, Gino Rossi, Jenny Fairy, DeeZee and numerous licensed brands of sports and children's footwear. The CCC Group has a wide range of products and is constantly developing it as a response to the needs of various target groups.

For the spring-summer season, the Group currently offers nearly 4,000 shoe models, for the autumn-winter season it is about 3,000 models, which gives a total of 7,000 shoe models over a 12-month period. The Group has a total of 496 registered trademarks – the most popular brand sold by CCC is Lasocki available in both CCC's stores and the e-commerce channel.

The Group employs over 15 thousand employees in Poland and worldwide and has its own leather shoe factory in Polkowice and through the acquisition of Gino Rossi S.A. factories in Słupsk, Łosin and by the end of 2019 in Elbląg. In 2019 the Group sold over 50 million pairs of shoes, including almost 2 million from its own manufacturing line.

Podmiotem dominującym w Grupie jest spółka CCC S.A.

CCC S.A. Capital Group structure is presented on page 23.

The activities of the Capital Group are currently organized in two segments:

- Distribution activity
  - Retail
    - Poland
    - Central and Eastern Europe
    - Western Europe
    - Other countries
  - E-commerce
- Manufacturing activity
  - wholesale

2.1.2 FACTORS AND EVENTS EFFECTING THE ACHIEVED RESULTS OF CCC GROUP

MACROECONOMIC DEVELOPMENT IN CENTRAL AND EASTERN EUROPE

CCC Group S.A. operates mainly on the markets of Central and Eastern Europe with a clear dominance of sales on the Polish market, which in 2019 recorded a 53.5% share in the aggregate profit of segments. The result of the location of the Group's stores in the above region is the significant impact of the condition of the economies of Central and Eastern Europe on the sales of the Group's products. The main factors that influenced the financial results in the presented period were:

- Change in the value of the footwear market
- Change in consumers' disposable income
- Change in the propensity to consume
- Change in GDP
- Non-commercial Sundays in Poland
- Announcement of a change in the minimum wage in Poland
- Inflation

For a long time, Poland has been recording economic growth. Throughout 2019, the recorded result was 4.0% (data according to preliminary estimates of the Central Statistical Office). Respectively for 2018 and 2017, economic growth in Poland was 5.1% and 4.8%. The government's GDP growth forecast for 2020, recorded in the budget act, is 3.7%. The World Bank and European Commission forecasts for Poland's GDP in 2020 are 4.0% and 3.5% respectively. Important macroeconomic factors affecting the Group's results due to the specificity of operations were consumer behaviour, in particular a steady increase in the propensity to consume. The extent of the impact of the „Consumption in the households" category on real GDP growth in the years 2015 – 2017 was 1.8%, 2.3%, 2.9% and 2.6%, respectively.

This indicator is supported by high, real remuneration dynamics and low interest rates, which stimulate the further development of loan activity, among others in the area of retail loans. The Monetary Policy Council does not announce any change in the monetary policy stance, therefore in 2020 NBP rates should remain unchanged. The economic growth of the European Union countries also favoured the development of trade – customers were willing to spend more on consumer goods. There is still significant potential for building new shopping centers in Poland.

STRATEGY ADAPTED TO MARKET DEVELOPMENTS:

In response to the changing market, the CCC Group has developed a strategy according to which the Group:

- continues to develop the overlapping distribution channels (online platforms: eobuwie.pl, gino-rossi.com, ccc.eu, DeeZee.pl, CCC mobile application), intensifies the marketing pressure,
- adjusts its stores to the needs of its customers, forming part of the ecosystem, not the main distribution channel,
- personalizes customer relations,
- constantly develops the e-commerce channel, staying competitive,
- invests in brands focused on fast changing fashion,
- develops a portfolio of sports footwear, not only online, but also in CCC stores,
- adjusts the offer to fading weather seasons,
- acts responsibly towards the environment, the main element was a complete withdrawal of plastic bags in stores

KEY TRENDS FOR THE SHOE MARKET:

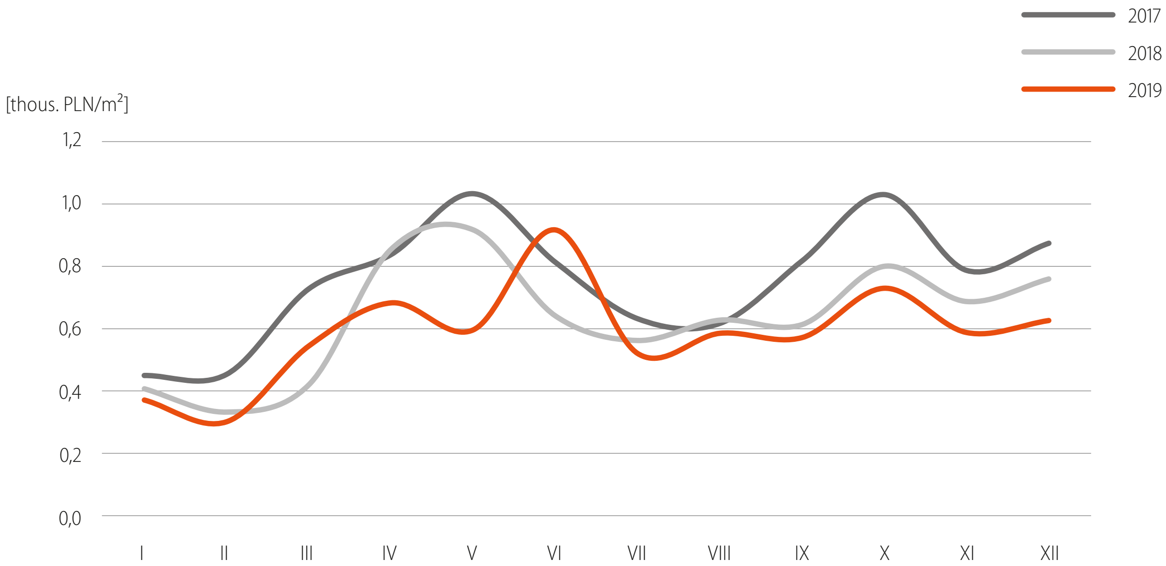
- Multi-channel customer access,
- changing functions of stores,
- direct relationship with customers
- growing competition,
- access and popularization of fashion
- development of the sports shoe segment,
- climate changes, a flattening of the weather cycles,
- Conscious responsibility in relation to the environment

SEASONALITY AND WEATHER

The weather and seasonality had a significant influence on the proportion of sales during the financial year (peak demand is spring and autumn). A disturbance of weather conditions may result in clients postponing purchase decisions or shortening the highest sales season.

[in mln PLN unless otherwise stated]

SEASONALITY OF REVENUES IN THE CCC CHAIN



CHANGES OF EXCHANGE RATES

Part of the settlements of the CCC Group is denominated in foreign currencies. The exchange rates of USD and EUR have an impact on the structure of costs and sales revenues. Due to the fact that the Group imports goods for which purchase prices are mainly denominated in USD/PLN exchange rate, and sells goods and finished products on foreign markets, for which sales prices are mainly denominated in EUR/PLN exchange rate, it is exposed to the risk of exchange rate changes. Currency loans are also granted within the Group.

PERIOD (USD/PLN)	HIGHEST	LOWEST	END OF THE PERIOD	AVERAGE
01.2019-12.2019	4,0154	3,7243	3,7877	3,7618
01.2018-12.2018	3,8268	3,3173	3,7597	3,6117

PERIOD (EUR/PLN)	HIGHEST	LOWEST	END OF THE PERIOD	AVERAGE
01.2019-12.2019	4,3891	4,2279	4,2585	4,2999
01.2018-12.2018	4,3978	4,1423	4,3000	4,2617

3.
STRATEGY OF THE GROUP CCC – EXECUTION AND DEVELOPMENT PLANS

3.1 MISSION AND STRATEGY

3.1.1 STRATEGY OF DEVELOPMENT

In 2019 The Group worked on a comprehensive strategy for the entire CCC Group, which was completed and adopted in January 2020. – Strategy GO.22 (see current report 4/2020)

The Group's strategy is focused on current and future customers. It consists of five pillars: omnichannel, product, efficiency and effectiveness, financial stability and sustainability. The objectives set in each area will be implemented with the support of new technologies and data analysis.

1. 100% of our decisions are taken based on data (as much as 75% of them being informed by advanced analytics)
2. Non- IFRS 16 I net profit before minority interests

PILLAR I: OMNICHANNEL WITH THE CUSTOMER IN THE CENTER

The unique omnichannel trade ecosystem includes complementary channels for reaching customers (e.g. offline stores, hybrid stores, Internet platforms, mobile applications, esize.me scanners, etc.) through which the Group wants to offer its products in every way expected by customers.

Within the Strategy perspective, the Group plans a selective expansion of the stationary store channel involving active management of its portfolio of stationary stores and their digitalization through, among others, self-service cash registers, tablets or esize.me scanners. The assumptions of the strategy assume an increase in the floor space of the Group's stores to 2022 by no more than 120,000 m2 net (compared to 725,000 m2 at the end of 2019), mainly on the Romanian and Russian markets.

Additionally, the Group plans further strong development of digital channels, especially eobuwie.pl and ccc.eu, deezee.pl, gino-rossi.pl or the MODIVO platform launched in 2019. The Group's strategic goal is to achieve a 35%-40% share of e-commerce sales in total sales in 2022.

PILLAR II: PRODUCT

The Group continues to develop its product targeted at customer needs and changeable weather. In accordance with the adopted changes course being a part of its strategy, the Group focuses on strengthening its core 5-6 brands, including Lasocki, Gino Rossi, Sprandi, Jenny Fairy and Dee Zee improving product quality, sneakering, expanding its fashion offer, wider e-commerce only and offer, expanding other categories (e.g. accessories).

Product changes will be accompanied by a change in the way of communication strengthening the identity of individual brands – e.g. building shopping opportunities through communication of microseasons in offline stores as well as online, or extensive use of social media channels.

PILLAR III: EFFICIENCY AND EFFECTIVENESS

For effective implementation of the Group's key objectives, the strategy includes improvement and optimization of certain internal processes. This applies in particular to the wide application of new technologies, modern IT solutions and data analysis.

The strategy includes, among others, optimization in the process of supply chain management, product life-cycle management, implementation of a shared service centre for the Group, or improvement of financial supervision through such tools as SAP or BI implementations.

An important element of the Strategy is also the development of the organisational culture, e.g. through the implementation of the Group's key values in the organisation, i.e.: focus on the customer and product; dynamics, enthusiasm and commitment; openness and cooperation; responsibility and personal development.

PILLAR IV: FINANCIAL STABILITY

The Group plans its financial policy aiming at the stability and financial security of the Group. The strategy involves increasing profitability of the Group up to 8.5 – 9.5% and net profitability up to 7.0 – 8.0% in 2022. The Group also aims at increasing the efficiency of working capital use by improving the cash conversion cycle below 100 days. Capital expenditure in the years 2020-2022 shall amount annually to an average of PLN 150-200 million compared with PLN 700 million a year earlier. CCC's strategic goal is to achieve a low net debt to EBITDA ratio of 0-1x (compared to 2.9 at the end of 2019).

PILLAR V: SUSTAINABLE DEVELOPMENT

The Group implements a sustainable development plan and minimizes the impact of its operations on the environment and supports pro-environmental and pro-social activities. In the next three years, CCC will develop its offer of environmentally friendly products by, among other things, introducing more ecological product lines, increasing the share of ecological leathers in production and cooperating only with suppliers who sign the so-called CCC Code of Conduct, containing environmental and social obligations. CCC Group is also the first global partner of UNICEF from Poland. The money provided is used to save the lives of children in the world and support education in developing countries.

3.2 OBJECTIVES FOR 2020

In 2020, the Group's objectives are based on the Group's strategy GO.22 adopted in January 2020. In 2020, the Group plans to strengthen its position as a leading player on the footwear markets in Europe, in particular in the CEE region. As part of the implemented strategy and strategic objectives in the 2022 perspective, the Group defines specific objectives in particular areas for 2020:

OMNICHANNEL

Continuation of building a unique ecosystem of footwear sales, including in particular its scale-up in other Central and Eastern European countries.

The Group's objectives for 2020 include, among others, launching:

- CCC.EU internet platform in Romania, Austria, Hungary, as well as an presence in the online channel in Russia;
- the CCC mobile application in Czech Republic, Romania, Austria, Slovakia and Hungary;
- eobuwie.pl platform and mobile application eobuwie.pl in Croatia;
- the first hybrid eobuwie.pl store in Czech Republic;
- MODIVO platform in further markets, including: Croatia, Ukraine, Switzerland;
- DeeZee mobile application;

The Group also plans to further scale-up and popularize its unique footprint scanning solution esize.me.

As far as offline stores are concerned, the Group anticipates a net opening of up to approximately 60 thousand square meters and the implementation of new technological solutions to the existing stores, i.e. tablets for online orders or self-service checkouts.

PRODUCT

The Group plans further development of its key private labels (primarily Lasocki, Gino Rossi, Jenny Fairy, DeeZee and Sprandi) and their widespread, refreshed communication.

In 2020, the Group's new product collections will continue to meet the changing fashion trends and customers' expectations in the best possible way, including such areas as sneakarisation and eco-line products. The Group plans to continue expanding its product range with new accessory categories and dedicated collections available only in online channels.

The Group's objective for 2020 will also include further development of MODIVO internet platform, launched in 2019, offering a wide range of premium clothing of the most prestigious brands in the world.

EFFICIENCY AND EFFECTIVENESS

The Group's objectives include further optimization of processes and implementation of new tools in order to achieve business strategic objectives even more efficiently. This concerns, among others, logistic processes involving the launch of a new e-commerce warehouse in the neighbourhood of Zielona Góra, or the implementation of new tools for process measurement and supply chain management (e.g. TMS – transport management system), as well as the implementation of new tools from the financial areas such as SAP, Power BI or the launch of the Shared Services Centre for the Group.

The Group also intends to develop an organizational culture based on values: customer and product focus; dynamics, enthusiasm and commitment; openness and cooperation; responsibility and personnel development.

FINANCIAL STABILITY

In terms of financial policy, the objectives for 2020 include providing the Group with security and flexibility to respond to the market reality. The specific objectives include

- To increase the Group's profitability
- Reduction of debt level (net debt/EBITDA ratio)
- Further improvement in working capital turnover
- After a period of significant investment, reduction in investment levels in 2020

SUSTAINABILITY

The Group implements a sustainable development plan and minimizes the impact of its operations on the environment and supports pro-environmental and pro-social activities. In 2020 The Group plans, among others, to:

- Increase the use of organic leather from certified tanneries during the production process.
- Launch an organic product line
- implement employee volunteering projects or educational projects
- Continue the successful partnership with UNICEF

3.3 DEVELOPMENT PROSPECTS

In 2020 The Group expects further growth of the European footwear market by approx. 3-4% (in terms of value), including a dozen or so percent increase in online footwear sales. The key trends in the environment, which the Group expects to continue in 2020:

- Development of multi-channel formats regarding customer relations
- The changing function of stores towards more and more engaging components of multi-channel customer relationships
- Personalization of customer relations
- Growing competition, in particular in online sales
- Further promotion of fashion products
- Development of the sports footwear segment – significantly faster growth than the entire shoe market
- Climate change in the form of further blurring boundries between seasons
- Increasing role of environmental aspects in the activities of the clothing and footwear industry

4.
ORGANIZATION OF CCC CAPITAL GROUP

4.1 STRUCTURE OF CAPITAL GROUP

4.1.1 DESCRIPTION/ORGANIZATIONAL SCHEME OF CCC GROUP WITH CORPORATE AFFILIATION

The company CCC S.A. is the parent company in the CCC Capital Group. As at the balance sheet date, CCC S.A. held, directly and indirectly, 100% shares in capital 16 out of 20 subsidiaries located in Poland, Central and Eastern Europe, Western Europe and in other countries. In eobuwie.pl S.A., CCC Russia, Karl Vögele AG and DeeZee Sp. z o.o., CCC S.A. holds, directly and indirectly, share in capital: 74.99%, 75.00%, 70.00% and 51.00%, respectively. The results of the above companies are consolidated 100%. The diagram below presents the organizational structure of the CCC Group together with capital links.

[1] CCC.eu sp. z o.o. is a subsidiary of CCC Shoes & Bags sp. z o.o. (99.75%) and a subsidiary of CCC S.A. (0,25%)

[2] Shoe Express S.A. is a subsidiary of CCC Shoes & Bags Ltd. (95%) and subsidiary of NG2 Suisse GmbH Switzerland (5%)

[3] Karl Voegele AG is a subsidiary of NG2 Suisse S.a.r.l. (70%)

[4] DeeZee sp. z o.o. is a subsidiary of CCC Shoes & Bags sp. z o.o. (51%)


CCC CAPITAL GROUP
MANUFAC-TURING
DISTRIBUTION
OTHER
CCC S.A.
CCC Factory Sp. z o.o.
100% Poland
Gino Rossi S.A.
100% Poland
CCC Czech s.r.o.
100% Chech Republic
GARDA Sp. z o.o.
100% Poland
Gino Rossi SRO
100% Chech Republic
CCC Austria Ges.M.b.H
100% Austria
CCC Shoes Bulgaria
100% Bulgaria
CCC Russia ooo
75% Russia
CCC Shoes & Bags d.o.o. Beograd – Stari Grad
100% Serbia
CCC Obutev d o.o.
100% Slovenia
Karl Voegele AG [3]
70% Switzerland
CCC.eu sp. z o.o. [1]
100% Poland
CCC Slovakia s.r.o.
100% Slovakia
Vögele Verwaltung G.m.b.H
70% Switzerland
CCC Hrvatska d o.o.
100% Croatia
CCC Shoes Ayakkabicilik Ticaret Limited Sirketi
100% Turkey
DeeZee sp. z o.o. [4]
51% Poland
Shoe Express S.A. [2]
100% Romania
CCC Hungary Shoes Kft.
100% Hungary
eobuwie.pl S.A.
74,99% Poland
Eschuhe.ch GmbH
74,99% Switzerland
Eschuhe.de UG
74,99% Germany
eobuwie.pl Logistics Sp z o.o.
74,99% Poland
Branded Shoes&Bags Sp. z o.o.
74,99% Poland
NG2 Suisse S.a.r.l.
100% Switzerland
CCC Shoes and Bags sp. z o.o.
100% Poland
CCC Isle of Man Ltd.
50% Isle of Man

4.1.2
CHANGES IN ORGANIZATION AND MANAGEMENT IN THE CAPITAL GROUP CCC

CHANGES IN ORGANIZATION OF THE CAPITAL GROUP CCC IN 2019.

According to the information published in the Current Report No. 5/2019 of 31.01.2019, on 30-31.01.2019, after fulfilling the conditions suspending the agreements, the transaction of (i) acquisition by CCC S.A. of a minority stake in HR Group Holding S. à r.l. based in Luxembourg („HR Group") was closed and (ii) disposal of 100% of shares in a subsidiary of CCC S.A., CCC Germany GmbH.

With the closing of the transaction on 31 January 2019, other transactional arrangements of which the Company informed in the current report No. 52/2018 of 24 November 2018, i.e. the Operational Contribution Agreement, Shareholders' Agreement and the Option Agreement. Additionally, in the execution of the Operational Contribution Agreement on 31 January 2019 came into force.

Additionally, pursuant to the execution of the Operational Contribution Agreement on 31 January 2019 the Company concluded a loan agreement with HR Group, under which the amount of the loan granted to HR Group will be up to EUR 41,500,000.00 and will bear interest at 8% per annum. HR Group will use these funds to carry out the integration of CCC Germany GmbH with HR Group, consisting of the closure of selected, unprofitable stores run by CCC Germany GmbH, rebranding of selected stores previously operated by CCC Germany GmbH under CCC" for brand „RENO", which will continue activities and integration of other CCC activities Germany GmbH of the HR Group. The loan will be paid out in tranches, in accordance with the conditions contracted by the parties in the operational contribution agreement and the contract loans. As a result of the transaction, the Company acquired a total of 30.55% of shares in the share capital of HR Group, entitling to up to 30.55% of the total number of votes at the Meeting Partners.

According to the information published in CR 9/2019 of 25.02.019. The Management Board of CCC S.A. informed about the completion of acceptance of subscriptions for the sale of shares of Gino Rossi S.A. with its seat in Słupsk as at 15.02.2019. The Company announced tender offer for sale 50,333,095 shares ordinary bearer shares, i.e. all shares issued by the Company, entitling to 100% of the total number

votes at the General Meeting of the Company, at the price of PLN 0.55 (fifty-five cents) per share, announced pursuant to art.74 section 1 of the Act of 29 July 2005 on the offer the public and the conditions for implementing the financial instruments to an organised trading system, and on public companies (Journal of Laws of 2018, item 512) and according to the Regulation of the Minister of Development and Finance of 14 September 2017 on the model calls for registration The company's shares are sold or swapped in a public company, detailed way they are announced and the conditions of acquisition shares as a result of these calls (Journal of Laws of 2017, item 1748). On 12 July 2019, took place a settlement of the forced buyout of shares in Gino Rossi Spółka Akcyjna belonging to all minority shareholders of Gino Rossi announced on 9 July 2019 in accordance with Article 82(1) of the Act of 29 July 2005 on Public Offering and Conditions the introduction of financial instruments into an organised the trading system and on public companies (Dz.U. of 2018, item 512, as amended) Thus, CCC S.A. is the owner of 100% of shares in Gino Rossi Spółka Akcyjna.

According to the press release on 7 November 2019 CCC signed an agreement on the exercise of the option to acquire another 24% of shares in the subsidiary DeeZee for PLN 7 million. As a result, CCC will increase its stake to 75% in the brand, which is expected to generate significantly over 100 million PLN of sales in online and offline channels this year. The initial arrangements for further increasing the shareholding of CCC, up to 100% within the next 5 years, remain unchanged.

More information on the above transactions in the Consolidated Financial Statements in chapter 6.2

CHANGES IN THE ORGANIZATION OF THE CCC CAPITAL GROUP AFTER THE BALANCE SHEET DATE

Did not occur.

CHANGES IN MANAGEMENT PRINCIPLES OF THE CAPITAL GROUP CCC

On 28 February 2019, Mr. Dariusz Miłek resigned from the position of the President of the Management Board and from membership in the Management Board of the Company, effective at the moment of opening the Extraordinary General Meeting of the Company held until 30.06.2019, The agenda of the meeting will include adopting a resolution on appointing a Member of the Supervisory Board of the Company.

On 8 March 2019, the Supervisory Board of the Company adopted a resolution on appointing Mr. Marcin Czyczerski (current Vice-President of the Management Board of the Company) as President of the Management Board, with the reservation, that he will perform the function of President from the appointment of Mr. Dariusz Miłek as President of the Supervisory Board of the Company, which finally took place on 11 April 2019.

On 11 April 2019, pursuant to resolutions of the Extraordinary General Meeting of the Company, Mr. Jerzy Suchnicki was dismissed from the Supervisory Board and Mr. Wiesław Oleś was dismissed from the position of the Chairman of the Supervisory Board. Simultaneously, the membership of the Company's Supervisory Board for the term of office 2017-2019 was increased to six members, and Mr. Dariusz Miłek – as the Chairman of the Supervisory Board and Mr Filip Gorczyca – as a Member of the Supervisory Board were appointed to the Company's Supervisory Board.

The Supervisory Board at the meeting on 9 May 2019 adopted a resolution on appointing the Management Board of the Company for the next VI term of office for 2019-2021, commencing on the date of the General Meeting of Shareholders approving the financial statements for 2018, in the current composition of three persons, including the following persons:

- Mr. Marcin Czyczerski – the President of the Management Board;
- Mr. Mariusz Gnych – as Vice-President of the Management Board;
- Mr. Karol Półtorak – as Vice-President of the Management Board.

By Resolution No. 17/ZWZA/2019 of 18 June 2019 The General Meeting of Shareholders defined the number of members of the Supervisory Board of the new term as 5 persons. The composition of the Supervisory Board was determined by the General Meeting by resolutions no. 18 to 22/ZWZA/2019 of 18 June 2019:

- Zofia Dzik
- Dariusz Miłek
- Wieslaw Oles
- Waldemar Jurkiewicz
- Filip Gorczyca

By Resolution No. 23/ZWZA/2019 of June 18, 2019 Mr. Dariusz Miłek was appointed the Chairman of the Supervisory Board.

4.2
PRODUCTS AND BRANDS

OFFER OF THE CCC GROUP

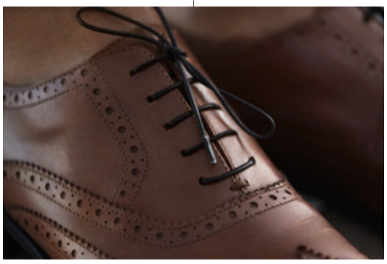
The CCC Group offers its customers a range of products aimed at a broad group of consumers. Apart from women's, men's and children's footwear, we also sell handbags, shoe care products and products classified in the assortment structure as other, where we can distinguish jewellery, accessories, cycling accessories.

Footwear is the basic product and good of the CCC Group. Customers visiting offline and online stores have a selection of shoes for every occasion – including everyday, sports and elegant shoes. The assortment offered to customers is sold by the Group under many own and licensed brands, including premium ones, thanks to which the Group offers its customers footwear not only for every occasion, but also for every budget – a detailed description of the brands offered is presented further in this section.

PRODUCT STRUCTURE

The assortment structure of sales remains constant over the years – in 2019 footwear accounted for 88% of sales, including: women's footwear – 53.0%, men's footwear – 23.0%, children's footwear – 12.0%. Apart from footwear, which is the main product, handbags account for 5% of sales annually, while cosmetics and other products account for 7%. The Group' s assortment structure is continuously expanded, and the variety of products offered allows the customers to find an product meeting their expectations, which increases sales revenue.

The chart below presents a detailed structure of retail sales in particular assortment groups in 2019 and 2018:


PORTFOLIO OF BRANDS

WOMEN'S SHOES

As part of the „Women's shoes" range the Group offers to its customers:

- ballerinas,
- boots,
- flip-flops,
- sports shoes,
- derby,
- sandals,
- high heels,
- and sneakers.

Lasocki, Gino Rossi, DeeZee, Jenny Fairy, Sprandi, Sketchers, Adidas, Reebok, Puma, New Balance

MEN'S SHOES

Within the range of men's shoes the Group offers to its customers:

- boots,
- sports shoes,
- derby,
- sandals,
- sneakers.

Lasocki, Gino Rossi, Sprandi, Rieker, Sketchers, Cesare CCave, Vapianio, Ottimo, Adidas, Puma, New Balance, Reebok, Crocs

CHILDREN'S SHOES

As part of its range of children's footwear, the Group offers its customers footwear for boys and girls for every season.

Lasocki Kids, Lasocki Young, Adidas, Nelli Blu, Crocs, Reebok, Sprandi, Puma, Magic Lady, Ottimo, Spiderman

BAGS

Within this assortment group the Group offers to its customers bags made of:

- synthetic materials,
- natural leather.

Lasocki, Gino Rossi, DeeZee, Jenny Fairy, Adidas, Lanetti, Sprandi, Nylon Red

COSMETICS AND OTHER

Within the assortment of „Other" the Group sells, among others:

- cosmetics,
- jewelry,
- leather goods
- cycling accessories.

[in mln PLN unless otherwise stated]

KEY BRANDS

WOMEN		MEN
	LASOCKI SINCE 1954	
• age approx. 20-55 years • medium and high income • open, active, healthy lifestyle • looking for classics • value quality, style, comfort • price is of secondary importance	**FOUNDATION OF THE CCC BRAND PORTFOLIO** **CLASSICS** **UNIVERSAL DESIGN**	• age approx. 25-75 years • average and higher income • self-confident, care about their appearance and „contents of the wardrobe", escape from the „poor quality", value high quality, style and comfort • make rational choices – weighing the quality/price ratio
	gino rossi	
• age approx. 20-55 years • medium and high income • open, active, healthy lifestyle • looking for exceptionality, originality • who value style and comfort • quality is of prime importance	**PREMIUM PRODUCT** **TOP QUALITY** **STYLE AND ELEGANCE**	• age about 25-75 years • average and higher income • confident, looking for classic fashion • quality and brand oriented
	DeeZee GIRLS DO IT BETTER	
• age under 30 years • lower and average income • following trends • looking for exceptionality, originality and unusual solutions • value and emphasize individuality • price is important	**LATEST TRENDS** **FASHION AND TASTE** **UNIQUE COLOUR AND DESIGN**	

4.3 BUSINESS MODEL

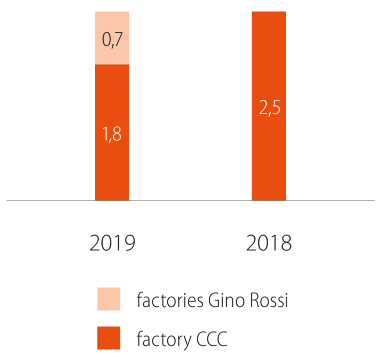
4.3.1 MANUFACTURING AND SUPPLIERS

The Company CCC.eu Sp. z o.o. is the supplier of goods to CCC Group. The company sources goods from domestic and foreign suppliers and from its own factory (CCC Factory Sp. z o.o.).

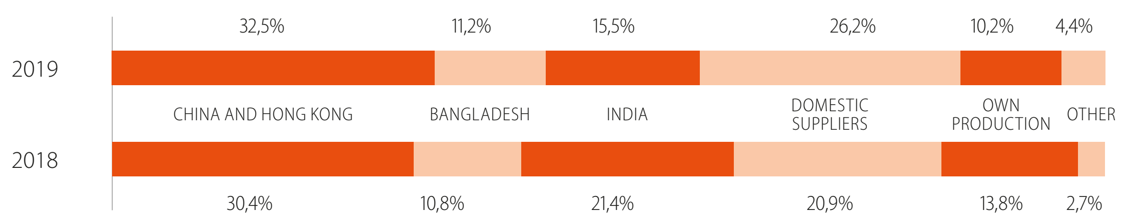
Since 2019 the goods are also produced and delivered by Gino Rossi S.A. - one of the subsidiaries of the CCC Group.

The territorial structure of footwear purchases in 2018 and 2019 is as follows:

THE NUMBER OF MANUFACTURED PAIRS OF SHOES [mln pcs.]



TERRITORIAL STRUCTURE OF FOOTWEAR PURCHASES



FOOTWEAR

Footwear, the core product of the CCC Group, is imported from Asia (59.2% of the total footwear purchases), manufactured in its own factory (10.2%), purchased from domestic suppliers (26.2%) and in other countries (4.4%). The main direction of imports of footwear from Asia is China (24.7% of the total value of footwear imports), from where deliveries come from dozens of producers.

BAGS, SHOE CARE AND OTHER PRODUCTS

The products sold by the CCC Group also include bags, shoe care, fancy goods and cycling accessories. All of these goods are bought from external suppliers. Bags in particular come from imports from Asia, while other goods are obtained on European markets.

4.2.2 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 Center is a fully automated high-storage warehouse, type mini-load, with a total area of 23.1 thousand m^2, which is able to accommo¬date a minimum of 5 million pairs of shoes, or over 500,000 cardboard boxes of various dimensions. It is the largest object of this type in Central Europe. The investment in 40% was financed from EU funds through the Innovative Economy program.

The new Distribution Center, in conjunction with the existing sorting facility, is able to service over 100,000 cartons (approx. 1.1 million pairs of footwear) during two working shifts. The mechanization process provides support for future development and provides a basis for further development of logistics processes. In addition, it allows optimizing the storage space, which currently amounts to 82.3 thousand m^2.

CCC Group invests in logistics in the e-commerce segment as well, which is reflected in the new logistics centre eobuwie.pl, currently under construction in Zielona Góra. This facility will allow to increase the capacity of the existing logistics center, responding to the growing importance of e-commerce in CCC Group and constantly growing popularity of online shopping. The investment comprises 4 elements, and its implementation is planned in stages. Phase I of the project began in September 2018, and its completion is planned for the end of 2019. As a result, 40,000 m2 of warehouse space equipped with advanced automation will be available for use. In January 2019, the expansion of one of the warehouses was completed, which concerned the installation of rack storage on additional floor space. The additional storage space allows to store about 10 million pairs of shoes (50% capacity increase). The result of the organizational restructuring of CCC S.A. and the CCC Group is to leave the logistic service in the parent company and provide logistic services to the affiliated entity.

EOBUWIE WAREHOUSES

Eobuwie.pl started the construction of a new logistics center in the Lubuski Industrial Park in Zielona Góra. The investment will strengthen development in 15 European markets where the company is present. The new center will also improve the logistics service for entities from the CCC Group, including online sales of the CCC offer and other companies belonging to the Group. In 2019, the first facility with an area of nearly 40,000 m^2 will be launched, and the target area will be 150,000 m^2.

[in mln PLN unless otherwise stated]

4.2.3 DISTRIBUTION

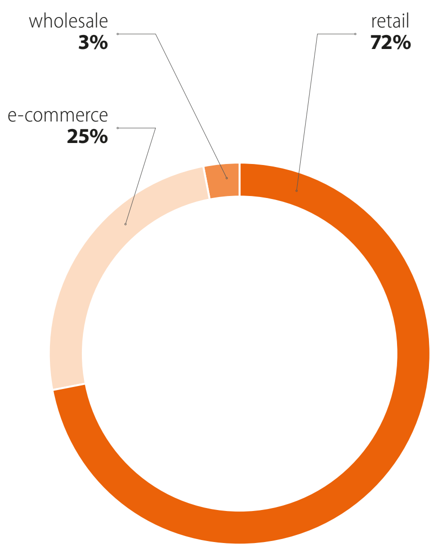
MARKET ENVIRONMENT

Retail sales is the main business segment of the Capital Group CCC which generates 77.0% of total revenues. Within the segment, the group operates in four regions:

- Poland,
- Central and Eastern Europe,
- Western Europe,
- Other countries.

In these regions, the Group also operates online, which acounts for 25% of all revenues.

CONSOLIDATED SALES REVENUES IN 2019



REGION	MARKET CONDITION
Poland	The current economic situation in Poland is stable, with medium development prospects. In 2019 Poland's GDP growth amounted to 4.0%. Respectively for 2018 and 2017, the economic growth in Poland amounted to 5.1% and 4.8%. The unemployment rate is at the lowest level since 1991 at 5.1%. In the presented period there were no changes in tax rates concerning the Group's products. In connection with the above macroeconomic data and the government's social policy (numerous social programs, including the 500+ program), it is expected that consumers' disposable income will increase. In Poland, Deichmann is the key competitor of the Group.
Central and Eastern Europe	The current economic situation in the region of Central and Eastern Europe is stable, with moderate growth prospects. The level of GDP per capita, is growing at a stable pace, the unemployment rate in the most important countries of the region is a decreasing trend. In the reporting period there were no changes in tax rates relating to Group's products. The above macroeconomic data allow expecting an increase in disposable income of consumers. In the region of Central and Eastern Europe Deichmann is a key competitor for the Group.
Western Europe	The current economic situation in the region of Western Europe is stable, with moderate growth prospects. The level of GDP per capita, is growing at a stable pace. The unemployment rate remained at a stable level. In the reporting period there were no changes in tax rates relating to Group's products. The above macroeconomic data allow to expect a positive impact on the results achieved by the Group CCC. Deichmann is a key competitor of the Group in the region of Western Europe.

[in mln PLN unless otherwise stated]

PRESENCE IN THE MARKETS

The main market for the CCC Group' sales is Poland. The share of the CCC Group in the highly fragmented shoe retail market in Poland is estimated at about 30%. The main market of the CCC Group is the widely considered medium segment of the customer. It is still the widest segment on the domestic footwear market, calculated at over 130 million pairs of shoes per year. In terms of the number of retail outlets in Poland, CCC almost doubles the offer of its largest competitors.

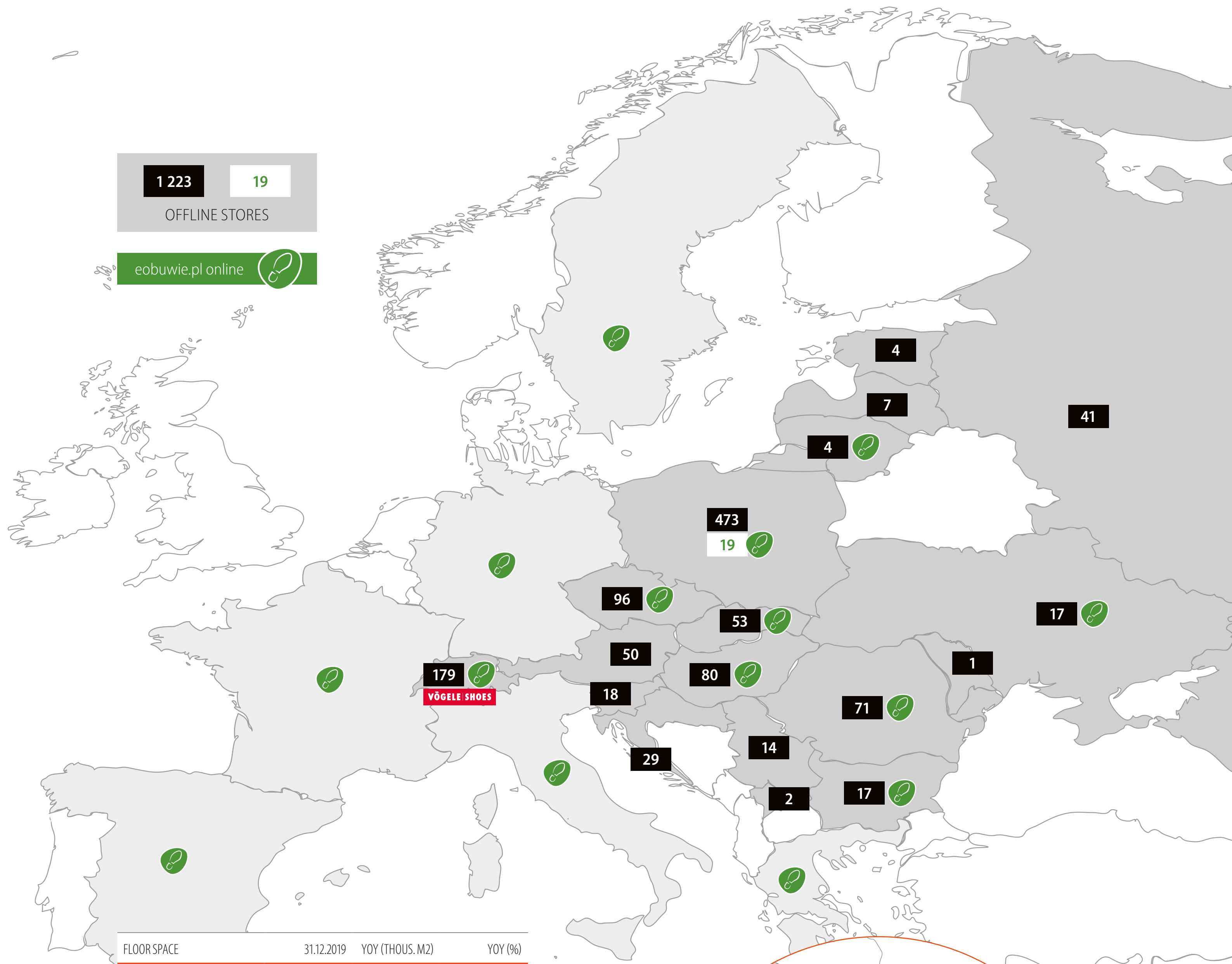
Apart from the Polish market, the CCC Group operates in Central and Eastern Europe, Western Europe, and other countries – Russia, Ukraine, Serbia, Romania, Latvia, Lithuania, Estonia, Moldova, Kosovo, Qatar and the United Arab Emirates, Oman, Bahrain and Saudi Arabia.

The stores are located in large shopping malls or at important traffic routes, in prestigious urban locations.

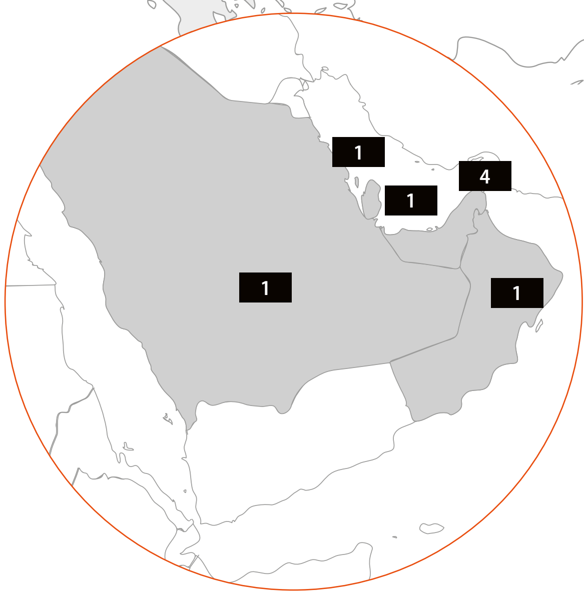
	31.12.2019	31.12.2018
Total stores:	1 242	1 204
Own stores CCC	992	893
Austria	50	49
Bulgaria	17	11
Croatia	29	25
Czech Republic	96	93
Poland	473	466
Russia	41	35
Romania	71	62
Serbia	14	11
Slovakia	53	51
Slovenia	18	14
Hungary	80	76
Gino Rossi	50	—
FRANCHISE STORES CCC	52	26
Arabia Saudyjska	1	—
Bahrajn	1	—
Estonia	4	3
Gino Rossi	9	—
Qatar	1	—
Kosovo	2	—
Lithuania	4	4
Latvia	7	7
Moldova	1	1
Oman	1	—
Ukraine	17	11
ZEA	4	—
Vögele Shoes	179	197
e-obuwie	19	9

* Refers to continuing operations.

[in mln PLN unless otherwise stated]

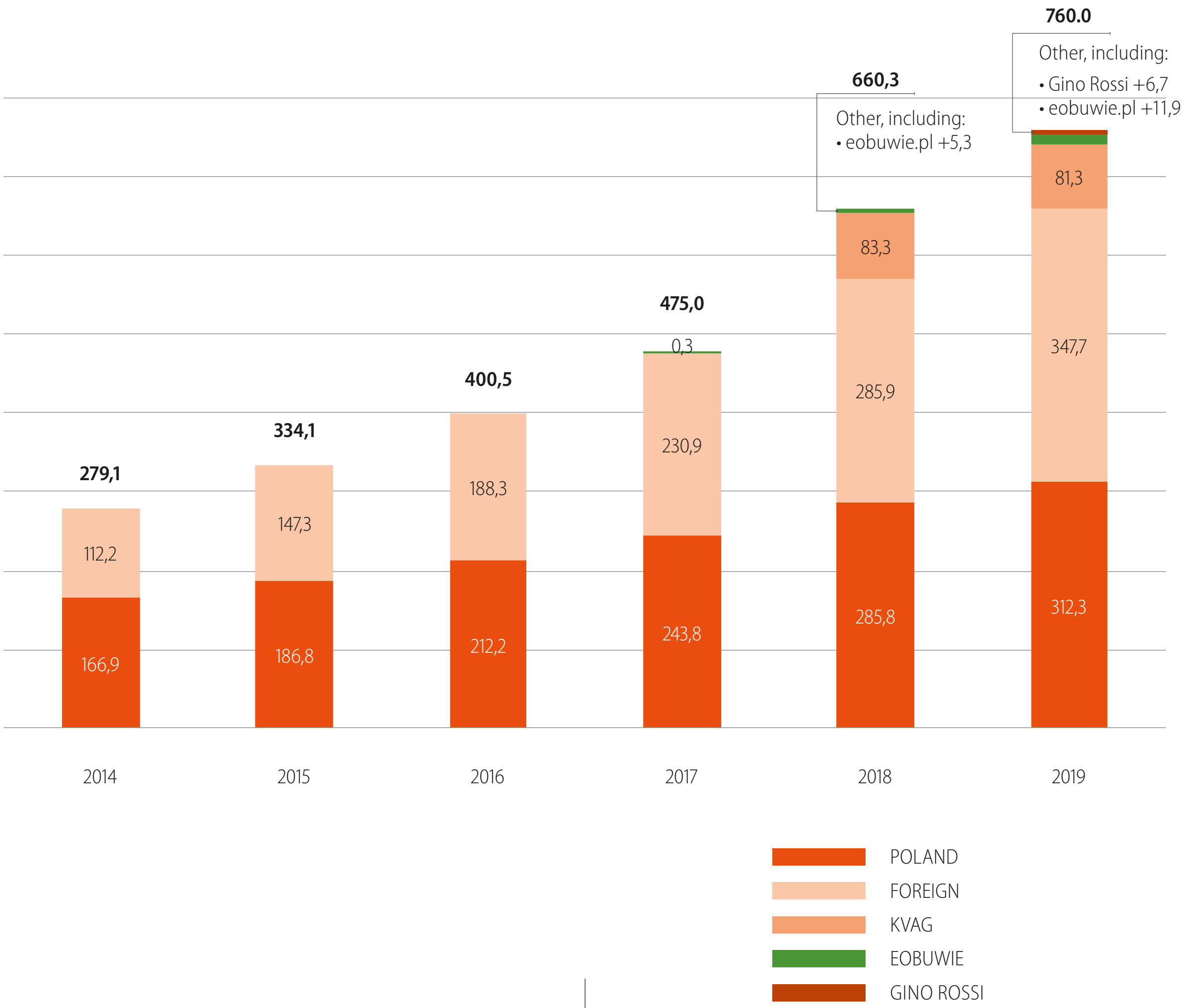


FLOOR SPACE	31.12.2019	YOY (THOUS. M2)	YOY (%)
Own, including:	725,6	+83,1	13%
Voegele	81,3	-1,8	-2%
eobuwie.pl	11,9	+6,6	>100%
Gino Rossi	5,9	+5,9	X
FRANCHISE	34,3	+16,7	>100%
TOTAL	760,0	+99,9	15%



NUMBER OF STORES	31.12.2018	YOY (THOUS. M2)
Own, including:	1 190	+91
Voegele	179	-18
eobuwie.pl	19	+10
Gino Rossi	50	+50
FRANCHISE	52	+26
TOTAL	1 242	+117

CHANGE OF THE FLOOR SPACE OF CCC STORES AND ITS CHANGE IN THE YEARS 2014 – 2019 [thousand m²]



As at 31 December 2019, the Group's total floor space amounted to 760.0 thousand m² and increased by 99.8 thousand m² compared to 31 December 2018. Which was, among others, caused by the increase in net floor space of CCC stores (+ 72.4 thousand m²), opening 10 new eobuwie.pl stores (+ 6.6 thousand m² y/y), opening new franchise stores in the Middle East, Ukraine, Qatar, Kosovo and Oman (+ 10.2 thousand m²) and the acquisition of Gino Rossi store chain (+ 5.9 thousand m² of own stores and + 0.8 thousand m² of franchise stores).

Total floor space in the CCC, Gino Rossi, KVAG and eobuwie.pl own stores increased by 13% and amounted to 725.6 thousand m² as at 31.12.2019 (including: 312.3 thousand m² in Poland) compared to 554.1 thousand m² as at 31.12.2018 (including 285.8 thousand m² in Poland). Total floor space of franchise stores increased by 95% and amounted to 34.3 thousand m² as at 31.12.2019 compared to 17.6 thousand m² as at 31.12.2018.

RETAIL SALES

Retail sales in the chain of own and agency stores in 2019 took place in Poland, the Czech Republic, Slovakia, Austria, Slovenia, Croatia, Serbia, Russia, Bulgaria, Romana, Switzerland and Hungary. The total number of own and agency stores as at 31 December 2019 amounted to 1 190 (including 19 eobuwie.pl stores, 50 own Gino Rossi stores and 179 Karl Voegele stores). The average floor space of these stores increased by 25 m^2 to 610 m^2 (585 m^2 in 2018).

Retail sales revenues increased by 15.1% to PLN 4,189.6 million (PLN 3,638.9 million in 2017) and accounted for 71.7% of total sales. Retail sales revenue per m^2 amounted to PLN 6.16 thousand per m^2 (PLN 6.64 thousand in 2018). The aforementioned data refers to continued operations and does not include CCC Germany.

CHAIN	TYPE	31.12.2015		31.12.2016		31.12.2017		31.12.2018		31.12.2019	
		m²	NUMBER	m²	NUMBER	m²	NUMBER	m²	NUMBER	m²	NUMBER
CCC	Austria	14 681	27	23 580	39	27 431	45	30 378	49	32 410	50
	Bulgaria	3 875	6	5 665	9	6 562	10	7 430	11	11 651	17
	Croatia	7 314	13	11 842	20	13 561	23	16 061	25	19 811	29
	Czech Republic	36 104	79	39 415	82	44 701	88	51 497	93	56 721	96
	Poland	186 782	410	212 242	436	243 839	448	285 782	466	312 275	473
	Russia	—	—	6 339	11	13 923	19	28 041	35	34 212	41
	Romania	—	—	—	—	—	—	34 762	62	42 921	71
	Serbia	—	—	1 089	2	4 078	6	8 237	11	11 031	14
	Slovakia	18 852	37	23 104	42	28 198	50	31 500	51	33 702	53
	Slovenia	4 603	8	6 272	11	7 687	13	8 528	14	14 508	18
	Hungary	30 462	61	38 040	69	45 247	73	51 843	76	57 197	80
TOTAL		302 673	641	367 588	721	435 227	775	554 059	893	626 440	942
OTHER	eobuwie.pl	—	—	—	—	347	1	5256	9	11945	19
	Gino Rossi	—	—	—	—	—	—	—	—	5912	50
	KVAG	—	—	—	—	—	—	83299	197	81315	179
TOTAL OWN		302 673	641	367 588	721	435 574	776	642 614	1 099	725 612	1 190

* table does not include BOTI and Lasocki chain stores, the last of which closed in 2016 and 2015 respectively.

[in mln PLN unless otherwise stated]

WHOLESALE

In 2019, the franchise partners to whom the wholesale is directed were located in Poland, Ukraine, Latvia, Lithuania, Estonia, United Arab Emirates, Kosovo, Saudi Arabia, Bahrain, Qatar, Moldova and Oman. The total number of franchise stores as at 31 December 2019 amounted to 52. The average floor space of these stores decreased by 15.9 m2 to 660.3 m2 (676.2 m2 in 2018).

Wholesale sales revenues increased by 82.5% to PLN 198.7 million (PLN 80.1 million in 2018) and accounted for 3.3% of total sales. Further growth of this segment's share in the Group's revenues is expected due to strong expansion in the Middle East. The wholesale segment also includes sales to HRG Reno, one of its key customers. The above figures cover continuing operations.

CHAIN	TYPE	31.12.2015		31.12.2016		31.12.2017		31.12.2018		31.12.2019	
		m²	NUMBER	m²	NUMBER	m²	NUMBER	m²	NUMBER	m²	NUMBER
CCC FRANCHISE	Saudi Arabia	—	—	—	—	—	—	—	—	1050	1
	Bahrain	—	—	—	—	—	—	—	—	929	1
	Estonia	—	—	724	1	724	1	2629	3	3734	4
	Gino Rossi	—	—	—	—	—	—	—	—	801	9
	Qatar	—	—	—	—	—	—	—	—	1002	1
	Kosovo	—	—	—	—	—	—	—	—	1958	2
	Lithuania	1 187	2	1 787	3	2 657	4	2 657	4	2 657	4
	Latvia	3 232	7	3 281	7	4 409	7	4 409	7	4 409	7
	Moldova	—	—	—	—	740	1	740	1	740	1
	Oman	—	—	—	—	—	—	—	—	1 223	1
	Russia	3 617	8	—	—	—	—	—	—	—	—
	Romania	19 325	42	24 386	50	27 148	54	—	—	—	—
	Ukraine	2 237	5	2 709	5	3 827	6	7 147	11	11 754	17
	United Arab Emirates	—	—	—	—	—	—	—	—	4082	4
TOTAL FRANCHISE		29 598	64	32 887	66	39 505	73	17 582	26	34 338	52
TOTAL CG CCC		332 271	705	400 475	787	475 079	849	660 196	1 125	759 950	1 242

* Romania – since 25 April, 2018, own stores

ONLINE SALES

In the CCC Group, online sales is carried out by CCC S.A. and following subsidiaries eobuwie.pl S.A., DeeZee sp. Z. o.o., Gino Rossi S.A. and Karl Vögele AG. In addition, CCC launched the click & collect service giving the opportunity to order goods online and pick up at a selected store. At the end of 2019, eobuwie.pl operated in Poland, Germany, the Czech Republic, Slovakia, Romania, Hungary, Ukraine, Bulgaria, Lithuania, Greece, Sweden, Spain, France, Switzerland and Italy. DeeZee in Poland and Ukraine, additionally Karl Vögele AG operated in Switzerland. Revenues from online sales amounted to PLN 1 455.4 million and accounted for 24.9% of total sales in 2019.

5.
ANALYSIS OF SELECTED FINANCIAL RESULTS OF CCC GROUP

5.1
ANALYSIS OF SELECTED FINANCIAL AND OPERATING DATA

5.1.1
FINANCIAL RESULTS OF CCC GROUP

5.1.1.1
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Revenues, cost of goods sold and gross sales profit

HOW WE DEFINE PARTICULAR ELEMENTS OF THE RESULT

The sales revenue includes revenue from the sales of goods, products and services of a sublease obtained in the normal course of business. The revenue by segment presented in the tables below shows sales from external customers – intra-group sales were excluded. Consolidation adjustments were taken into account so that the value of revenue is identical to the revenue item from the consolidated financial statements.

As the cost of goods sold the Group recognizes: value of goods sold, value of packaging sold, cost of complaint provision, value of finished goods sold, cost of sublease services, logistic and accounting services, inventory revaluation write-offs and impairment losses on fixed assets and intangible assets used in the production of goods or services (amortization of production machines).

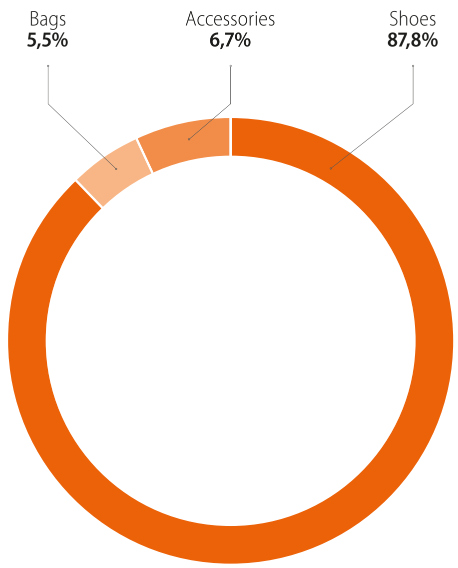
Gross profit on sales is calculated as the difference between sales revenue and cost of goods sold, gross profit margin as the ratio of gross profit on sales to sales revenue from external customers.

Additionally, in the analysis following figures are used: revenue per m2 of floor space and sales of like-for-like stores – the definitions of these measures are included in the individual tables.

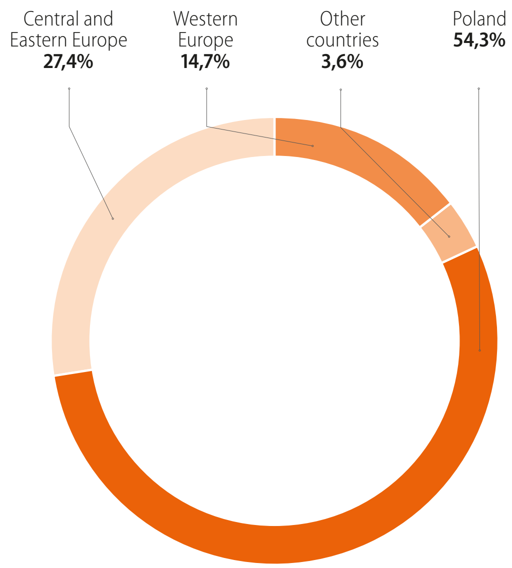
CCC S.A. – dominant entity in the CCC Capital Group – focuses mainly on retail distribution of goods in Poland. In addition, it also provides logistic and accounting services to CCC.eu. The distribution of goods in the retail channel outside Poland is carried out by subsidiaries, operating in the Czech Republic, Slovakia, Slovenia, Croatia, Austria, Serbia, Bulgaria, Russia, Germany, Romania, Hungary and Switzerland. In Germany, the sales is carried out via associated entity HR Group, in which CCC S.A. holds 30.55% of shares. The manufacturing of footwear for the Group is carried out by CCC Factory. Sales of goods in the e-commerce channel is carried out by CCC S.A.*, eobuwie.pl, Gino Rossi S.A., Karl Vögele AG and DeeZee sp. z o.o. (by the end of 2019).

*Online sales launched in June 2019.

SALES STRUCTURE (BY VALUE)



SALES STRUCTURE (GEOGRAPHICAL SEGMENTS)



Our sales revenues were as follows:

	SALES REVENUE [1]		CHANGE %	REVENUE PER 1 m^2 OF FLOOR SPACE (IN THOUSAND PLN) [2]	
	01.2019-12.2019	01.2018-12.2018		01.2019-12.2019	01.2018-12.2018
Poland	2 272,8	2 060,1	10,3%	7,3	7,7
CEE	1 148,2	1 035,4	10,9%	5,4	6,0
Western Europe	616,0	430,8	43,0%	5,5	5,4
Other countries	152,6	112,7	35,4%	3,7	4,4
Retail activities	4 189,6	3 639,0	15,1%	6,2	6,6
Wholesale	198,7	108,9	82,5%		
E-commerce	1 455,4	977,3	48,9%		
Manufacturing	1,0	0,6	66,7%		
Total	5 844,7	4 725,8	23,7%		

[1] Sales revenues refer only to sales to external customers.

[2] Revenue per 1 m^2 of floor space is calculated by dividing the value of revenue for the 12-month period of a given year by the number of m^2 of floor space as at the balance sheet date.

[3] For the sake of comparability, the floor space of Shoe Express was calculated in proportion to the date of acquisition.

In 2019, sales revenue amounted to PLN 5,844.7 million, which represents an increase by PLN 1,118.9 million (+23.7%) compared to the previous year. The increase was driven primarily by an increase in sales in the retail segment by PLN 550.6 million (+15.1% y/y), e-commerce by PLN 478.1 million (+48.9% y/y) and wholesale by PLN 89.8 million (i.e. through the opening of stores in the GCC region and cooperation with an affiliate company HR Group). In 2019, the share of retail revenue in total sales amounted to 72% (2018: 77%), with an increasing share of e-commerce 25% (2018: 21%) and 3% of wholesale (2018: 2%). The Group maintains high retail sales per $1m^2$ – over the last year the sales amounted to PLN 6.16 thousand per $1m^2$ (in 2018: PLN 6.64 thousand per $1m^2$), with the average store floor space increasing +3.2% up to 587 m^2.

Revenues are affected by changes in sales in the existing stores and changes resulting from the opening and closing of retail outlets. Data concerning the division of sales by continuing operations and newly opened or closed outlets are as follows:

	LIKE-FOR-LIKE STORES [1]			CHANGE %	OTHER STORES [2]	
	NUMBER	01.2019-12.2019	01.2018-12.2018		01.2019-12.2019	01.2018-12.2018
Poland	353	1 553,7	1 580,6	-1,7%	719,1	479,5
CEE	222	719,1	744,5	-3,4%	429,1	290,9
Western Europe	38	106,2	116,1	-8,5%	509,8	314,7
Other countries	21	75,4	80,6	-6,5%	77,2	32,1
Total	634	2 454,4	2 521,8	-2,7%	1735,2	1117,2

[1] Like-for-like stores are those operating continuously during 2018 and 2019.

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

[3] Like-for-like stores do not include Gino Rossi stores acquired in March 2019, Shoe Express stores acquired in April 2018, KVAG stores acquired in June 2018.

In total, in relation to the described period, the change in sales in like-for-like stores amounted to PLN – 67.4 million (-2.7%). Decrease was recorded on the markets: Central and Eastern Europe (-3.4%), Western Europe (-8.5%) and other countries (-6.5%). The lowest decrease in sales in like-for-like stores was recorded in Poland (-1.7% y/y).

Poland remains the largest sales market, with a share of 38.9% in total sales in 2019 compared to 43.6% in the same period in 2018. Retail sales revenues in 2019 amounted to PLN 2272.8 million, up by PLN 212.7 million (+10.3%) compared to the previous year. This increase of PLN 212.7 million was driven by sales in the like-for-like stores PLN – 26.9 million (-1.7%) and sales in the other stores (PLN 239.6 million (+50.0%). In the same period CCC and eobuwie stores with total floor space of 46.5 thousand m^2 were opened and enlarged in Poland and 7.5 thousand m^2 were closed. In 2019, net floor space in Poland increased by 39.0 thousand m^2.

In the whole CEE segment (Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Bulgaria, Romania) sales revenues amounted to PLN 1,148.2 million, up by PLN 112.8 million (10.9%) compared to the previous year. In the same period, net floor space in Central and Eastern Europe increased by 34.9 thousand m^2.

[in mln PLN unless otherwise stated]

The largest market in this segment in terms of revenues is the Czech Republic, which accounts for 5.3% of total revenues from external customers (down by 1.1 p.p. compared to 2018). In 2019, sales to external customers in the Czech Republic amounted to PLN 310.4 million, up by PLN 9.8 million. In 2019, floor space in the Czech Republic increased by 5.2 thousand m2 .

The second largest market is Hungary with a 4.2% share in total revenues. Revenues from external customers in this market amounted to PLN 243.8 million in 2019, up by PLN 3.3 million (1.4%) compared to 2018. The total net floor space of 5.4 thousand m2 was opened in Hungary in 2019.

Other significant CEE markets include the Slovakian market with a 3.1% (PLN 182.3 million) share in sales revenue, which recorded a increase in sales by PLN 11.4 million (+6.7%). In Slovakia in 2019, net floor space increased by 2.2 thousand m2.

Other dynamically growing markets included Romania (with a 4.1% share in sales revenue), Croatia (1.4%), Slovenia (0.9%) and Bulgaria (0.7%).

In Western Europe, the Austrian market achieved sales revenues from external customers of PLN 135.4 million, down 3.7% from PLN 140.6 million last year. The Swiss company Karl Vögele AG (acquired in June 2018) achieved sales revenues of PLN 480.7 million, accounting for 8.2% of total sales revenues from external customers.

In 2019, sales revenues in the dynamically growing e-commerce segment amounted to PLN 1455.4 million, an increase of PLN 478.1 million (+48.9%) compared to the previous year. The increase in revenue was driven primarily by an increase in sales in the Polish market of PLN 169.0 million (+42.3%) and in CEE segment 205.1 mPLN (+53.8%).

SALES RESULTS

As a result of our activity we achieved the following results on sales:

	01.2019-12.2019	01.2018-12.2018	CHANGE %
Sales revenue from external customers	5 844,7	4 725,8	23,7%
Cost of goods sold	(2 956,1)	(2 359,1)	25,3%
Cost of goods purchased for resale	(2 686,6)	(2 231,3)	20,4%
Cost of goods manufacured	(263,6)	(118,9)	>100%
Write-down on inventories	(5,9)	(8,9)	<-100%
Gross profit on sales	2 888,6	2 366,7	22,1%

[in mln PLN unless otherwise stated]

Gross profit broken down into individual segments was as follows:

	GROSS PROFIT ON SALES		CHANGE %	GROSS PROFIT MARGIN ON SALES	
	01.2019-12.2019	01.2018-12.2018		01.2019-12.2019	01.2018-12.2018
Poland	1 128,1	1 024,3	10,1%	49,6%	49,7%
CEE	647,3	599,7	7,9%	56,4%	57,9%
Western Europe	367,9	245,5	49,9%	59,7%	57,0%
Other countries	75,7	59,0	28,3%	49,6%	52,4%
Retail activities	2 219,0	1 928,5	15,1%	53,0%	53,0%
E-commerce	615,1	401,4	53,2%	42,3%	41,1%
Wholesale	55,5	37,2	49,2%	27,9%	34,2%
Manufacturing	-1,0	(0,4)	>100%	nd.	nd.
Total	2 888,6	2 366,7	22,1%	49,4%	50,1%

Consolidated gross sales profit in 2019 amounted to PLN 2,888.6 million and was 22.1% higher than in the corresponding period of 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 consolidated gross sales margin in 2019 amounted to 49.4% and was 0.7 p.p. lower than in the same period of the previous year. The margin in retail sales segment in 2019 amounted to 53.0% and was at the same level as in previous year. Nominal gross sales margin increased in e-commerce, however, the growing share of e-commerce (increase from 17% to 21% in gross sales profit) caused a slight decrease in the consolidated margin.

COSTS OF OPERATING STORES/ WHOLESALE AND SEGMENT RESULTS

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.

[in mln PLN unless otherwise stated]

RESULTS OF SEGMENTS

01.2019-12.2019	SALES REVENUE	GROSS PROFIT ON SALES	COST OF OPERATING STORES	OTHER COSTS OF SALE	RESULT ON SEGMENT
Poland	2 272,8	1 128,1	(632,3)	(200,3)	295,5
CEE	1 148,2	647,3	(491,6)	(112,9)	42,8
Western Europe	616,0	367,9	(367,1)	(98,3)	(97,5)
Other countries	152,6	75,7	(79,8)	(13,4)	(17,5)
Retail activities	4 189,6	2 219,0	(1 570,8)	(424,9)	223,3

01.2018-12.2018	SALES REVENUE	GROSS PROFIT ON SALES	COST OF OPERATING STORES	OTHER COSTS OF SALE	RESULT ON SEGMENT
Poland	2 060,1	1 024,3	(546,6)	(197,9)	279,8
CEE	1 035,4	599,7	(402,6)	(88,0)	109,1
Western Europe	430,8	245,5	(261,5)	(56,5)	(72,5)
Other countries	112,7	59,0	(53,0)	(8,5)	(2,5)
Retail activities	3 639,0	1 928,5	(1 263,7)	(350,9)	313,9

The result of the Western Europe segment does not include share of net profit (loss) of associates accounted for using the equity method.

Changes in gross sales profit, costs of operating stores and results of segments between 2019 and 2018 are presented in the table below:

CHANGE %	SALES REVENUE	GROSS PROFIT ON SALES	COST OF OPERATING STORES	OTHER COSTS OF SALE	RESULT ON SEGMENT
Poland	10,3%	10,1%	15,7%	1,2%	5,6%
CEE	10,9%	7,9%	22,1%	28,3%	-60,8%
Western Europe	43,0%	49,9%	40,4%	74,0%	34,5%
Other countries	35,4%	28,3%	50,6%	57,6%	>100%
Retail activities	15,1%	15,1%	24,3%	21,1%	-28,9%

In 2019, costs of operating stores increased by PLN 307.1 million compared to the previous year, while the result of the retail segment decreased by PLN 90.6 million.

The gross profit on sales covers costs of operating stores and generates the segments results.

The costs of operating stores were as follows:

	01.2019-12.2019	01.2018-12.2018	CHANGE %
Remuneration and employee benefits	(559,5)	(441,1)	26,8%
Agency services	(5,9)	(23,3)	-74,7%
Lease costs	(173,9)	(131,6)	32,1%
Amortization and depreciation	(647,2)	(492,6)	31,4%
Taxes and fees	(9,4)	(7,3)	28,8%
Consumption of materials and energy	(67,4)	(62,8)	7,3%
Transportation services	(4,5)	(1,9)	>100%
Other outsourcing services	(100,9)	(94,5)	6,8%
Other flat costs	(2,1)	(8,2)	-74,4%
Write-down on inventories		(0,4)	—
Total	(1 570,8)	(1 263,7)	24,3%

Costs of operating stores were the largest group, representing 57% of total costs in 2019 (60% in 2018). In the period 01-12.2019, costs of operating stores amounted to PLN 1570.8 million and were higher by PLN 307.1 million (+24.3%) than in the corresponding period of the previous year, whereas the average floor space increased 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. Additionally, the factor affecting the increase in costs was the increase in floor space, which as at 31 December 2019 amounted to 595.5 thousand m2 (+70.9 thousand m2 compared to the same period of the previous year, excluding the acquired companies). The most significant items in the costs of operating stores were the costs of lease and depreciation and the costs of salaries, which accounted for 52.3% and 35.6% respectively.

In order to analyze the costs of operating stores, the Group uses cost per m^2 ratio, (excluding IFRS 16). The analysis excludes the company acquired in 2019. (Gino Rossi) Monthly costs of operating stores per m^2 in 2019 amounted to PLN 192.2 m^2 compared to PLN 192.7 m^2 in 2018 and decreased by 1%.

[in mln PLN unless otherwise stated]

THE IMPACT OF OTHER INCOME AND COSTS

HOW WE DEFINE PARTICULAR ELEMENTS OF THE RESULT

Other cost of sale 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 Group (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.

The Group presenting **the adjusted net profit** excludes items that, in the opinion of the Management Board, are of a one-off nature and are not taken into account when assessing the results and when making decisions. The adjusted net profit is not a measure consistent with IFRS. More information on the measure can be found on page 33.

	01.2019-12.2019	01.2018-12.2018	CHANGE %
RESULT ON SEGMENT	359,2	439,2	-18,2%
Administrative expenses	(236,7)	(188,2)	25,8%
Other cost and revenue	10,6	121,5	-91,3%
Operating profit	133,1	372,5	-64,3%
Finance income	143,3	3,7	>100%
Finance costs	(231,3)	(119,9)	92,9%
Share in profit (loss) of associated companies	(17,5)	0,1	>-100%
Profit before tax	27,6	256,4	-89,2%
Income tax	(9,2)	(32,9)	-71,9%
Net profit	18,4	223,5	-91,8%
Adjusted net profit [1]	(64,3)	84,1	>-100%

[1] The adjusted net profit is the own measure of profit – see chapter 4.1.1.1. on page 48.

OPERATING INCOME AND COSTS

Other operating income and costs in 2019 amounted to PLN 34.2 million and PLN 44.8 million, respectively, representing a net income of PLN 10.6 million, compared to PLN 121.5 million in the prior year. The main reason for the change compared to the same period in 2018 was the recognition of PLN 104.4 million profit from the bargain acquisition of Karl Voegele AG in 2018.

OPERATING PROFIT

The CCC Group generated PLN 133.1 million of operating profit in 2019, which was PLN 239.4 million lower than in the corresponding period in 2018.

FINANCE INCOME AND COSTS

In 2019, finance income amounted to PLN 143.3 million, up by PLN 139.6 million compared to the previous year. The main contributors to the increase in income were the valuation of financial instruments of PLN +108.3 million (put options related to the acquisition of minority interests) and PLN +20.7 million on exchange rate differences.

Finance costs in the same period of 2019 amounted to PLN 231.3 million, up by PLN 111.4 million compared to the previous year. Finance costs in the reporting period included interest costs of PLN 77.6 million (2018: PLN 62.2 million), negative exchange rate differences of PLN 15.0 million (2018: PLN 30.1 million), valuation of the option to acquisition of non-controlling interests of PLN 134.4 million (2018: PLN 26.7 million).

INCOME TAX

In 2019, income tax amounted to PLN – 9.2 million (2018: PLN – 32.9 million), current tax amounted to PLN – 42.1 million and the deferred part to PLN +32.9 million.

NET PROFIT AND ADJUSTED NET PROFIT

After including finance income and costs, the share of loss attributable to the affiliate, and income tax, the net profit for 2019 amounted to PLN 18.4 million and was lower by PLN 205.1 million compared to the same period in 2018.

EBITDA and adjusted net profit are measures of the result used by the Management Board. EBITDA and net debt are indicators not defined by the accounting standards and are not defined by IFRS and may be reported differently by other entities.

EBITDA is a measure used mainly for debt analysis due to covenants imposed by banks. For more information on the EBITDA measure, see chapter 5.2.1. „Debt and liquidity of the CCC Group".

Adjusted net profit is calculated based on the net profit adjusted for items which, in the opinion of the Management Board, are of a one-off nature and are not taken into account when assessing results and making decisions. Below is a list of items excluded from the net result with an explanation:

CASH ITEMS:

- advisory costs – this item includes advisory costs incurred as a result of business restructuring of the CCC Group

NON-CASH ITEMS:

- Deferred tax assets due to trademarks and goodwill – this item includes assets arising from the business restructuring of the CCC Group
- Costs of the incentive program – this item includes costs of the 2013-2016 incentive program, which was fulfilled in 2017.

[in mln PLN unless otherwise stated]

RECONCILIATION OF ADJUSTED NET PROFIT

	2019	2018	CHANGE %
NET PROFIT (LOSS) ON CONTINUING OPERATIONS	(27,5)	56,7	>-100%
Recognition of a deferred tax asset relating to the trademark, goodwill and investment incentives	36,8	(1,6)	>-100%
Costs of the incentive program		(25,8)	>-100%
ADJUSTED NET PROFIT	(64,3)	84,1	>-100%

5.1.1.2 CONSOLIDATED STATEMENT OF FINANCIAL POSITION (OVERVIEW OF MAIN ITEMS)

An overview of the main items in our statement of financial position is as follows:

	31.12.2019	31.12.2018	CHANGE %
Non-current assets, including:	4 210,5	3 574,1	17,8%
Tangible fixed assets	1 380,0	1 144,3	20,6%
Rights of use of assets	1 986,6	1 870,1	6,2%
Deferred tax assets	110,3	74,8	47,5%
Current assets, including:	2 933,2	2 658,5	10,3%
Inventories	1 942,3	1 806,1	7,5%
Cash and cash equivalents	542,6	375,8	44,4%
Assets classified as held for sale	—	503,4	—
TOTAL ASSETS	7 143,7	6 736,0	6,1%
Non-current liabilities, including:	3 095,8	2 650,9	16,8%
Debt liabilities	683,0	210,0	225,2%
Current liabilities, including:	2 958,3	2 419,1	22,3%
Debt liabilities	830,4	806,8	2,9%
Trade liabilities and other liabilities	1 536,2	1 138,5	34,9%
Liabilities directly associated with assets classified as held for sale	—	518,2	—
TOTAL LIABILITIES	6 054,1	5 588,2	8,3%
EQUITY	1 089,6	1 147,8	-5,1%

[in mln PLN unless otherwise stated]

FIXED ASSETS

HOW WE DEFINE PARTICULAR ELEMENTS OF THE ASSETS

Tangible fixed assets include: investments in external fixed assets (namely, outlays in leased premises used for retail sales of goods); fixed assets used in the manufacturing and 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 at 31 December 2019 include, 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 fixed assets increased by 17.8% compared to 31 December, 2018 to PLN 4,210.5 million, primarily due to the acquisition of Gino Rossi, as well as increased capital expenditures related to the opening of new stores and the development of the logistics center.

	TANGIBLE FIXED ASSETS		CHANGE %	
	31.12.2019	31.12.2018	VALUE OF TANGIBLE FIXED ASSETS	CHANGE OF FLOOR SPACE
Investment in stores	655,9	615,4	6,6%	12,9%
Factory and distribution	615,8	427,2	44,1%	
Land, buildings and constructions	382,4	311,0	23,0%	
Machines and equipment	170,5	103,6	64,6%	
Tangible fixed assets under construction	62,9	12,6	>100%	
Other	108,3	101,7	6,5%	
Total	1 380,0	1 144,3	20,6%	

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

The deferred tax assets reported as at 31 December 2019 mainly concerned 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. A detailed description of the recognition of deferred tax assets and liabilities is provided in Note 3.3c to the consolidated financial statements.

[in mln PLN unless otherwise stated]

CURRENT ASSETS

HOW WE DEFINE PARTICULAR ELEMENTS OF THE ASSETS

Inventories are recognized at cost of purchase or production or net selling price, depending on which of these amounts is lower. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads.

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.

As at 31 December, 2019, current assets amounted to PLN 2,933.2 million and consisted of inventories (PLN 1,942.3 million), cash and cash equivalents (PLN 542.6 million), receivables from customers and other receivables (PLN 442.3 million), loans granted (PLN 4.6 million), and income tax receivables (PLN 1.4 million). The value of current assets increased by 10.3% from PLN 2,658.5 million as at 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%.

The table below shows inventory figures for the CCC Group:

	31.12.2019	31.12.2018	CHANGE %
Retail activities	865,8	759,3	14,0%
Warehouse	562,1	746,5	-24,7%
E-commerce	487,5	305,3	59,7%
Factory	86,7	41,1	>100%
Total inventories before consolidation adjustments	2 002,1	1 852,2	8,1%
Consolidation adjustments	(59,8)	(46,1)	29,7%
Total net inventories	1 942,3	1 806,1	7,5%
Share of write-down on inventories against the net value of inventories	-1,3%	-2,5%	
Inventory turnover ratio [1]	240 days	270 days	-11,1%

[1] Inventory turnover ratio is calculated as the ratio of stocks at the end of the period to the cost of goods sold multiplied by the number of days in the period.

As at 31 December 2019, most of the goods of the CCC Group were located within the retail chain (about 43% of all goods), in the main warehouse of the Group, i.e. in the Logistics Centre in Polkowice (about 28% of all goods) and in the warehouses of eobuwie.

As at the balance sheet date in 2019, the value of the inventory write-down amounted to PLN 21.1 million, compared to PLN 41.5 million in the previous year. The inventory turnover ratio (240 days in 2019) decreased by 11.1% compared to 2018.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the CCC Group as at 31 December 2019 amounted to PLN 542.6 million, up by PLN 166.8 million (+44.4%) compared to the end of 2018 as at the balance sheet date. The cash flow statements also include an item of foreign exchange differences arising from the valuation of cash and cash equivalents of – 1.5 million PLN. At the end of 2019. 86.4% of cash and cash equivalents was cash in hand and in a bank account.

EQUITY AND DEBT 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 at 31 December 2019, the equity of the CCC Group decreased by PLN 58.2 million (-5.1%) compared to 31 December 2018. The decrease in equity was affected, among others, by the payment of dividend of PLN 23.9 million, net loss on continued and discontinued operations, which in 2019 amounted to PLN 27.5 million.

Non-current liabilities as at 31 December, 2019 amounted to PLN 3,095.8 million, up by PLN 444.9 million (16.8%) from PLN 2,650.9 million as at 31 December, 2018. Total non-current liabilities as at the end of 2019 consisted of non-current debt at PLN 683.0 million, liabilities due to the obligation to acquire minority interests (primarily eobuwie and Vogele) at PLN 801.1 million, lease liabilities at PLN 1,528.6 million, liabilities to employees at PLN 12.7 million, provisions at PLN 14.0 million, deferred tax liabilities at PLN 37.4 million and grants received at PLN 19.0 million.

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

Debt liabilities are described in chapter 5.2.1. „Debt and liquidity of the CCC Group".

[in mln PLN unless otherwise stated]

5.1.1.3
CONSOLIDATED STATEMENT OF CASH FLOWS (OVERVIEW OF MAIN ITEMS)

	01.2019-12.2019	01.2018-12.2018	CHANGE %
Gross profit before tax	17,9	91,5	-119,1%
Adjustments	890,0	684,4	30,8%
Income tax paid	(47,3)	(23,7)	99,6%
Cash flows before changes in working capital	824,8	752,2	10,4%
Changes in working capital	161,8	243,6	-33,6%
Cash flows from operating activities	986,6	995,8	-0,3%
Cash flows from investing activities	(713,6)	(620,8)	15,9%
Cash flows from financing activities, including:	(104,7)	(514,8)	-79,7%
Proceeds from borrowing and issue of bonds	569,6	487,1	16,9%
TOTAL CASH FLOWS	168,3	(139,8)	-220,4%

NET CASH FLOWS FROM OPERATING ACTIVITIES

Consolidated net cash flows from operating activities in 2019 amounted to PLN 986.6 million, resulting from changes in working capital of PLN 161.8 million (including a change in short-term liabilities of PLN 316.7 million) and adjusted by non-cash operating profit of PLN 824.8 million.

NET CASH FLOWS FROM INVESTING ACTIVITIES

Consolidated net cash flows from investing activities in 2019 amounted to PLN – 713.6 million. This value was primarily composed of an increase in expenses for tangible fixed and intangible assets related to the implementation of the market expansion strategy (including expansion of the logistics centre) and expansion of commercial floor space in Poland and abroad – these expenses in 2019 amounted to PLN 496.9 million, as well as expenses related to investments in the HR Group's associated company (PLN 118.4 million) and loans granted in the amount of PLN 148.9 million.

NET CASH FLOWS FROM FINANCING ACTIVITIES

Consolidated net cash flows from financing activities in 2019 amounted to PLN – 104.7 million. This value was primarily composed of cash inflows from the borrowing of PLN 569.6 million, repayment of loans and borrowings in the amount of PLN 75.0 million and payment of dividends of PLN 23.9 million and lease payments of PLN 491.6 million.

More information on net cash flows from financing activities is presented in chapter 5.2.1. „Debt and liquidity of the CCC Group".

Taking into account the aforementioned cash flows, the CCC Group ended the year 2019 with cash at the level of PLN 542.6 million, which was an increase of PLN 168.3 million compared to 31 December 2018.

5.1.2
PUBLICATION OF FINANCIAL FORECASTS

No forecasts were published for 2019.

[in mln PLN unless otherwise stated]

5.2 MANAGEMENT OF FINANCIAL RESOURCES AND LIQUIDITY

5.2.1 DEBT AND LIQUIDITY OF THE CCC GROUP

The CCC Group finances its operations using equity and external capital, consisting of credits, loans and bonds issued.

LOANS AND BONDS

As at the end of 2019 the Group had long-term debt liabilities in the amount of PLN 683.0 million, which consisted of newly issued bonds (PLN 210 million) and other liabilities. Compared to 31 December 2018, the long-term share of loan liabilities increased by PLN 473.0 million. As at the end of 2019, the short-term debt item consisted of loans in the amount of PLN 830.4 million. This item increased by PLN 23.6 million compared to the end of 2018.

BANK	COMPANY	TYPE	DATE OF CONCLUSION	MATURITY DATE	AMOUNT [MILLION]	USE [MILLION]	CURRENCY
CREDIT AGREEMENTS							
Pekao S.A.	CCC.eu Sp. z o.o	Short-term credit	2014.10.14	2020.10.31	300,0	261,6	PLN
PKO BP	CCC.eu Sp. z o.o	Short-term credit	2019.11.21	2020.11.21	50,0	49,2	PLN
mBank	CCC.eu Sp. z o.o	Short-term credit	2018.12.17	2020.11.10	150,0	148,4	PLN
Citibank	CCC.eu Sp. z o.o	Short-term credit	2009.03.03	2021.02.11	101,0	90,4	PLN
PKO BP	eobuwie.pl S.A.	Short-term credit	2019.11.21	2020.11.21	20,0	—	PLN
Pekao S.A.	eobuwie.pl S.A.	Short-term credit	2017.10.26	2020.10.31	250,0	1 27,1	PLN
PKO BP	Gino Rossi S.A.	Short-term credit	2019.11.21	2020.11.21	10,0	—	PLN
Citibank	CCC Russia	Short-term credit	2019.12.20	2020.12.19	1 124,6	1124,6	RUB
BNP Paribaas	CCC S.A., Karl Voegele AG	Short-term credit	2019.10.21	2020.10.19	17,0	14,4	CHF
Citibank	CCC.eu Sp. z o.o	Long-term credit	2009.03.03	2021.02.11	101,0	101,0	PLN
PKO BP	CCC.eu Sp. z o.o	Long-term credit, short-term part	2019.11.21	2020.10.31	15,6	15,6	PLN
PKO BP	eobuwie.pl S.A.	Long-term credit, short-term part	2019.11.21	2020.10.31	12,8	12,8	PLN
PKO BP	CCC.eu Sp. z o.o	Long-term credit	2019.11.21	2022.11.21	220,0	204,4	PLN
PKO BP	eobuwie.pl S.A.	Long-term credit	2019.11.21	2022.11.21	180,0	167,2	PLN
mBank	CCC S.A.	Bonds	2018.06.29	2021.06.29	210,0	210,0	PLN
Total credit agreements in PLN					1 592,0	1 387,7	PLN
Total credit agreements in RUB					1 124,6	1 124,6	RUB
Total limit on guarantees in CHF					17,0	14,4	CHF

[in mln PLN unless otherwise stated]

BANK	COMPANY	TYPE	DATE OF CONCLUSION	MATURITY DATE	AMOUNT [MILLION]	USE [MILLION]	CURRENCY
LIMIT ON BANK GUARANTEES							
PKO BP	CCC S.A.	Limit on bank guarantees	2019.11.21	2022.11.21	45,0	41,9	PLN
PKO BP	Gino Rossi S.A.	Limit on bank guarantees	2019.11.21	2022.11.21	5,0	—	PLN
mBank	CCC S.A.	Limit on bank guarantees	2012.11.04	2020.11.09	34,0	26,0	PLN
Santander	CCC S.A.	Limit on bank guarantees	2009.03.31	2020.03.31	65,0	61,1	PLN
Santander	CCC S.A.	Limit on bank guarantees	2018.04.11	2019.12.31	17,0	17,0	PLN
BNP Paribas Bank Polska S.A.	CCC S.A.	Limit on bank guarantees	2011.05.04	2020.09.30	50,0	26,8	PLN
Societe Generale	CCC S.A.	Limit on bank guarantees	2017.07.06	undefined	20,0	4,9	PLN
Pekao S.A.	eobuwie.pl S.A.	Limit on bank guarantees	2017.10.26	2020.10.31	20,0	9,3	PLN
Total limit on bank guarantees					256,0	187,0	

INFORMATION ON BONDS

In June 2014. The Company carried out the first issue of CCC S.A. Bonds series 1/2014, under the Bond Issue Program up to PLN 500 million.

The Bonds were issued in Polish zloty, as bearer securities, dematerialized, coupon securities. The agent of the issue was mBank S.A.

In June 2018. The Company carried out the second issue of CCC S.A. Bonds series 1/2018, combined with the earlier redemption of Bonds series 1/2014.

Both series were issued with the following conditions of issue:

1. The nominal value of one Bond – 1,000;
2. Issue Price: equal to the nominal value of one Bond;
3. Number of Bonds: 210,000 in series 1/2014 and 210,000 in series 1/2018;
4. Total nominal value of Bonds: PLN 210 million in Series 1/2014 and PLN 210 million in Series 1/2018;
5. Redemption of Bonds – a one-off redemption at the nominal value of Bonds on 10 June 2019 for series 1/2014 and on 29 June 2021 for series 1/2018;
6. Interest rate on the coupon bonds: according to a variable interest rate, based on WIBOR 6M, increased by a fixed margin; interest shall be paid in half-year periods;
7. Listing in the alternative trading system on Catalyst – series 1/2014 bonds listed from 16.10.2014. Series 1/2014 bonds were registered on 20 July 2018 by the National Securities Depository S.A.

After the issue of 210,000 Series 1/2018 Bonds and the redemption of 210,000 Series 1/2014 Bonds, 210,000 Series 1/2018 Bonds are currently on the market.

[in mln PLN unless otherwise stated]

INFORMATION ON COVENANTS

According to the terms of the bond issue agreement, the balance of which as at the balance sheet date amounts to PLN 210.0 million (2018: PLN 210.0 million) and the loan agreements, which as at 31 December 2019 amount to PLN 1,303.4 million, the Group is obliged to comply with the following covenants:

a) Ratio 1, i.e. [net financial debt / EBITDA ratio] not higher than 3.5

b) Indicator 2, i.e. [interest coverage ratio] not less than 5.0

c) Indicator 3 i.e. c) Ratio 3 i.e. [dividend payout ratio] not higher than 50.0% (ratio calculated for full-year data)

As at 31 December 2019, the ratios were as follows:

a) the net financial debt/EBITDA ratio (excluding the impact of IFRS16 and the incentive program) was 2.98 (1.2 as at 31 December 2018),

b) the interest coverage ratio (excluding the impact of IFRS16) was 7.9 (16.8 as at 31 December 2018),

c) the dividend payout ratio was 35% (31% as at 31 December 2018).

As at 31 December 2019, during the reporting period and until the date of approval of the report for publication, there were no violations of covenants included in the above-mentioned agreements.

DEBT RATIOS

The Management Board of the CCC Group uses the general debt ratio and the EBITDA debt ratio to analyze the debt level. Below is a review of both ratios.

The general debt ratio is calculated as the ratio of net debt to total capital employed. Net debt is calculated as the sum of credits and loans (including current and non-current credits and issued bonds indicated in the consolidated statement of financial position) less cash and cash equivalents. The total value of capital employed is calculated as equity shown in the consolidated statement of financial position plus net debt. The calculation of the debt ratio is presented below:

	31.12.2019	31.12.2018
Net debt		
Loan liabilities	1 303,4	800,0
(+) Bonds liabilities	210,0	216,8
= Debt liabilities	1 513,4	1 016,8
(-) Cash and cash equivalents	542,6	375,8
= Net debt	970,8	641,0
Debt ratio		
Total equity	1 089,6	1 147,8
(+) Net debt	970,8	641,0
= Capital employed	2 060,4	1 788,9
The debt ratio (net debt/capital employed)	47,0%	36,0%

[in mln PLN unless otherwise stated]

The debt ratio increased by 11 p.p. compared to the end of the previous year, mainly due to a decrease in cash (PLN – 166.8 million).

The EBITDA debt ratio is calculated as the ratio of net debt to EBITDA.

EBITDA is used by the Management Board of CCC to analyze debt, which is a result of covenant banks.

Below is the calculation of the EBITDA debt ratio and the EBITDA reconciliation:

	31.12.2019	31.12.2018
Net debt		
Loan liabilities	1 303,4	800,0
(+) Bonds liabilities	210,0	216,8
= Debt liabilities	1 513,4	1 016,8
(-) Cash and cash equivalents	542,6	375,8
= Net debt	970,8	641,0
EBITDA		
Net profit	24,8	273,7
(+) Income tax	(16,2)	(36,2)
Profit before tax	41,0	309,9
(+) Finance costs	(195,1)	(64,1)
(-) Finance income	139,9	3,7
(+) Share of net profit (loss) of associates accounted for using the equity method	(17,5)	0,1
Operating profit	113,7	370,2
(+) Amortization and depreciation	(212,0)	(131,1)
(+) Incentive program	—	(25,8)
= EBITDA *	325,7	527,1
EBITDA debt ratio (net debt/EBITDA)	2,98	1,22

[1] excluding the impact of IFRS16

The EBITDA debt ratio increased compared to the previous year mainly due to an increase in net debt by 51.5% (related to an increase in debt from credits by PLN 503.4 million) and a lower EBITDA result.

[in mln PLN unless otherwise stated]

CURRENT LIQUIDITY RATIO

This ratio is calculated by dividing current assets by the value of current liabilities and current provisions. The calculation of the ratio is presented below:

	01.2019-12.2019	01.2018-12.2018
Inventories	1 942,3	1 806,1
(+) Trade and other receivables	448,3	475,6
(+) Cash and cash equivalents	542,6	375,8
(+) Derivative financial instruments	—	1,3
= Current assets	2 933,2	2 658,5
Current debt liabilities	830,4	806,8
(+) Trade liabilities and other liabilities	1 549,0	1 167,5
(+) Provisions	20,7	19,6
(+) Lease liabilities	557,2	425,2
(+) Derivative financial instruments	1,0	—
= Current liabilities	2 958,3	2 419,1
Current liquidity ratio (current assets/current liabilities)	1,0	1,1

The current ratio of the CCC Group as at 31 December 2019 was 1.0, 9.8% lower than in 2018, mainly due to the slower growth of current assets (10.3% growth) compared to current liabilities (22.3% growth).

The balance sheet of the CCC Group as at 31.12.2019 discloses current assets of 2,933.2 million PLN. The main items are: inventories PLN 1,942.3 million, cash and cash equivalents PLN 542.6 million, receivables PLN 448.3 million. Liabilities include short-term liabilities, which amount to PLN 2,958.3 million, including: loans of PLN 830.4 million, trade and other liabilities of PLN 1,549.0 million and lease liabilities of PLN 557.2 million.

The excess of short-term liabilities over fixed assets is PLN 25.1 million. This situation is largely due to the fact that inventories are presented at purchase price, while the value of inventories at sales prices would be about PLN 2 billion higher with current sales margins of approximately 50%.

Therefore, based on the knowledge available as at the date of this report, in the opinion of the Company's Management Board, taking into account the Group's growing sales revenues, both in terms of value and quantity, this situation does not affect the ability to settle liabilities on a current basis.

5.2.2 FINANCIAL INSTRUMENTS

As at the balance sheet date, the Issuer did not use hedging instruments to secure the risks it is exposed to during business operations. A detailed description of the financial instruments used is presented in the financial statements in Note 6.1.

5.2.3 ISSUANCE OF SECURITIES AND USE OF PROCEEDS FROM THE ISSUE

On 25 July 2018, 4,000 series E shares of a par value of PLN 0.1 were registered in the National Depository for Securities (KDPW), issued as part of the share capital increase, the total number of shares amounts to 41,168,000. As a result of the conversion of subscription warrants issued under the incentive program for 2013-2015.

5.2.4 FEASIBILITY OF INVESTMENT PLANS

The Group intends to finance investment projects with its own and external capital. In the opinion of the Management Board, there are no major risks that could negatively affect the implementation of investment plans in the future.

5.3
INFORMATION ON AGREEMENTS CONCLUDED BY THE COMPANIES OF CCC GROUP

5.3.1
LOANS GRANTED

In the reporting period, the CCC Group concluded the following loan agreements:

<table>
<tr><th>PARTY TO THE AGREEMENT (LENDER)</th><th>PARTY TO THE AGREEMENT (BORROWER)</th><th>CONTRACT DATE</th><th>MATURITY DATE</th><th>AMOUNT [MLN]</th><th>CURRENCY</th><th>INTEREST</th></tr>
<tr><td>CCC S.A.</td><td>CCC AUSTRIA Ges.m.b.H.</td><td>11.04.2018</td><td>2023-04-30</td><td>20</td><td>EUR</td><td>1,80%</td></tr>
<tr><td>CCC S.A.</td><td>CCC.EU Sp. z o.o.</td><td>2014-12-17</td><td>2020-12-31</td><td>9,31</td><td>USD</td><td>1,50%</td></tr>
<tr><td>CCC S.A.</td><td>CCC Shoes Bulgaria EOOD</td><td>2014-12-14</td><td>2020-12-31</td><td>4</td><td>BGN</td><td>6,00%</td></tr>
<tr><td>CCC S.A.</td><td>EOBUWIE.PL S.A.</td><td>15.03.2019</td><td>31.12.2020</td><td>20</td><td>PLN</td><td>3M WIBOR + 1,0%</td></tr>
<tr><td rowspan="5">CCC S.A.</td><td rowspan="5">CCC Shoes&Bags d.o.o. Beograd</td><td>22.09.2016</td><td>31.12.2020</td><td>0,1</td><td rowspan="5">EUR</td><td rowspan="3">4,00%</td></tr>
<tr><td>18.11.2016</td><td>31.12.2020</td><td>0,1</td></tr>
<tr><td>2016-12-09</td><td>31.12.2020</td><td>0,1</td></tr>
<tr><td>09.02.2017</td><td>—</td><td>0,4</td><td rowspan="2">—</td></tr>
<tr><td>13.03.2017</td><td>—</td><td>0,4</td></tr>
<tr><td>CCC S.A.</td><td>NG2 Suisse S.a.r.l.</td><td>29.08.2018</td><td>30.09.2020</td><td>2</td><td>CHF</td><td>0,50%</td></tr>
<tr><td rowspan="2">CCC S.A.</td><td rowspan="2">Karl Vogele AG</td><td>02.01.2019</td><td>31.12.2020</td><td>10</td><td rowspan="2">CHF</td><td rowspan="2">0,75%</td></tr>
<tr><td>19.03.2019</td><td>31.12.2020</td><td>8</td></tr>
<tr><td rowspan="3">CCC S.A.</td><td rowspan="3">HR Group Holding S.a.r.l.</td><td rowspan="3">2019-01-31</td><td rowspan="3">2029-12-31</td><td>10</td><td rowspan="3">EUR</td><td rowspan="3">8,00%</td></tr>
<tr><td>25</td></tr>
<tr><td>6,5</td></tr>
<tr><td>CCC S.A.</td><td>CCC Obutev d.o.o</td><td>2019-02-18</td><td>2020-02-17</td><td>0,8</td><td>EUR</td><td>1,30%</td></tr>
<tr><td>CCC S.A.</td><td>CCC Hrvatska d.o.o.</td><td>2019-02-28</td><td>2020-02-27</td><td>3,8</td><td>HRK</td><td>1,30%</td></tr>
<tr><td>CCC S.A.</td><td>HR Group GmbH & Co. KG</td><td>13.02.2019</td><td>31.07.2020</td><td>2</td><td>EUR</td><td>3,00%</td></tr>
<tr><td rowspan="4">CCC S.A.</td><td rowspan="4">Gino Rossi S.A.</td><td>18.12.2018</td><td>20.05.2022</td><td>22,08</td><td rowspan="4">PLN</td><td>WIBOR 3M + 1,65%</td></tr>
<tr><td>18.12.2018</td><td>31.05.2020</td><td>0,39</td><td>WIBOR 1M + 1,4%</td></tr>
<tr><td>18.12.2018</td><td>31.05.2020</td><td>31,42</td><td>WIBOR 1M + 1,3%</td></tr>
<tr><td>18.12.2018</td><td>31.05.2020</td><td>9,53</td><td>WIBOR 1M + 1,4%</td></tr>
</table>

PARTY TO THE AGREEMENT (LENDER)	PARTY TO THE AGREEMENT (BORROWER)	CONTRACT DATE	MATURITY DATE	AMOUNT [MLN]	CURRENCY	INTEREST
CCC Shoes&Bags	Shoe Express S.A.	25.04.2018	25.04.2023	30	EUR	2,50%
		2019-02-05	03.02.2020	1		1,50%

PARTY TO THE AGREEMENT (LENDER)	PARTY TO THE AGREEMENT (BORROWER)	CONTRACT DATE	MATURITY DATE	AMOUNT [MLN]	CURRENCY	INTEREST
CCC.eu	CCC Shoes & Bags Sp. z o	24.04.2018	31.12.2020	35,9	EUR	1,80%
		05.02.2019	03.02.2020	1		1,50%
CCC.eu	CCC Austria Ges.m.b.h. (porozumienie)	11.04.2018	2023-04-30	14,05	EUR	1,80%
CCC.eu	CCC GERMANY GmbH (porozumienie)	11.04.2018	2023-04-30	18,5	EUR	1,80%
CCC.eu	CCC S.A.	28.01.2019	31.12.2020	26	EUR	1,40%
CCC.eu	Spółka z ograniczoną odpowiedzialnością "CCC Russia"	12.12.2019	31.12.2020	1,8	USD	7,00%

PARTY TO THE AGREEMENT (LENDER)	PARTY TO THE AGREEMENT (BORROWER)	CONTRACT DATE	MATURITY DATE	AMOUNT [MLN]	CURRENCY	INTEREST
CCC Factory Sp. z o.o.	CCC.eu	30.09.2014	31.12.2020	39,11	PLN	WIBOR 1M + 0,6%

[in mln PLN unless otherwise stated]

5.3.2 SURETIES, GUARANTEES AND OTHER CONTINGENT LIABILITIES GRANTED

In the reporting period, the CCC Group granted the following sureties and guarantees:

GUARANTEES GRANTED IN CONNECTION WITH THE SIGNING OF FLOOR SPACE LEASE AGREEMENT

	NUMBER OF SURETIES	DEBTOR	VALUE OF SURETY OR GUARANTEE [MILLION]	CURRENCY
CCC S.A.	27	CCC Czech	25,4	CZK
CCC S.A.	15	CCC Czech	0,6	EUR
CCC S.A.	1	CCC Slovakia, s.r.o.	55	CZK
CCC S.A.	16	CCC Slovakia, s.r.o.	0,6	EUR
CCC S.A.	37	CCC Hungary Kft.	4,4	EUR
CCC S.A.	15	CCC Hungary Kft.	162,5	HUF
CCC S.A.	59	CCC Germany GmbH	3,3	EUR
CCC S.A.	10	CCC Austria	0,4	EUR
CCC S.A.	7	CCC Hrvatska	0,3	EUR
CCC S.A.	12	CCC Slovenia	0,4	EUR
CCC S.A.	36	Shoe Express	0,9	EUR
CCC S.A.	1	Shoe Express	0,08	RON
CCC S.A.	1	Karl Voegele AG	0,01	CHF

[in mln PLN unless otherwise stated]

OTHER SURETIES AND GUARANTEES

Granted by CCC S.A. to Polish subsidiaries:

COMPANY	BANK	DEBTOR	SECURITY TYPE	PERIOD OF VALIDITY		VALUE OF INDEMNITIES OR WARRANTIES [MILLION]	CUR-RENCY
				BEGINNING	END		
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.)	Millenium	CCC.eu Sp. z o.o.	Surety to reverse factoring agreement	12.12.2019	28.04.2024	240,0	PLN
CCC S.A. (Surety granted jointly 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 a multi-purpose credit limit agreement	20.12.2019	—	480,0	PLN
CCC S.A. (Surety granted jointly 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 a revolving credit agreement	31.10.2019	31.12.2024	6,0	PLN
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.)	Bank Handlowy	CCC.eu Sp. z o.o.	Surety for a multi-purpose credit limit agreement	13.02.2019	3 years	121,2	PLN
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.)	Bank Handlowy	CCC.eu Sp. z o.o.	Surety for an overdraft agreement	13.02.2019	3 years from the due date of the claim	121,2	PLN
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.)	Bank Handlowy	CCC.eu Sp. z o.o.	Surety for derivative and forward contracts	20.02.2018	3 years from the due date of the claim	60,0	PLN
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.)	Bank Handlowy	CCC.eu Sp. z o.o.	Surety for credit cards agreement	08.12.2016	3 years from the due date of the claim	0,6	PLN
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o. and CCC Factory Sp. z o.o.)	Bank Handlowy	CCC.eu Sp. z o.o.	Surety for a confirming-agreement	02.08.2018	3 years from the due date of the claim	120,0	PLN
CCC S&B Sp z o.o. (Surety granted jointly with eObuwie Logistics Sp. z o.o.)	PKO BP S.A.	CCC.euSp. z o.o., eObuwie.pl SA, Gino Rossi S.A., CCC S.A.	Surety for a multi-purpose credit limit agreement	21.11.2019	21.11.2025	795,0	PLN
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o. and CCC.eu Sp. z o.o.)	Millenium	CCC Factory Sp. z o.o.	Surety to reverse factoring agreement	12.12.2019	28.04.2024	80,0	PLN
CCC.eu Sp z o.o. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o.)	mBank S.A.	CCC S.A.	Surety for the bond issue program	29.06.2018	29.06.2021	325,3	PLN

[in mln PLN unless otherwise stated]

Received by CCC S.A:

COMPANY	BANK	DEBTOR	SECURITY TYPE	PERIOD OF VALIDITY		VALUE OF INDEMNITIES OR WARRANTIES [MILLION]	CURRENCY
				BEGINNING	END		
CCC.eu Sp z o.o. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o.)	mBank	CCC SA	Surety to bank guarantee agreement	31.10.2018	—	34,0	PLN
CCC.eu Sp z o.o. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o.)	Societe Generale	CCC SA	Surety to bank guarantee agreement	29.01.2019	31.10.2020	26,0	PLN
CCC.eu Sp z o.o. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o.)		CCC SA	Surety for bonds	21.06.2018	30.06.2021	750,0	PLN

Granted by CCC S.A. to foreign subsidiaries:

COMPANY	BANK	DEBTOR	SECURITY TYPE	PERIOD OF VALIDITY		VALUE OF INDEMNITIES OR WARRANTIES [MILLION]	CURRENCY
				BEGINNING	END		
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.)	AO CITIBANK	CCC Russia	Surety to a loan agreement	20.12.2019	31.12.2024	24,0	USD
CCC S.A. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o.)	ZAO CITIBANK	CCC Russia	Surety to a forward and derivative transaction agreement	19.12.2017	31.12.2021	0,4	USD
CCC.eu Sp z o.o. (Surety granted jointly with CCC Shoes & Bags Sp. z o.o., CCC Factory Sp. z o.o. and CCC S.A.)	Citibank Europe	CCC Czechy	Surety to bank guarantee agreement	12.12.2017	31.01.2021	90,0	CZK

5.3.3. SIGNIFICANT TRANSACTIONS CONCLUDED WITH RELATED ENTITIES

Based on the Group's best knowledge, no significant transactions have been concluded between the Group and its related parties on other than market conditions. Information on transactions with related entities is presented in the consolidated financial statements in paragraph 6.5. „Transactions with related entities".

5.3.4 DESCRIPTION OF SIGNIFICANT AGREEMENTS

LOAN AGREEMENTS AND LIMIT AGREEMENTS FOR BANK GUARANTEES

1. Annex of 13 February 2019 to the revolving credit and overdraft agreement of 3 March 2009 concluded with Bank Handlowy w Warszawie Spółka Akcyjna.
2. Annex of 24 April 2019 to the multi-purpose credit limit agreement of 24 April 2019 with Bank Polska Kasa Opieki Spółka Akcyjna.
3. Annex of 9 May 2019 to the multi-purpose credit limit agreement of 26 October 2017 with Bank Polska Kasa Opieki Spółka Akcyjna.
4. Agreement of 24 May 2019 on the acquisition of shares in the increased share capital of Gino Rossi S.A.
5. annexes of 24 May 2019 with PKO BP S.A. to the credit agreement in the form of a multi-purpose credit limit.
6. Annex no. 12 of 28 June 2019 to the renewable credit agreement of 03.03.2009 between CCC.EU and Bank Handlowy w Warszawie S.A.
7. Annex no. 14 of 28 June 2019 to the overdraft agreement of 03.03.2009 between CCC.EU and Bank Handlowy w Warszawie S.A.
8. Annex no. 1 of 27 September 2019 to the agreement on bank guarantees of 25.08.2018. between CCC S.A. and Bankiem Polska Kasa Opieki S.A.
9. Overdraft agreement of 21 October 2019 between CCC S.A. and Karl Vogele AG and Bank BNP Paribas Bank Polska S.A.
10. Annex no. 16 of 22 October 2019 to the bank guarantee agreement of 14.11.2012 between CCC SA and mBank SA.
11. Annex no. 8 of 31 October 2019. to the agreement on multi-purpose credit limit of 15.10.2014 between CCC.EU and Bank Polska Kasa Opieki S.A.
12. Multi-purpose credit limit agreement of 21 November 2019 between CCC S.A., CCC.EU, Gino Rossi S.A., eObuwie.pl S.A. and Powszechna Kasa Oszczędności Bank Polski S.A.
13. Annex no. 7 of 21 November 2019 multi-purpose credit limit agreement of 30.05.2016 between CCC.EU and Powszechna Kasa Oszczędności Bank Polski S.A.
14. Annex no. 10 of 02 December 2019 to the credit agreement in the form of a multi-purpose credit limit of 28.10.2010r. between CCC.EU and Powszechna Kasa Oszczędności Bank Polski S.A.
15. Annex no. 12 of 10. December 2019 to the debt limit agreement of 04.05.2011 between CCC.EU and BNP Paribas Bank Polska S.A.
16. Annex no. 148 of 19 December 2019 to the agreement on a multi-purpose and multicurrency credit line of 31.03.2009 between CCC S.A. and Santander Bank Polska Spółka Akcyjna.
17. Credit agreement of 20 December 2019 between CCC Russia Ltd and AO Citibank.

6.
CORPORATE GOVERNANCE

6.1 THE APPLIED SET OF CORPORATE GOVERNANCE PRINCIPLES

Employees of the CCC Company make a significant capital of the organization, every day they realize the objectives contained in the strategy of the Company, which allows to increase the development potential of the Company. The measure of employees' commitment and effectiveness is the satisfaction of our customers and shareholders.

6.1.1 STATEMENT OF THE MANAGEMENT BOARD ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

Since 1 January 2016 CCC S.A. has been subject to new rules of corporate governance, which were introduced by the Resolution No. 26/1413/2015 of the Supervisory Board of the Warsaw Stock Exchange (WSE) of 13 October 2015, „ Good Practices of Companies Listed on WSE 2016". (hereinafter: Good Practices 2016).

The document is available on the WSE website: www.corp-gov.gpw.pl.

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

6.1.2 INFORMATION ON NON-COMPLIANCE WITH THE CORPORATE GOVERNANCE RULES

CCC S.A. complies with the recommendations and principles contained in the Good Practices 2016.

The full statement of CCC concerning the application of DPSN 2016 can be found on the website of the Company in the section dedicated to corporate governance: https://corporate.ccc.eu/lad-korporacyjny.

6.1.3 INFORMATION POLICY OF THE CCC GROUP

CCC S.A. runs a corporate website which is a reliable and useful source of information about the Company for the capital market representatives. The Investor Relations service (https://corporate.ccc.eu/relacje-inwestorskie) operates especially for the Company's shareholders, investors and stock market analysts. Its content is prepared in a transparent, fair and complete manner 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 fulfilment 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.

Actions 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 fulfilment of the information obligations, CCC S.A. publishes:

- 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
- information on significant transactions with related entities based on the applicable laws.

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;
- Sharing materials from General Meetings of Shareholders on Investor Relations available, including video materials.
- Organization of Open Days and Investor Days for both institutional and individual investors.

The Investor Relations website at https://corporate.ccc.eu/relacje-inwestorskie is subject to periodic reviews and verifications to ensure that its content meets the information needs of capital market representatives as fully as possible.

6.2 RISK MANAGEMENT

6.2.1 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 state¬-ments are prepared in accordance with:

- International Financial Reporting Standards, approved by European Union.
- Accounting Act of 29 September 1994, (unified text – Journal of Laws of 2013, item 330, as amended)
- Articles of Association of the Company CCC S.A.
- Accounting standards existing in CCC S.A. and the standards existing in the subsidiaries,
- 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:

- controlling activities carried out by employees of the companies of CG CCC S.A. on their assigned tasks and responsibilities,
- controlling function, implemented by the supervision over subordinate organizational units by all employees in managerial positions,
- 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 fulfilment 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 is consisted 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.

6.2.2 SCOPE OF RISK MANAGEMENT SYSTEM 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

6.2.3 BODIES RESPONSIBLE FOR RISK MANAGEMENT IN THE GROUP

Below are the bodies responsible for risk management in the CCC Group and their duties:

MANAGEMENT BOARD OF CCC S.A:

- Acceptance of the Risk Management Policy in the CCC Group, based on which the Risk Management System is implemented.

AUDIT COMMITTEE:

- Monitoring the effectiveness of the risk management system having a significant impact on the functioning of the Company, including the effectiveness of corrective actions taken. The responsibilities are further described in section 7.5.3.

SUPERVISORY BOARD

- Periodic verification of the correctness and effectiveness of the Risk Management Policy, which aims to ensure that all major risks are identified and appropriate corrective actions are implemented.

INTERNAL AUDITOR

- Periodic report on the effectiveness of the systems and their functions as regards: implementation and maintenance of effective internal control systems, risk management, regulatory compliance and internal audit functions.

FINANCIAL DIVISION:

- Implementation of the Risk Management System in the CCC Group,
- Supervising the staff responsible for risk management in the CCC Group,
- Continuous accumulation of knowledge and techniques to improve the effectiveness of risk management systems,
- Monitor the Risk Management System and ensure its integration into the CCC Group processes.

MANAGEMENT:

- Raising awareness of the importance of the Risk Management System,
- Management of available resources, in order to implement and ensure the highest efficiency of the Risk Management System,
- Verification of plans and assumptions concerning development of the Risk Management System.

6.2.4 RISK LEVELS ACCEPTABLE 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.

6.2.5 SIGNIFICANT RISK FACTORS

CCC Group identified 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	If these objectives are not achieved, the Group may reduce its market share to its competitors, which will translate into lower revenues. At the same time, in case of network development inconsistent with the market demand, the Group may incur higher than expected and necessary costs.	In order to minimize the risks associated with the strengthening of own sales chain, the Group introduced the following solutions: • monitoring the activities of competitors, • monitoring the situation in the industry, • monitoring of the macroeconomic situation, • creating a detailed plan and a dedicated team responsible for the implementation of the objectives connected to the development of own sales chain.
Activities aimed at increasing brand recognition and value of the brand	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.	Group in order to ensure further increase in brand recognition and value of the brand has undertaken the following actions: • the introduction of appropriate instruments and advertising – promotion media, • the introduction of interesting interior of stores • presence of stores in prestigious locations.
Location of commercial facilities	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 calculated per m2, and thus to lower profitability of the Group. 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.	The Group in order to ensure the appropriate choice of location of commercial facilities, conducts a detailed analysis of the location before deciding to sign a lease agreement, and bases their decisions on historical data.

EXTERNAL RISKS

AREA OF RISK	DESCRIPTION OF RISK	ACTIONS TAKEN
Exchange rate risk	Companies of the CCC S.A. Capital Group realize revenues in PLN, EUR, CZK, HUF, HRK, BGN, RSD, RUB, CHF. Most of the costs are incured in foreign currencies. As a result, CZK, HUF, HRK, BGN, RSD, RUB, CHF, USD and EUR exchange rates (virtually all of the imports are denominated in USD and EUR, and a large percentage of rental costs in EUR) will affect the structure of revenues and expenses group. The main supply market for the CCC S.A. Capital Group is the Chinese market and, consequently, the CNY exchange rate in relation to the major world currencies may also have a significant impact on the Group's costs. Appreciation of CNY may worsen import conditions and, as a result, increase costs for consumers.	The Group has taken the following actions aimed at limiting the effects of the exchange rate risk: • continuous monitoring of changes in the exchange rates significant for the Group, • Introducing a natural hedging strategy
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 BLR. Increase in interest rates will affect the amount of interest paid on loans.	The Group has taken the following actions aimed at limiting the effects of interest rate risk: • diversification of sources of capital, • monitoring key interest rates
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 (i.e.: Germany, Austria, Croatia, Slovenia, Bulgaria, Serbia, Russia).	The Group has taken the following actions aimed at limiting the effects of risk of the overall economic situation: • diversification in terms of countries where the Group operates (decrease of economic situation correlation between countries) • 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, • monitoring of important economic indicators in selected countries (unemployment rate, GDP per capita, CPI).
Seasonality of sales and weather conditions	The sales and value of stocks depend on the seasonality of demand (the peak demand is in spring and autumn). Disturbance of weather conditions may result in delayed purchase decisions by customers or shortening the season of highest sales.	The factor that allows to reduce the sensitivity of the CCC S. A. Capital Group to seasonal and weather factors is own production capacity. The Group is able to quickly adjust production and deliver to the stores goods in line with expectations and current weather conditions.
Trends in fashion and unsuccessful collections	The CCC S. A. Capital Group is exposed to the risk associated with unsuccessful collections.	The factor allowing to limit this risk is the long-term market experience of the dominant entity, constant observation of trends in European and world fashion (participation in international shoe fashion fairs in, among others, Milan, Garda, Dusseldorf).

[in mln PLN unless otherwise stated]

INTERNAL RISKS

AREA OF RISK	DESCRIPTION OF RISK	ACTIONS TAKEN
Credit risk	The source of this risk is uncertainty as regards whether and when the receivables will be settled. Within the wholesale segment, sales with a deferred payment is also conducted, which exposes the CCC S.A. Capital Group to the risk of financing customers. In order to maintain its leading position in the footwear market, the CCC S.A. Capital Group applies a trade credit instrument, which additionally increases the attractiveness of the company for the wholesale contractors.	The Group has taken the following actions aimed at limiting the effects of credit risk: • continuous verification of financial situation of counterparties, • continuous study of the history of cooperation with counterparties

REPORTING CALENDAR

6 March 2020	Standalone and Consolidated Annual Report for 2019
5 May 2020	Consolidated quarterly report for Q1 2020
25 August 2020	Consolidated report for 1H 2020
27 October 2020	Consolidated quarterly report for Q3 2020

7.
SHARES OF CCC S.A. ON THE WARSAW STOCK EXCHANGE

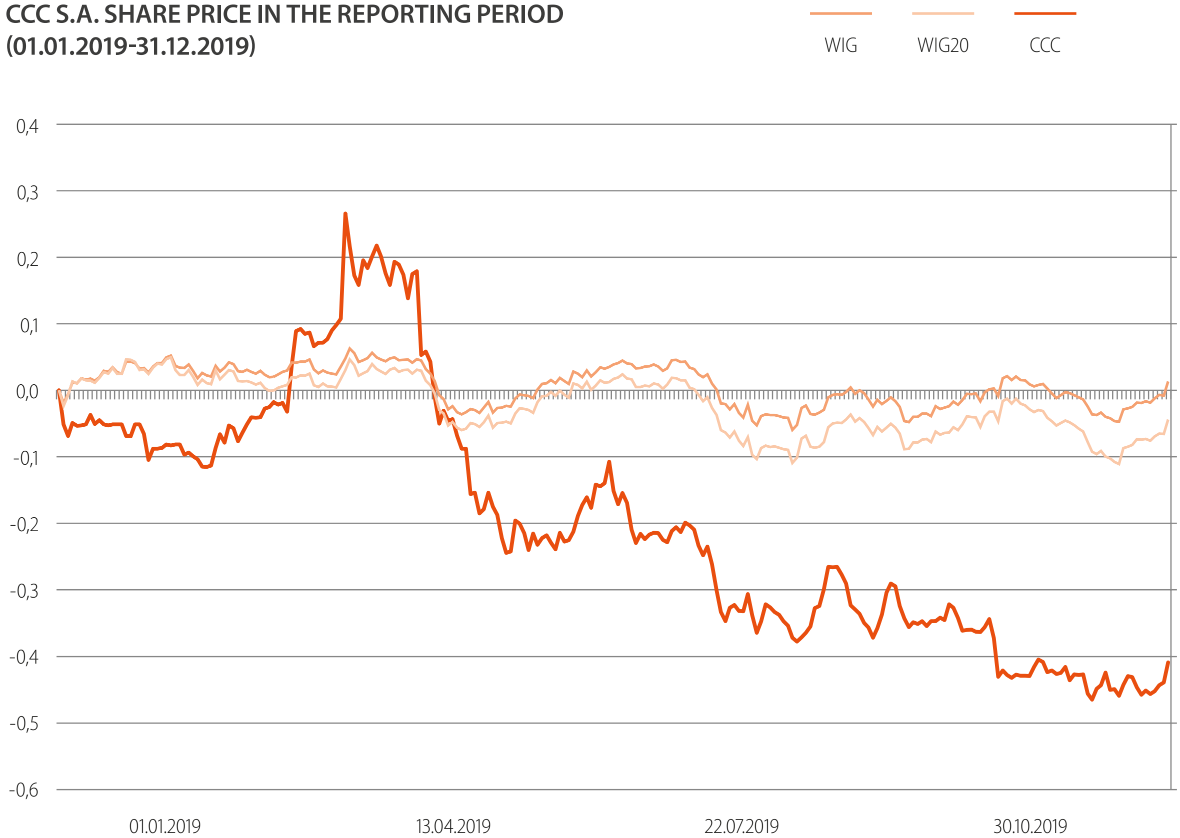
7.1 LISTING OF SHARES ON THE WARSAW STOCK EXCHANGE

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 currently included in the most important indices: WIG, WIG20, WIG30, WIG-Poland, WIG-Div, WIG-Odzież.

7.2 VALUATION OF CCC S.A. SHARES ON THE WARSAW STOCK EXCHANGE

As at 31 December 2019, one CCC share was valued at PLN 110.00, which resulted in the capitalization of the CCC Group of almost PLN 4.7 billion. The highest price in the year (according to the closing price) was 247.11 PLN, while the lowest was 104.90 PLN. The maximum transaction price in 2019 was PLN 257.87, while the minimum price was PLN 103.50.

CCC S.A. SHARE PRICE IN THE REPORTING PERIOD (01.01.2019-31.12.2019)



18 June 2019 The Ordinary General Meeting of the Company adopted a resolution on compensating the loss for 2018 in the amount of PLN 40 365 817.81 from the capital reserve and on allocating part of the capital reserve in the amount of PLN 19 760 640.00 to be distributed to shareholders in the form of a dividend payment.

Selected information on the valuation of shares of CCC S.A. in 2017-2018 is presented below:

DATA	2019-12-31	31.12.2018	CHANGE %
Consolidated net profit attributable to shareholders [in PLN mln]	(27,4)	59,3	-146,2%
Standalone net profit attributable to shareholders [in PLN mln]	(50,9)	(40,3)	26,3%
Consolidated net profit per share [PLN]	0,5	5,4	-91,7%
Standalone net profit per share [PLN]	(1,2)	(1,0)	26,5%
The highest share price [PLN]	247,1	305,9	-19,2%
The lowest share price [PLN]	104,9	167,0	-37,2%
The share price at end of the period [PLN]	110,0	193,0	-43,0%
The average share price in the period [PLN]	157,9	232,5	-32,1%
P / E ratio average	350,8	42,8	719,3%
P / E ratio at the end of the period	244,4	35,5	587,7%
Number of shares on the stock exchange at the end of the period	41 168 000	41 168 000	0,0%
Free float at the end of the period	0,5	0,5	-3,4%
Capitalization at the end of the period [in PLN mln]	4 528,5	7 958,0	-43,1%
Dividend per share [PLN]	4,8	2,3	108,7%

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 Poland 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 RECOMMENDATIONS FOR SHARES OF CCC S.A.

NAME OF BROKERAGE HOUSE	CONTACT DETAILS	
Wood & Company	Łukasz Wachełko	*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*
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Raiffeisen Centrobank AG	Jakub Krawczyk	*jakub.krawczyk@rcb.at*
Dom Maklerski BZ WBK SA	Tomasz Sokołowski	*tomasz.sokolowski@bzwbk.pl*
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Erste	Marek Czachor	*marek.czachor@erste.com*
Dom Maklerski mBanku SA	Piotr Bogusz	*piotr.bogusz@mdm.pl*
Millenium Dom Maklerski SA	Marcin Palenik	*marcin.palenik@millenniumdm.pl*
Dom Maklerski BDM SA	Adrian Górniak	*adrian.gorniak@bdm.pl*
BGŻ BNP Paribas SA	Michał Krajczewski	*michal.krajczewski@bgzbnpparibas.pl*

DIVIDEND POLICY

Taking into account the financial results achieved by the Company and the intention to share the profits generated by the Company with the Shareholders, the Management Board of CCC S.A. on 28 April 2015 adopted a 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. When recommending the distribution of profit generated in the CCC Capital Group, the Management Board of the Company will take into account the financial and liquidity situation of the Group, existing and future liabilities (including potential restrictions related to credit agreements and the issue of debt instruments) and the evaluation of prospects of the CCC Capital Group in certain market and macroeconomic conditions
3. The new dividend policy is applicable from the Group's consolidated net profit for the financial year ended 31 December 2016.

There are no dividend preference shares within the Group.

DIVIDENT HISTORY

FISCAL YEAR	% OF CONSOLIDATED NET PROFIT ALLOCATED TO DIVIDEND	DIVIDEND TOTAL (MLN PLN)	DIVIDEND PER SHARE
2018	35%	19,76	0,5
2017	33%	94,68	2,3
2016	33%	101,43	2,6
2015	33%	86,02	2,2
2014	27%	115,20	3,0
2013	49%	61,44	1,6
2012	58%	61,44	1,6
2011	50%	61,44	1,6
2010	49%	57,60	1,5
2009	46%	38,40	1,0
2008	37%	38,40	1,0
2007	0%	—	—
2006	72%	38,40	1,0
2005	88%	38,40	1,0

[1] w efekcie oczyszczenia zysku netto z jednorazowych zdarzeń dywidenda stanowiła 50,0% zysku netto

[in mln PLN unless otherwise stated]

7.3
SHARE CAPITAL AND SHAREHOLDERS

7.3.1
SHARE CAPITAL OF CAPITAL GROUP CCC AND SHAREHOLDING STRUCTURE

As at 31 December 2019, the share capital of CCC S.A. amounted to PLN 4,116,800.00 and was divided into 41,168,000 shares with a nominal value of PLN 0.10 each.

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	na.	13.600.000	1.360.000	cash contributions
B	ordinary bearer shares	na.	9.750.000	975.000	cash contributions
C	ordinary bearer shares	na.	2.000.000	200.000	cash contributions
D	ordinary bearer shares	na.	6.400.000	640.000	cash contributions
E	ordinary bearer shares	na.	768.000	76.800	cash contributions
H	ordinary bearer shares	na.	2.000.000	200.000	cash contributions
Total			**41.168.000**	**4.116.800**	

[in mln PLN unless otherwise stated]

7.3.2 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. on 31 December 2019 were:

- ULTRO S.a r.l., a subsidiary of Mr. Dariusz Miłek and Mr. Dariusz Miłek, who held 11,250,000 shares of the Company, representing 27.33% of share capital of the Company and giving right to 34.94% 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 right to 6.36% of votes at the General Meeting of the Company,
- Aviva OFE, which held 3,059,136 shares in the Company, representing 7.43% of share capital of the Company and giving right to 6.40% of votes at the General Meeting of the Company,
- Nationale-Nederlanden OFE, which held 3,092,586 shares in the Company, representing 7.51% of share capital and giving right to 6.47% of votes at the General Meeting.

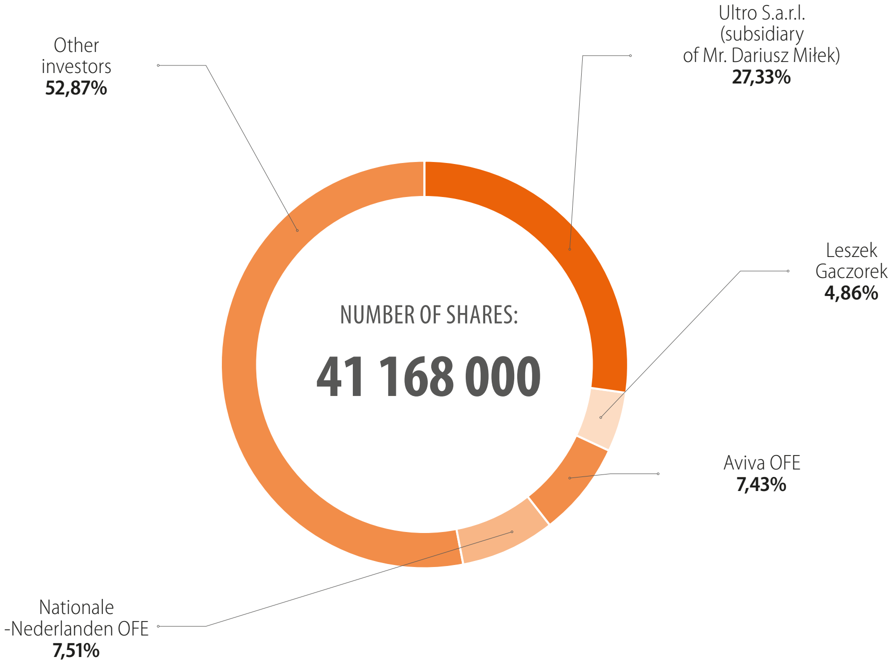
LISTA AKCJONARIUSZY POSIADAJĄCYCH ZNACZNE PAKIETY AKCJI CCC S.A.

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 S.a.r.l. (subsidiary of Mr. Dariusz Miłek)	11 250 000,00	27,33%	16 710 000,00	34,94%
Leszek Gaczorek	2 000 000,00	4,86%	3 040 000,00	6,36%
Aviva OFE Aviva Santander	3 059 136,00	7,43%	3 059 136,00	6,40%
Nationale-Nederlanden OFE	3 092 586,00	7,51%	3 092 586,00	6,47%
Other investors	21 766 275,00	52,87%	21 916 275,00	45,83%
TOTAL	**41 168 000,00**	**100%**	**47 818 000,00**	**100%**

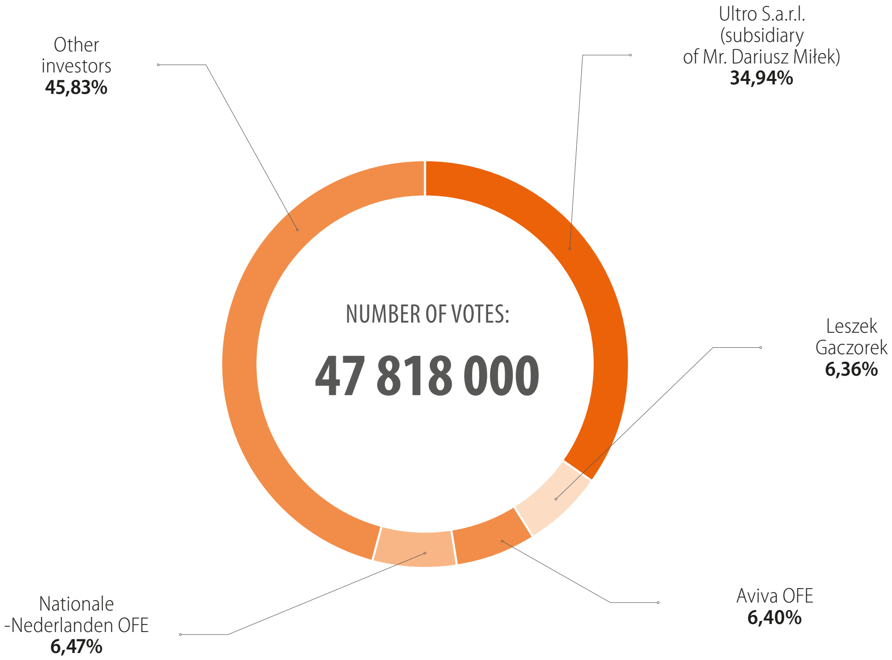
* data taken from the annual information on the structure of the Funds' assets as at 31 December 2019.

** other investors holding less than 5% of votes at the General Meeting of Shareholders

SHAREHOLDING STRUCTURE BY NUMBER OF SHARES



SHAREHOLDING STRUCTURE BY NUMBER OF VOTES



[in mln PLN unless otherwise stated]

7.3.3 SHARES OF THE PARENT COMPANY AND RELATED ENTITIES HELD BY MANAGING AND SUPERVISING PERSONS

SHAREHOLDER	NUMBER OF SHARES AT THE SUBMISSION DATE OF THE REPORT [PCS]	THE NOMINAL VALUE OF THE SHARES AT THE SUBMISSION DATE OF THE REPORT [PLN]
Ultro S.a.r.l. (subsidiary of Mr. Dariusz Miłek)	11 250 000	1 125 000
President Marcin Czyczerski	5 100	510
Vice-President Mariusz Gnych	207 112	20 711
Vice-President Karol Półtorak	5 500	550

The other members of the Management Board and the Supervisory Board did not hold shares of CCC S.A. The members of the Management Board and the Supervisory Board did not hold any shares in the entities related to CCC S.A.

[in mln PLN unless otherwise stated]

7.3.4 SHAREHOLDERS OF THE COMPANY HAVING SPECIAL CONTROL RIGHTS

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 vote per share at the General Meeting of the Company,
- registered preference shares as to voting in such manner that each share entitles to two votes at the General Meeting of the Company.

A LIST OF SHAREHOLDERS HOLDING PREFERENCE SHARES (AS OF THE DATE OF SUBMITTING 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 S.a.r.l. (subsidiary of Mr. Dariusz Miłek)	5 460 000	13,26%	10 920 000,00	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%
Total	6 650 000	16,15%	13 300 000	27,82%

7.3.1 INDICATION OF ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS IN THE ISSUER'S COMPANY

There are no restrictions on the exercise of voting rights.

7.3.2 INDICATION OF ANY RESTRICTIONS CONCERNING THE TRANSFER OF OWNERSHIP OF THE ISSUER'S SECURITIES

The shareholders of the parent company have the pre-emptive right to purchase registered preference shares held for sale. If this right is not exercised for the whole or part of shares, the transfer of ownership of these shares requires the approval of the Partnership Board.

7.3.3 DESCRIPTION OF THE PRINCIPLES OF AMENDING THE ISSUER'S ARTICLES OF ASSOCIATION

The regulations of the Commercial Companies Code shall apply accordingly to changes in the Issuer's Articles of Association

An amendment to the Company's Articles of Association requires a resolution of the General Meeting of Shareholders adopted by a majority of ¾ votes and a registration in the National Court Register. The Company's Supervisory Board may, in accordance with the authorization granted by the General Meeting, determine the consolidated text of the amended statute or introduce other editorial changes specified in the resolution of the General Meeting.

A resolution to amend the statute shall be effective from the moment of its registration in the National Court Register.

7.3.1 SYSTEM OF CONTROL OF EMPLOYEES SHARES PROGRAM

INCENTIVE PROGRAM FOR YEARS 2013-2015

As part of the Incentive Program 2013-2015, one of the persons entitled holding Series A registered personal subscription warrants entitling to subscribe for Series E ordinary bearer shares („Shares"), on 29 June 2018 filed a statement to the Company regarding acquisition of 4,000 (in words: four thousand) Shares at PLN 61.35 (sixty one zlotys, PLN 35/100) for one Share, i.e. a total of PLN 245,400.00 (in words: two hundred forty five thousand four hundred zlotys).

As at 3 December 2018, all eligible persons included in the Program exercised the right to convert subscription warrants into Shares within the framework of the 2013-2015 Carrying Program in a total of 768,000 (in words: seven hundred and sixty-eight thousand).

INCENTIVE PROGRAM FOR YEARS 2017-2019

On 8 June 2017, the Ordinary General Meeting of Shareholders adopted a resolution regarding conditional increase of the Company's share capital and issuance of subscription warrants as a result of which the incentive program (Program) will be launched including current and future members of the Management Board, current and future members of the Management Boards of subsidiaries and management of subsidiaries .

The main objectives of the program are to provide additional, long-term motivation of the CCC Capital Group managers to implement the Group's strategy in 2017-2019 and take actions and efforts aimed at further development of the Group and its perspectives for 2020 and subsequent – as a consequence of increasing the value of the Company's shares and shareholder value. The Program assumes the issue of no more than 1,174,920 Warrants and no more than 1,174,920 Series F shares. The persons entitled to participate are members of the Management Board, members of the Management Board of Subsidiaries, members of the management of the Company, members of the management of subsidiaries, however warrants cannot be offered to persons directly or indirectly holding at least 10% of the Company's shares. The condition for granting the rights to subscribe for the Warrants is that the persons concerned obtain positive results of its work in 2017-2019. The total number of persons entitled under the incentive program will not exceed 149 people. The program assumes minimum EBITDA thresholds (which condition the launch of the Program tranches) at PLN 550, 650 and 800 million, respectively for 2017, 2018 and 2019, i.e. in total not less than PLN 2 billion in this period. The vesting date was 26 August 2017.

7.3.1 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.

7.4 GENERAL MEETING OF CCC S.A.

7.4.1 OPERATIONS OF THE GENERAL MEETING OF CCC S.A. AND ITS MAIN POWERS AND THE RIGHTS OF SHAREHOLDERS WITH THEIR EXECUTION METHOD

The General Meeting of Shareholders is the ultimate body of the company, intended to satisfy the shareholders' rights. General Meetings of the CCC S.A. are conducted on the basis of the provisions of the Code of Commercial Companies, the Articles of Association of the Company and the Rules of Procedure of the General Meeting of the CCC S.A. taking into account the Good Practices in public companies.

The powers of the General Meeting include all matters related to the activities of the Company and reserved to its competence by the provisions of the Code of Commercial Companies and the Statute. Through the General Meetings, the shareholders realize their corporate rights.

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 https://corporate.ccc.eu/lad-korporacyjny)
- 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 SA 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. 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

7.4.2 GENERAL MEETING IN 2019

In 2019, one Ordinary General Meeting of CCC S.A. was held on 18 June 2019 and two Extraordinary General Meetings on 11 April and 18 June 2019.

The Extraordinary General Meeting on 11 April 2019 adopted a resolution on increasing the membership of the Supervisory Board for the term 2017-2019 and appointing Mr. Dariusz Miłek to the Board and entrusting him with the function of the Chairman of the Supervisory Board. The General Meeting adopted a resolution on dismissing a member of the Supervisory Board Mr. Jerzy Suchnicki and appointing Mr. Filip Gorczyca.

During the Ordinary General Meeting, the shareholders approved the annual reports on the operations of the Company and the CCC Group and the financial statements for 2018.

The Ordinary General Meeting of the Company adopted a resolution to cover the loss for 2018 in the amount of PLN 40,365,817.81 from the capital reserve and to allocate part of the capital reserve in the amount of PLN 19,760,640.00 to be distributed to the shareholders in the form of a dividend payment.

On 26 September 2019, the Extraordinary General Meeting of Shareholders adopted a resolution to change the Company's financial and tax year so that the Company's financial and tax year will constitute a period lasting 12 consecutive full calendar months and will begin on 1 February of a given calendar year and end on 31 January of the following calendar year.

7.5 MANAGEMENT AND SUPERVISORY AUTHORITIES AND THEIR COMMITTEES IN CCC S.A.

7.5.1 MANAGEMENT BOARD

COMPOSITION OF MANAGEMENT BOARD

In 2019 and as of the date of submitting the report, the Management Board of the Company was composed as follows:

NAME AND SURNAME OF THE MANAGEMENT BOARD MEMBER	POSITION
Marcin Czyczerski	President of the Management Board
Mariusz Gnych	Vice-President of the Management Board
Karol Półtorak	Vice-President of the Management Board

- Supervision over the works of the Management Board
- Sales
- Investments
- Finance and Accounting (SSC)
- Controlling
- Investor Relations
- IT
- HR
- Management Office

MARCIN CZYCZERSKI
PRESIDENT OF THE MANAGEMENT BOARD

Appointed to the position of President of the Management Board on 8 March 2019.

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 2004 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 1 January 2017, he has been a member of the Management Board of CCC S.A. as Vice-President of the Management Board responsible for Finance and supervising all issues of finance, HR and IT, and since 8 March 2019 he has been the President of the Management Board. In the years 2006-2017 he was a lecturer at the Wrocław University of Economics and the Jan Wyżykowski University in Polkowice.

MARIUSZ GNYCH
VICE-PRESIDENT OF THE MANAGEMENT BOARD

- Domestic and International Logistics
- Manufacturing process

Appointed to the position of Vice-President on 15 June 2004.

He graduated from the Wrocław University of Economics with a PhD degree; previously he graduated from study at the Faculty of Computer Science and Management at Wrocław University of Technology (faculty: 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.

KAROL PÓŁTORAK
VICE-PRESIDENT OF THE MANAGEMENT BOARD

- Strategy and Development
- E-commerce
- CRM
- Supervision over Subsidiaries
- Legal Department
- Innovations

Functions under the individual supervision of the Chairman of the Supervisory Board:

- Purchasing and Product Management
- Marketing strategy
- Expansion

Appointed to the position of Vice-President of the Management Board on 1 December 2016.

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 Banku Handlowego (Stockbrokerage 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 Półtorak'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).

A graduate of Warsaw School of Economics (SGH) and the University of Derby.

Currently a member of the Supervisory Board of eObuwie.pl SA, Karl Voegele AG, member of the Advisory Board of the Hamm Reno Group. Previously, he was a member of the supervisory board of the National Depository for Securities, the Stock Exchange Centre and other entities.

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 (http://firma.ccc.eu)
- Regulations the Management Board, which is available on the Company's website (http://firma.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 Organized Trading and on Public Companies are in force for the issuance of new shares and repurchase of shares.

POWERS OF THE MANAGEMENT BOARD

The Management Board of the Company is authorised in particular to:

- establish internal regulations of the Companyand other normative acts of the Company;
- submit proposals to the Supervisory Board in matters of profit distribution and loss coverage;
- conclude employment contracts with Company employees who are not members of the Management Board;
- grant power of attorney;
- adopt resolutions on the establishment and closure of the Company's branches;
- submitting proposals on all other matters to the Supervisory Board and the General Meeting;
- convening General Meetings.

The Management Board is obliged to perform all obligations imposed upon it by law and the Company's Articles of Association.

The President of the Management Board shall manage the work of the Management Board, in particular shall coordinate, supervise and organise the work of the Management Board members.

Each member of the Management Board has the right to bring any matter concerning the competence of the Management Board to a meeting of the Management Board and demand that a meeting of the Management Board be convened for that purpose. § 7 Prohibition of competition and own interests. A Management Board member must not, without the consent of the General Meeting of Shareholders, engage in competitive business or participate in a competitive company as a partner in a civil law partnership, partnership or as a member of a body of a capital company, or participate in another competitive legal person as a member of a body if the Management Board member holds at least 10% of the Company's shares.

If the Company's interests conflict with the interests of a Management Board member, his spouse, relatives by affinity up to the second degree and persons with whom he is personally related, the Management Board member should refrain from participating in the resolution of such matters and may request that this be noted in the minutes of the Management Board meeting.

ORGANISATION OF THE MANAGEMENT BOARD'S WORK

The Management Board is headed by the President of the Management Board, who coordinates and manages the work of the Management Board.

In the absence of the President of the Management Board, his competences in the organization of the work of the Management Board are exercised by the Vice-President to whom the Finance Division is directly subordinate, followed by the Vice-President to whom the Logistics and Production Division is directly subordinate.

Members of the Management Board perform their functions in person.

The competences of individual members of the Management Board with respect to ordinary management issues have been divided into areas of activity in which individual members of the Management Board play a leading role. As part of their functions, each of them has been assigned an appropriate scope of responsibility for conducting the Company's affairs, as described above.

MEETINGS OF THE MANAGEMENT BOARD

Meetings of the Management Board shall be held on dates depending on the Company's needs.

Other invited persons may participate in the meetings of the Management Board with the consent of all members of the Management Board.

The meetings of the Management Board shall be convened and chaired by the President of the Management Board or, in his absence, by the Vice-President of the Management Board, with the reservation of specific provisions of these Regulations.

Furthermore, the President of the Management Board is obliged to convene a meeting of the Management Board at the written request of another member of the Management Board. The meeting should then take place at the latest within 7 days from the date of filing the application, unless the applicant indicates another date.

7.5.2 SUPERVISORY BOARD

COMPOSITION OF THE SUPERVISORY BOARD

Composition of the Supervisory Board of CCC S.A. in 2019 and as of the date of publication of the report:

NAME AND SURNAME OF SUPERVISORY BOARD MEMBER	ROLE
Dariusz Miłek	Chairman of the Supervisory Board (elected on 11.04.2019 – I term office)
Wiesław Oleś	Deputy Chairman of the Supervisory Board (elected on 26.06.2015 – II term office)
Waldemar Jurkiewicz	Memebr of the Supervisory Board (elected on 02.06.2016 – II term office)
Filip Gorczyca	Memebr of the Supervisory Board (elected on 11.04.2019 – I term office)
Zofia Dzik	Memebr of the Supervisory Board (elected on 18.06.2019 – I term office)

DARIUSZ MIŁEK
CHAIRMAN OF THE SUPERVISORY BOARD

Mr. Dariusz Miłek in the years 1993-2003 conducted business activity under the name of Firma Handlowa „MIŁEK" in Lubin, and since 1995 in Chróstnik. In 1999-2004 he worked in CCC Sp. z o.o. with its registered office in Polkowice as a proxy, and from 1.07.2002 as the President of the Management Board.

Since 2004 he was the President of the Management Board of CCC S.A. Winner of many prestigious competitions in the field of management. In 2007, Mr. Dariusz Miłek was awarded the 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 entrepreneur category, winner of the „Bulls and Bears" prize – Parkiet Press as the best President of 2014, also awarded as the Ambassador of Sport of Free Poland.

WIESŁAW OLEŚ DEPUTY CHAIRMAN OF THE SUPERVISORY BOARD

Mr. Wiesław Oleś is the founder of „Oleś & Rodzynkiewicz" Advocates and Legal Counsel, limited partnership, and Forum TSI SA, completed law studies at the Faculty of Law and Administration of the Jagiellonian University in Cracow. Following the completion of judge's training period, he passed the judge examination in 1991, and obtained legal counselor's rights in 1993. Following the completion of studies, Wiesław Oleś was i.a., member of the Board of the Regional Accounting Chamber in Cracow, consultant for the programs of the United States Agency for International Development (USAID) and has cooperated with i.a.: Harvard Institute for International Development; member of Lesław Paga Foundation Council. He practices law in „Oleś & Rodzynkiewicz" Advocates and Legal Counsel by specialising in the issues of the capital market and investment funds. Wiesław Oleś was also, among others, the Chairman of the Supervisory Board and the President of the Management Board of TFI SA, and member of the Supervisory Board of Black Red White SA, Raport SA and Member of the Supervisory Board of CPD SA.

WALDEMAR JURKIEWICZ MEMBER OF THE SUPERVISORY BOARD

Experienced manager, managing teams from 50 to 500 employees, working in Management Boards and as the General Director of IT companies. Completed studies at the Wrocław University of Science and Technology at the Faculty of Computer Science and Management and prestigous programs of executive education types at the ICAN Institute and „Harvard Business Review Polska." he completed multiple postgraduate studies at the Wrocław University of Science and Technology and courses and trainings on i.a.: project management, human resources management and new technologies and information technology products. He gained his rich experience in management in information technology trade and start-up development while working in many IT companies. He started his professional career in the years 1986-1991 as a computer system designer in the „Lumel" Research and Development Center of Electric Metrology. In 1991 he was the co-founder of Max Elektronik SA, being its President of the Management Board up to 2011. He created from an organisation of 150 persons from the basics, which he was managing in the areas of marketing and sales, technology, execution and back office. In the years 2003-2007 Max Elektronik joined EMAX Capital Group where, besides being the President of Max Elektronik, he was the General Director of the Software Production Center, managing a team of over 500 persons in all companies of the Group throughout the area of the entire country. He was also the Management Board Advisor of eobuwie.pl SA during the years 2006-2015 (earlier: traf private partnership, Traf General Partnership), supporting the Management Board i.a. in the process of obtaining investors and IPC project. In the years 2015-2016 he was he was the Chairman of the Supervisory Board of eobuwie.pl SA. He was actively participating in the process of negotiating the conditions for the fusion with the strategic investor: CCC SA.

FILIP GORCZYCA MEMBER OF THE SUPERVISORY BOARD

Vice-President of the Management Board of Alior Bank responsible for Finance Department form June 2017 to January 2019. Before that, during the years 2016-2017 he was the Senior Investment Director in medicover Group, where he was responsible i.a. for the process of initial public offering, completed with a successful debut at the Stockholm Stock Exchange. During the years 2004-2016 he was working for PwC, the international advisory company, where, starting from 2011, he was responsible for services within the scope of capital markets and financial reporting in the Central-Eastern Europe. Graduate of manager program at Harvard Business School in Boston and Finances and Banking field of study at the Main Commerce School. Chartered auditor and ACCA certificate (FCCA).

ZOFIA DZIK MEMBER OF THE SUPERVISORY BOARD

Graduate of Economic Academy (AE) in Cracow, University of Illinois in Chicago, University of Social Sciences and Humanities In Warsaw and Executive Programs at Stanford and INSEAD Business School, possesses the MBA title of Manchester Business School; mentor, certified member of the Association for Project Management (APMP), explorer of the subject of leadership and certified member of the John Maxwell Team, the leading international organisation bringing together prominent coaches, trainers and speakers in term of leadership.

Advisor in Arthur Andersen and Andersen Business Consulting companies during the years 1995-2003, also responsible for projects for the financial services industry within the scope of: strategy, scalability of business, connections, omnichannel, reorganisation and finances.

Since 2003 connected with Intouch Service Group (RSA Group) acting in fintech area, where during the years 2004-2007 she was the President of the Management Board of Link4 Insurance Company SA – the first direct insurer in CEE countries (start-ups, brand creation, CRM, process automation, individual risk assessment, new technologies agile, innovative distribution channels, leadership, man in work, talent management, succession); in the years 2007-2009 she was the member of Intouch Insurance B.V. management board in the Netherlands and CEO for Central and Eastern Europe of Intouch Insurance Group. When acting on this position she was responsible for the development of new markets: she was chairwoman of the Supervisory Boards of companies: TU Link4 SA (member of the board up to July 2015) and Direct Insurance Shared Services in Poland, Intouch Strachowanie in Russia (start-up) and Direct Pjistovna in the Czech Republic (start-up) and vice-chairwoman of the supervisory board of The Insurance Company for Life Link4 Life SA.

During the years 2006-2008 she was a member of the management board of the Polish Chamber of Insurances. During the years 2007-2010 she was a member of the supervisory board of the Guarantee Security Fund. During the years 2010-2016 she held the position of an independent member of the supervisory boards of the following companies: KOPEX SA – mining equipment producer, Polish Energy Partners SA (PEP SA), renewable energy company, 2014-2016 FSCD (Digital University), 2015-2016 member of the supervisory board and the audit committee of AmRest SE – leading operator in the QSR sector in Europe, over 1000 restaurants – own brand of brandy and franchising for Starbucks, Pizza Hut, KFC; 2012-2016 PKOBP SA – leading universal bank in CEE, where she was also the vice-chairwoman of the audit commission and the nomination committee and was part of the risk committee; 2015-2017 InPost – courier and parcel station operator, where she was also the chariwoman of the audit commission, 2011-2018 ERBUD SA, the leading construction company in Poland. Benfit Systems SA – innovative integrator of benefit services for employees and sports infrastructure operator.

Since 2010 she is an investor and social innovator, President of the Management Board of Humanites, think&Do social think-tank, combining the subject of Man and Technology, the goal of which is a systematic support of social transformation, construction of social capital and quality development of the society in four areas: Family, Education, Work Environment and World of Culture and Media, mentor, autor of „Cohesive Leadership™" model, program for the development of leaders constructing engaging organisations, giving the employees the space for an integrated life and for invigorating internal motivation; founder and director of the Leadership Academy for Education Leaders; Currently also an independent member of supervisory boards of the following companies: BRW SA – the leading producer and distributor of furniture in Poland and Europe (vice-chairwoman), PKP CARGO SA, the leading European logistic operator and cargo hauler in terms of railroad transport (member of the audit commission, chairwoman of the nomination committee), Sanok Rubber SA – international producer of products made of rubber.

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. The Ordinary General Meeting of CCC S.A. appointed members of the Supervisory Board for a new term of office on 18 June 2019 (CR 40/2019).

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.

In connection with the supplement of the composition of the Supervisory Board by the Extraordinary General Meeting of Shareholders on 10 January 2017 and the appointment of Piotr Nowjalis as a member of the Supervisory Board of CCC SA, the Supervisory Board at its meeting on 01 February 2017 assessed the submitted statements regarding the fulfilment of the independence criteria and Resolution No. 01/02/2017 / RN regarding determination of the number of Supervisory Board members meeting the independence criteria, stating that in a five-member personal composition, three Supervisory Board members meet the independence criteria.

In connection with the appointment by the Annual General Meeting on 08 June 2017 of the Supervisory Board for a new two-year term, composed of 5 members, the Supervisory Board at its meeting on 17 August 2017 made an assessment of the submitted statements regarding the fulfilment 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-person composition, three Supervisory Board members meet the independence criteria.

While staying in the Supervisory Board of the Company in 2019, 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.

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)
- Rules of the Supervisory Board, which is available on the Company's website (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.

7.5.3 COMMITTEES

The Supervisory Board of CCC S.A. may appoint permanent committees or ad hoc acting as its collective advisory and opinion bodies.

The first-term Audit Committee was appointed in the Company on 2 June 2016, due to the end of the term of the Supervisory Board and the Ordinary General Meeting of Shareholders (hereinafter: „AGM") on 8 June 2017. The Supervisory Board for the next term (term of office 2017-2019), the Supervisory Board at the next meeting after the GMS, on 17 August 2017, appointed the Second Term Audit Committee from among the Supervisory Board members, in accordance with the requirements of the Act of 11 May 2017 on statutory auditors, auditing companies and public supervision .

As part of the existing Audit Committee, Mr. Filip Gorczyca is a member with knowledge and skills in accounting or auditing, while Mr. Waldemar Jurkiewicz has knowledge and skills in the field of the Company.

For independent members of the Audit Committee, in accordance with the provisions of the Act on Auditors, Audit Firms and Public Supervision and Annex II to the Commission Recommendation of February 15, 2005 regarding the role of non-executive directors or supervisory board members of listed companies and supervisory board committees, and requirements specified in the Code of Best Practice for WSE Listed Companies, Mrs. Zofia Dzik nad Mr. Filip Gorczyca.

POSITION AND ROLE OF THE AUDIT COMMITTEE

The Audit Committee is a regular committee of the Supervisory Board of CCC S.A.

The Committee performs the tasks and competences foreseen for the Audit Committee in the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (hereinafter: Act on chartered auditors) and other regulations regarding public companies, as well as from resolutions of the Supervisory Board, Of the Regulations and other internal regulations of the Company.

The Committee meets the recommendations of „Best Practices of WSE Listed Companies", which in relation to committees operating in the Supervisory Board, they require the application of Annex I to the recommendation of the European Commission of February 15, 2005 regarding the role of non-executive directors or supervisory board members of listed companies and committees of the (supervisory) board.

The Committee performs the expert function for the Supervisory Board and supports it in order to ensure the correct and effective application by the Company of the financial reporting, internal control and cooperation with the Company's auditors.

Concepts that have not been defined in the Regulations have the meaning adopted in generally applicable legal regulations.

APPOINTMENT AND COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee shall consist of at least three members, including the Chairman of the Audit Committee, appointed by the Supervisory Board for the term of its office from among its members.

The Supervisory Board elects the Committee members, including the Chairman, at its first meeting of a given term of office.

In the composition of the Committee, the majority of members, including the Chairman of the Committee, should have the status of an independent member of the Audit Committee, in accordance with generally applicable laws.

At least one of the members of the Audit Committee should have qualifications and experience in accounting or financial audit.

At least one member of the Audit Committee has knowledge and skills in the Company's industry or individual members in specific areas have knowledge and skills within this industry.

To the extent of meeting the conditions of independence of members of the Audit Committee, the provisions of Article 129 (3) (1-10) of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (Journal of Laws, item 1089) and Annex II to the European Commission Recommendation 2005/162/EC of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the supervisory board shall apply accordingly.

If the number of members of the Committee decreases, the Supervisory Board shall immediately supplement its composition by convening a meeting of the Supervisory Board as soon as possible.

POWERS AND COMPETENCES OF THE AUDIT COMMITTEE

The Audit Committee supports the Supervisory Board in the performance of its statutory control and supervisory duties in the scope of:

1. monitoring the financial reporting process at CCC S.A. and its Capital Group,
2. monitoring the effectiveness of internal control systems in the Capital Group CCC S.A. and risk management systems,
3. monitoring the effectiveness of the internal audit function in the CCC S.A. Capital Group, including in the field of financial reporting,
4. monitoring the proper functioning of risk identification and management systems,

5. monitoring the independence of internal and external auditors,

6. monitoring the financial audit process.

The Supervisory Board may entrust the Audit Committee with supporting the Supervisory Board in the scope of performing also other supervisory activities.

As part of supervision activities related to financial reporting, the Audit Committee in particular:

1. monitors the financial reporting process, including the opinion on the accounting policy adopted by the Company and the applied rules for preparing financial statements,

2. analyses annual, semi-annual and quarterly financial statements together with the Company's authorities,

3. monitors the performance of auditing activities, in particular conducting an audit by the audit firm, 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 and consolidated financial statements,

4. 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 was the role of the Audit Committee in the audit process,

5. submit recommendations aimed at ensuring the reliability of the financial reporting process in CCC S.A.,

6. provides opinions on the Management Board's report on the operations and the Management Board's conclusions regarding the distribution of profit / loss coverage, and presents recommendations to the Supervisory Board regarding their assessment,

7. provides opinions on relevant financial information published by the Company.

As part of supervision activities related to internal control, the Audit Committee, in particular:

1. examines the adequacy of identification and monitoring systems operated by the Management Board and reducing threats to the Company's operations,

2. monitors the effectiveness of the Company's internal control system, including the effectiveness of corrective actions taken,

3. oversees the operation of the internal audit, including by monitoring his work plans and results of this work and resource assessment,

4. 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:

1. monitors the effectiveness of the risk management system having a significant impact on the functioning of the Company,

2. gives its opinion on the draft principles of prudent and stable management as well as acceptable risk levels in the areas of the Company's operations,

3. gives opinions on projects of significant regulations and changes in the Company's regulations regarding compliance with standards, including compliance risk policy,

4. assesses the implementation of information procedures by the relevant Company's units about irregularities in the Company.

As part of ensuring the independence of external auditors, the Committee shall in particular:

1. presents to the Supervisory Board recommendations regarding the selection of the Company's statutory auditor, as well as his change and his remuneration,
2. controls and monitors the independence of the statutory auditor and the audit firm, in particular when CCC S.A. the services are provided by the auditing firm other than the audit,
3. expresses opinions on the involvement of an external auditor in the provision of services other than auditing the Company's financial statements, and presents the position regarding the Company's policy in this respect,
4. evaluates the independence of the auditor and consents to the provision of permitted non-audit services at CCC S.A. and units controlled by CCC S.A.,
5. develops the policy of selecting an audit firm to conduct the study,
6. develops the policy of providing audit services by the audit firm, by entities related to this auditing company and by a member of the auditing company's chain of permitted non-audit services,
7. determines the procedures for selecting an audit firm by CCC S.A.,
8. reviews the effectiveness of the external audit process and the Management Board's response to the external auditor's recommendations.

At the beginning of each year, the Audit Committee shall adopt an annual action plan for the Committee to meet its statutory obligations and agree with the Supervisory Board on a planned calendar of meetings.

In order to perform the activities specified in § 3, the Audit Committee may:

1. demand information, explanations and documents necessary to perform the Committee's tasks,
2. demand that the key statutory auditor discuss with the Audit Committee, the Management Board, the Supervisory Board of CCC S.A. the key issues arising from the audit, which were listed in the additional report referred to in 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/EC,
3. receive information from the Company's authorities and employees, who are obliged to provide it and allow access to it by Committee members,
4. participate in the meetings of the Company's employees,
5. invite to meetings of the Committee and consult external advisors whose costs of services, after their prior approval by the Supervisory Board, are borne by the Company.

DUTIES OF THE AUDIT COMMITTEE

The Audit Committee shall submit to the Supervisory Board:

1. the conclusions, standpoints and recommendations developed in connection with the performance of the function of the Audit Committee within a timeframe allowing the Supervisory Board to take immediate appropriate action,

2. reports on its activity at least once every six months, at the time of approving the Company's annual and half-year reports,

3. reports on its activity in a given financial year within a period enabling the Supervisory Board to take into account the contents of that report in its annual assessment of the Company's situation.

In the reports defined in § 7 section 1 items 2 and 3, the Committee shall include information on the entrusted tasks, composition, number of meetings and attendance, as well as the main activities undertaken by the Committee, in particular those concerning the assessment of the independence of the entity reviewing the reports. This information shall be published in a report on the applied corporate governance principles.

The Audit Committee should comply with its duties in accordance with its terms of reference and ensure that the Supervisory Board is systematically informed about its activities and results of its work.

The Committee Chairman or another member authorised by the Chairman should be present at the Ordinary General Meeting of Shareholders of the Company in order to answer questions concerning the Committee's activities and its findings.

Based on §70 paragraph 1 point 8 and §71 paragraph 1 point 8 of the Regulation of the Minister of Finance dated 29.03.2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state. Supervisory Board of CCC S.A. stated that::

1. the provisions regarding the appointment, composition and operation of the Audit Committee at CCC S.A. and the CCC S.A. Capital Group, including those concerning the fulfilment by its members of the independence criteria and requirements regarding the possession of knowledge and skills in the industry in which CCC S.A. operates, and in the field of accounting or auditing of financial statements,

2. the Audit Committee performed the tasks of the audit committee provided for in the applicable regulations.

7.6
REMUNERATION OF THE EXECUTIVE MANAGEMENT OF CCC S.A.

7.6.1
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.

7.6.2
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 on a discretionary basis 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 a given half-year at the first meeting after its completion. The resolution is the basis for the payment of additional remuneration.

7.6.3 REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND OTHER BONUSES

SPECIFICATION [IN PLN MLN]	01.2019-12.2019			TOTAL
REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD, INCLUDING:	FIXED REMUNERATION	SHORT-TERM BONUS	LONG-TERM BONUS	
Dariusz Miłek [1]	233 333	—		233 333
Marcin Czyczerski [2]	1 153 125	250 000		1 403 125
Mariusz Gnych	787 500	390 000		1 177 500
Karol Półtorak	787 500	390 000		1 177 500
Total	2 961 458	1 030 000	—	3 991 458

SPECIFICATION [IN PLN MLN]	01.2018-12.2018			TOTAL
REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD, INCLUDING:	FIXED REMUNERATION	SHORT-TERM BONUS	LONG-TERM BONUS	
Dariusz Miłek	840 000	—	—	840 000
Marcin Czyczerski	880 000	350 000		1 230 000
Mariusz Gnych	840 000	340 000		1 180 000
Marcin Pałażej [3]	80 000	120 000		200 000
Karol Półtorak	820 000	340 000		1 160 000
Total	3 460 000	1 150 000	—	4 610 000

[1] Mr. Dariusz Miłek has been the Chairman of the Supervisory Board since 11 April 2019, previously – the President of the Management Board.

[2] Mr. Marcin Czyczerski has been the President of the Management Board since 11 April 2019, previously – the Vice President of the Management Board.

[3] Mr. Marcin Pałażej was the Vice President of the Management Board until 31 January 2018.

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 6.4.3.

7.6.4 REMUNERATION OF THE SUPERVISORY BOARD

SPECIFICATION [IN PLN MLN]	01.2019-12.2019			TOTAL
REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD, INCLUDING:	FIXED REMUNERATION	SHORT-TERM BONUS	LONG-TERM BONUS	
Dariusz Miłek [1]				
Wiesław Oleś [2]	120 000			120 000
Marcin Murawski	50 685			50 685
Mirosław Stachowicz [3]	—			—
Jerzy Suchnicki [4]	27 429			27 429
Waldemar Jurkiewicz	81 524			81 524
Piotr Nowjalis [5]	45 053			45 053
Zofia Dzik [6]	48 051			48 051
Filip Gorczyca [7]	72 096			72 096
Total	444 838	—	—	444 838

SPECIFICATION [IN PLN MLN]	01.2018-12.2019			TOTAL
REMUNERATION OF MEMBERS OF THE MANAGEMENT BOARD, INCLUDING:	FIXED REMUNERATION	SHORT-TERM BONUS	LONG-TERM BONUS	
Wiesław Oleś	110 000			110 000
Marcin Murawski	93 000			93 000
Mirosław Stachowicz	—			—
Jerzy Suchnicki	86 000			86 000
Waldemar Jurkiewicz	72 000			72 000
Piotr Nowjalis	86 000			86 000
Total	447 000	—	—	447 000

[1] Mr. Dariusz Miłek has been the Chairman of the Supervisory Board since 11.04.2019, previously - President of the Management Board

[2] Mr. Wiesław Oleś has been the Vice-Chairman of the Supervisory Board since 18 June 2019, previously – the Chairman of the Supervisory Board.

[3] Mr. Mirosław Stachowicz as a member of the Supervisory Board until June 18, 2019.

[4] Mr. Jerzy Suchnicki as a member of the Supervisory Board until 11 April 2019.

[5] Mr. Piotr Nowjalis as a member of the Supervisory Board until 18 June 2019.

[6] Ms. Zofia Dzik as a member of the Supervisory Board from 18 June 2019.

[7] Mr. Filip Gorczyca as a member of the Supervisory Board from 11 April 2019.

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 7.6.4.

8.
EMPLOYEES

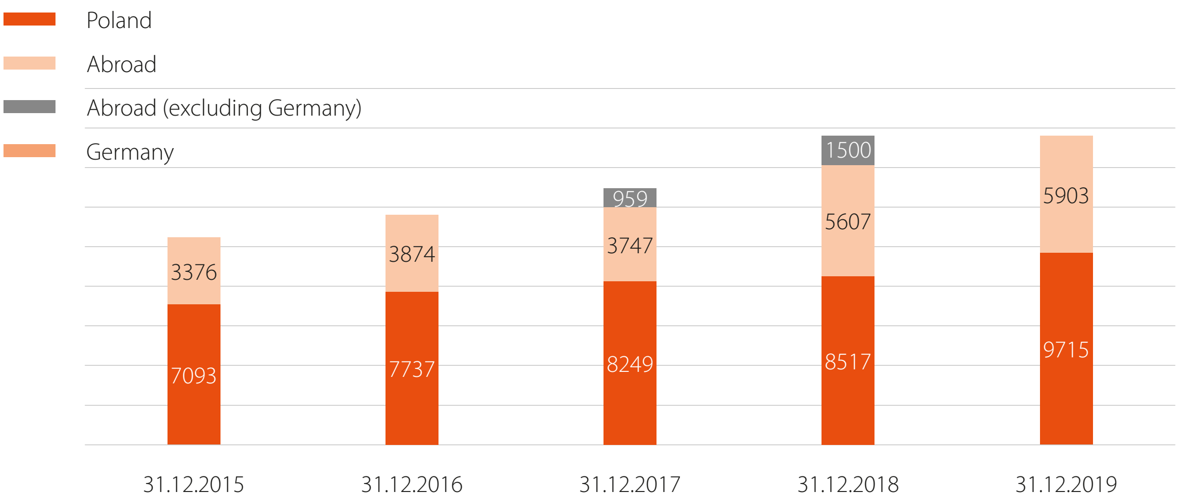
[in mln PLN unless otherwise stated]

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.

8.1 STRUCTURE OF THE EMPLOYMENT

According to the data as at 31 December 2019, the Capital Group employed 15,618 employees, and in relation to the previous year, employment increased by 1,292 people. The table below shows the structure of employment in the respective years:

GEOGRAPHICAL STRUCTURE OF EMPLOYMENT



Over the past few years, the number of employees has constantly increased. The largest share among the number of employees are the employees of stores – about 73%, while the administrative employees constitute only 9.8% of the total number of employees.

01.2019-12.2019	POLAND		CEE		WESTERN EUROPE		OTHER COUNTRIES		TOTAL
	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	
Employees of stores	5 814	78	3 606	236	1 203	50	377	58	11 422
Manufacturing employees	792	165	0	0	0	0	0	0	957
Logistics employees	712	173	0	1	30	13	19	12	960
Administrative employees	1 031	213	132	48	62	27	19	7	1 539
All employees	8 349	1 366	3 738	288	1 295	90	415	77	15 618

[in mln PLN unless otherwise stated]

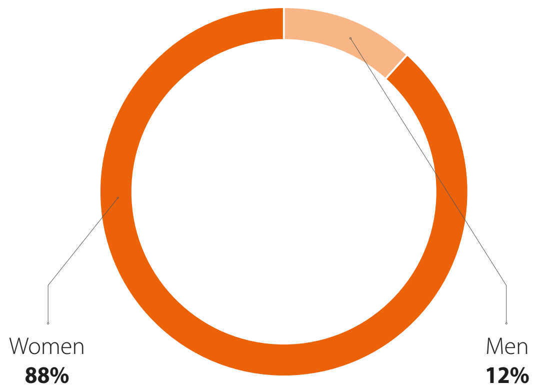
01.2018-12.2018	POLAND		CEE		WESTERN EUROPE		OTHER COUNTRIES		TOTAL
	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	WOMEN	MEN	
Employees of stores	5 482	251	3 102	193	1 304	50	458	65	10 905
Manufacturing employees	482	96	-	-	-	-	-	-	578
Logistics employees	573	407	-	-	59	39	9	11	1 098
Administrative employees	774	452	122	42	83	36	25	9	1 543
All employees	7 311	1 206	3 224	235	1 446	125	492	85	14 124

Due to the nature of the business, a high percentage of all employees of the Group are women, accounting for 88.3% of the Group's total workforce.

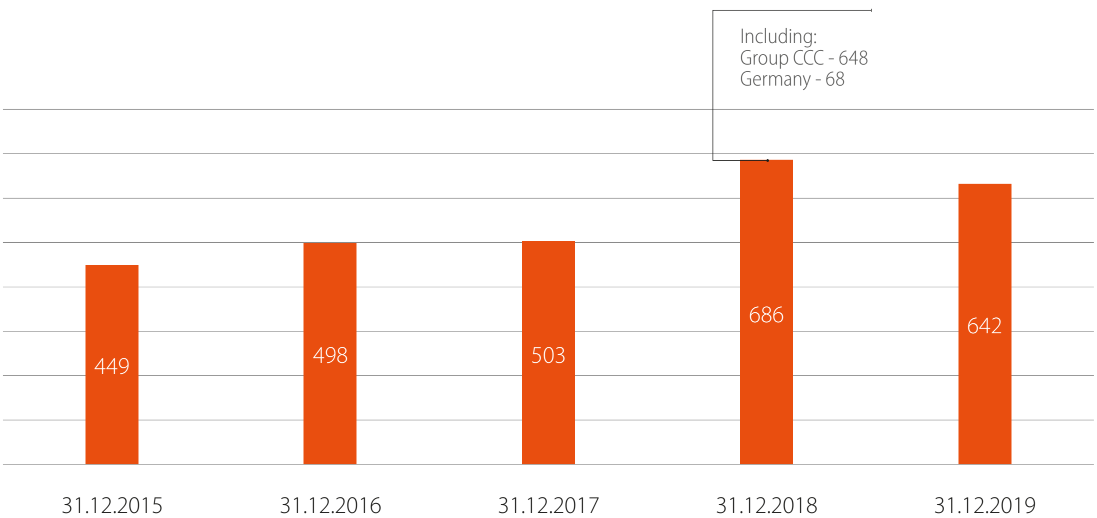
EMPLOYMENT OF DISABLED PERSONS

The working conditions allow for the employment of disabled people in the Capital Group. As at 31 December 2019, the Group employed 642 people with disabilities, which is approximately 4% of the total number of employees in the Group.

EMPLOYMENT STRUCTURE BY GENDER (AS AT 31.12.2018)



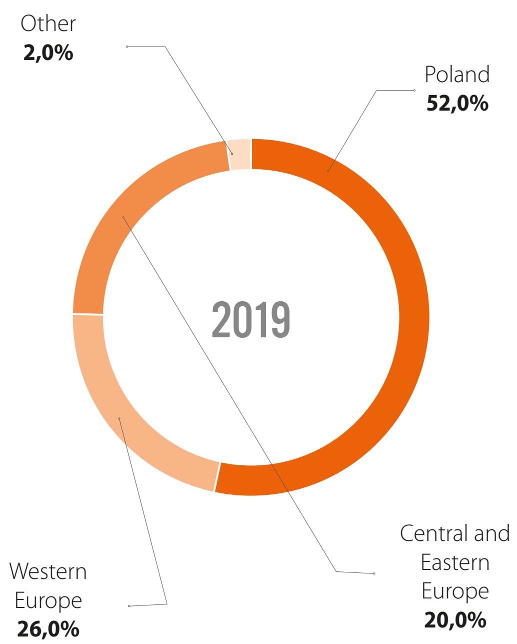
EMPLOYMENT OF DISABLED PEOPLE

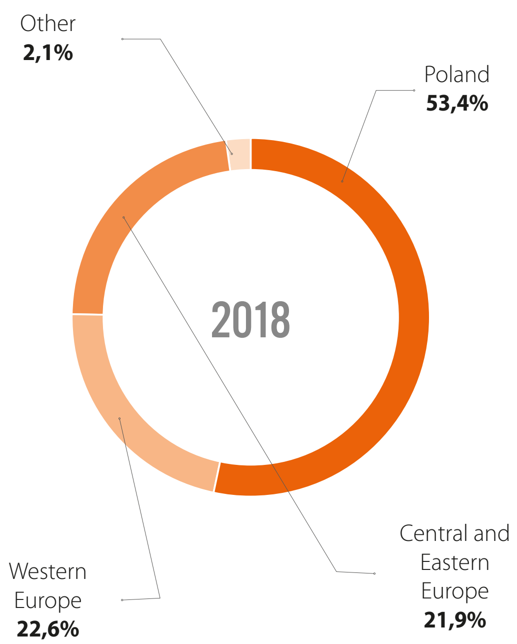


REMUNERATION POLICY FOR ALL EMPLOYEES

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. In 2019 the share of expenses on remuneration for Employees of the CCC Group was as follows:

GEOGRAPHICAL STRUCTURE OF REMUNERATION





8.2
DEVELOPMENT PROGRAMS FOR EMPLOYEES

VALUES OF THE GROUP

The CCC Group consistently strives to be an attractive and desirable employer, guided by its values, expanding its HR function and developing human resources management methods.

Until the end of 2019, the Company had the following values: development, entrepreneurship, credibility and responsibility. Along with the implementation of the strategy for the years 2020 – 2022, the values were also redefined and updated, which are becoming guidelines for our attitudes and behaviour.

GROWTH AND DEVELOPMENT OF EMPLOYEES' POTENTIAL

The business success of the Capital Group companies is also determined by: knowledge, experience, skills and competences of employees. With this in mind, numerous development programs are implemented, with the main goal being: building effective teams, continuous improvement, building commitment and cooperation, and as a result, achieving the business goals adopted in the strategy.

The main goal of the development policy is to strengthen the competence of employees, the process of knowledge sharing and linking training activities to specific business needs, as well as filling the competence gaps among employees in all areas of company operations.

Support in competence development is based on the 60:40 Development model:

60% – On the job development – participation in projects, job rotation, target management and coaching & mentoring;

40% – Formal development – training courses (internal and external), language courses, e-learning.

CCC employees are constantly improving their qualifications. They benefit from programs enabling development through participation in trainings, conferences, symposia, seminars, courses and studies financed or co-financed by the employer.

In 2019, we benefited from trainings co-financed by the National Training Fund. Within the project, 1786 hours were spent on didactic training courses, which covered, among other things, IT issues, legal aspects of complaints, material science, quality and functionality of footwear, operation of machines and equipment, and the licences for hoist operators. The trainings were attended by 93 employees.

In response to the need for improvement of soft skills, an internal training program „Let's Cooperate effectively" was launched, which is carried out in the form of workshops. In 2019, a total of 155 employees were trained during 18 trainings on cooperation, communication and feedback.

Due to the dynamic international expansion, on-site language courses for employees are organized in order to prepare staff for effective cooperation with all markets within CCC Group. The courses were attended by over 220 administrative employees.

For administrative employees of CCC S.A. and employees of selected subsidiaries, the Team of Internal Trainers conducted the Summer and Autumn Development Academy, which was attended by 224 people during 24 trainings.

We work with **passion, energy and enthusiasm** to attain **ambitious goals** and realise the vision of a shared **success!**
Each of us can make a real contribution to **growth, collaboration and commitment**.
Together we build an organisational culture based **on open dialogue and diversity.**

Culture	Modern workplace	Employee
1. We are building a culture of **feedback, collaboration** and **openness** to **change** 2. This attitude helps foster relationships with both **internal and external customers** 3. We team up to create new solutions on an **interdisciplinary** basis as we identify with corporate **values** and **products** **4. We listen** to our employees and **engage** them in **innovative** projects	1. We implement cutting-edge tools to ensure optimum process **quality** and **efficiency** 2. We promote **digitisation and automation** to eliminate repeatability and use resources more efficiently 3. We use **data to predict** potential opportunities and **adapt** to the changing environment	1. Employees are our **greatest asset**, therefore every one of them is given **equal development and promotion** opportunities 2. We encourage **commitment** and **innovative** ideas through career development and succession programmes 3. We develop managers to effectively **manage**, inspire and **engage** their teams 4. We operate with **diversity** and **responsibility** in mind, building an attractive multinational work environment

Our values:

1. **Customer and product focus**
2. **Dynamism, enthusiasm, dedication**
3. **Openness and cooperation**
4. **Responsibility**
5. **Personal development**

The training topics covered include MS Excel, Basics of negotiations, Typology of personality, Public speeches, Situational leadership, Time management and Design Thinking.

Some of the companies of the Group also conduct online training courses, which provide access to knowledge to a wide group of recipients. Product trainings dedicated to the sales network, RODO, OHS, Information Security and manual trainings concerning the use of particular tools are conducted in the form of e-learning trainings.

Taking care of constant development of the managerial staff and effective use of the staff, we conduct a series of coaching meetings.

In 2019 the Training and Development Department was established, whose activities are mainly dedicated to Sales Network Employees. Three key training projects implemented by the coaching team are Effective Recruitment, Onboarding – so-called Adaptation Action and esize.me. The first two topics are group trainings, during which the managerial staff of the stores was trained. Effective Recruitment is training aimed at standardizing the process of recruitment and improving the quality thereof. The trainings were attended by 449 people. Onboarding – so-called Adaptation Action – training courses completed in the last quarter of 2019 were a supplement to the new standard and were aimed at:

- demonstrating the importance and impact of the Onboarding process on the effective functioning of the store and the Company;
- knowledge transfer – acquiring the ability to transfer knowledge and teach others;
- familiarizing with the Onboarding tools (standardization of the process of adaptation of new CCC Employees). The trainings were attended by 481 people.

During the implementation of the esize.me project, the coaching team prepared training materials for the stores operating this service and actively trained esize.me specialists in esize.me training stores.

RECRUITMENT AND TALENT ATTRACTION

As we invest in our employees on a long-term basis, we value their experience and commitment to work by promoting internal recruitment and succession. We start external recruitment when there are no people among our staff who meet the job requirements.

The aim of recruitment activities is to acquire the best candidates with the desired qualifications, who will carry out tasks effectively, show initiative and achieve the assumed goals. The recruitment process ensures equal opportunities for participants and objective assessment of candidates by using appropriate selection tools. Organizational issues of the recruitment process are standardized in the Recruitment Procedure.

We use a range of activities that go beyond standard recruitment advertisements in order to reach potential candidates with a job offer. We cooperate with universities in Poland, take part in job fairs, create recruitment campaigns in social media, search and contact potential candidates directly, cooperate with Job Centres, local websites and the press.

In 2019, a new Recruitment Procedure was implemented to improve the recruitment and employment process for employees of office administration, warehouses and sales networks. Additionally, Recruitment Standards were developed to standardize the process and improve the quality of recruitment. Additionally, materials supporting Store Managers in the recruitment process were created. We have completed a series of e-learning trainings dedicated to Store Managers, Deputy Store Managers and Sales Leaders on Recruitment Standards: tools and techniques for recruitment and selection. The training was attended by 1,236 people in total.

Caring for the attractiveness of CCC as a friendly and innovative Employer the Employee Recommendation Program was continued in 2019. Moreover, a new career website was launched: kariera.ccc.eu, thanks to which CCC builds a credible image of the employer by promoting the statements of employees from different business areas and providing more information about the characteristics of individual areas.

To ensure the best possible communication with candidates in the recruitment processes, we use the so-called Applicant Tracking System (ATS), which allows for efficient management of the recruitment process from the creation of an advertisement to choosing the best candidate.

The CCC Group is committed to the internal development of its employees, so each recruitment process is launched internally and communicated to employees of the sales network, warehouses and office administration staff. CCC also maintains cooperation with Employment Offices throughout Poland in the field of organizing internships. In 2019, 117 contracts for organizing internships for the unemployed were signed.

COMMUNICATION

Implementation of the Intranet for CCC employees in Poland was an important step in the development of communication within the company. The Intranet allowed to unify communication with employees and became a key place for exchanging information concerning various business areas. One of the components of the Intranet is a training platform, on which a series of e-learning trainings on sales standards was launched. We are currently implementing this platform in other markets.

We listen to the opinions of our Employees. The Company periodically conducts job satisfaction surveys in order to identify areas where activities aimed at improving employee satisfaction and involvement should be focused. In 2019 a satisfaction and commitment survey was conducted.

The Group operates in a multi-channel communication scheme, which allows its employees to be informed about the current changes and development plans of the Group. In addition every two year a job satisfaction survey is carried out, which enables us to identify the needs of our employees and eliminate the reported shortcomings, the survey increases employee commitment and strengthens our market position. The CCC Group is driven by high ethical values therefore the Company has a Code of Ethics implemented. The Code defines the principles in relations with co-workers as well as suppliers and contractors. The main purpose of the Code is to enable the implementation of processes and procedures to prevent the occurrence of violations, as well as to take action in the event of the occurrence of events in violation of law, regulations and ethical standards.

9.
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.

THE CCC GROUP IS THE FIRST GLOBAL PARTNER OF UNICEF FROM POLAND

The funds transferred shall be used for the purposes of saving lives of children in the world and supporting education in developing countries. The partnership between CCC and UNICEF is unique since combines the sports and business aspects. Under the partnership, cyclists wear T-shirts with logo UNICEF, promoting the UNICEF mission of supporting children For every single kilometer ridden during trainings and competitions CCC transfers 1 US dollar to UNICEF. CCC supports UNICEF in order to help children to fully realize their potential and fulfill their dreams and passions. The funds from CCC contribute to UNICEF's so-called Regular Resources, which are funds designed to help the most deprived children. They enable UNICEF to respond quickly and effectively to humanitarian crisis or child rights abuses around the world.

These funds shall also serve to ensure that every child has the opportunity to live and develop in a safe and clean environment and to realise his or her potential. The partnership also aims to raise awareness of UNICEF's mission through various activities of store and bicycle teams and to express the brand partnership.

NON-FINANCIAL INFORMATION CONCERNING 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 concerning the Group.

The CCC Group's non-financial report, which is an integral part of the annual report on the operations, contains information on the Group's business model, key non-financial performance indicators related to the Group's operations, policies used by the Group in relation to social, employment, environmental issues, respect for human rights and counteracting corruption along with a description of the results of their application, as well as due diligence procedures.

Also presented are the risks associated with the Group's operations and the manner of managing them. The non-financial report was developed in accordance with the methodology of the Global Reporting Initiative (GRI) reporting guidelines, version GRI standards, according to the CORE application option.

The collected information may serve the most important interests 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/

10.
STATEMENTS OF THE MANAGEMENT BOARD

10.1 STATEMENT OF THE MANAGEMENT BOARD ON THE FAIRNESS OF THE FINANCIAL STATEMENTS

To the best knowledge of the Management Board of CCC S.A., the annual consolidated 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 report on the operations of CCC S.A. includes true view of the development and achievements of the Company, including basic risks and threats.

10.2 STATEMENT OF THE SUPERVISORY BOARD AND INFORMATION ON THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

Based on §70 paragraph 1 point 7 and §71 paragraph 1 point 7 of the Regulation of the Minister of Finance dated 29 March 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by laws of a non-member state. Supervisory Board of CCC S.A. stated that:

on 28 February 2019, selected the audit firm, i.e. Ernst & Young Audyt Polska sp. o.o. Limited Partnership with its registered office in Warsaw, 1 Rondo ONZ Street, entered into the list of entities authorized to audit financial statements, kept by the National Council of Statutory Auditors, number 130 (hereinafter: „auditing firm"), to review the semi-annual financial statements of CCC S.A. and semi-annual consolidated financial statements of the CCC S.A. Capital Group, as well as an audit of the unit financial statements of CCC S.A. and consolidated financial statements of the CCC S.A. Capital Group. for the years 2019-2021.

The auditing company authorized to audit financial statements, which audits the annual standalone and consolidated financial statements for 2019, was selected in accordance with the law,

the auditing company and the statutory auditors, per¬forming audits of annual reports, met the conditions for drawing up an impartial and independent audit report on the standalone and consolidated financial statements for 2019, in accordance with applicable regulations, professional standards and professional ethics,

in CCC S.A. and the Capital Group CCC S.A. the applicable regulations regarding the rotation of the auditing company and the key statutory auditor and mandatory grace periods,

CCC S.A. has a policy regarding the selection of an audit firm and a policy for providing the issuer by an auditing company, an entity related to an auditing company or a member of its chain of additional non-audit services, including conditionally exempt services from an audit firm.

Based on §70 paragraph 1 point 14 and §71 paragraph 1 point 12 of the Regulation of the Minister of Finance dated 29 March 2018 regarding current and periodic information published by issuers of securities and conditions for reco¬gnizing as equivalent information required by the law of a non-member state. Supervisory Board of CCC S.A. and art. 382 § 3 of the Code of Commercial Companies stated that:

The Supervisory Board made an assessment submitted by the Management Board:

- reports on the operations of the Company and Capital Group CCC S.A. for 2019,
- standalone financial statements of CCC S.A. for 2019,
- consolidated financial statements of the CCC S.A. Capital Group for 2019.

[in mln PLN unless otherwise stated]

As a result of the assessment, the Supervisory Board concluded that the report on the activities of the Company and the Capital Group for 2019 in all material aspects corresponds to the requirements specified in art. 49 and art. 55 section 2a of the Accounting Act and the Ordinance of the Minister of Finance of 29 March 2019 regarding current and periodic information provided by issuers of securities and conditions for recognizing information required by the law of non-member countries as equivalent, and the information contained therein is consistent with information contained in the audited standalone financial statements of the Company and the consolidated financial statements of the CCC SA Group for 2019.

In addition, the Supervisory Board assesses that the standalone financial statements for the financial year 2019 presented by the Management Board of the Company, the consolidated financial statements for the financial year 2019 and the report on the activities of the Company and the Capital Group for 2019 provide all the necessary and important for the assessment of the financial situation. The companies and the Capital Group as at 31 December 2018, as well as in accordance with the record books, documents and the actual state.

The Supervisory Board made a positive assessment of the standalone financial statements for the financial year 2019, the consolidated financial statements for the financial year 2019 and the reports on the operations of the Company and the Capital Group for 2019 on the basis of:

- content of the above reports submitted by the Company's Management Board;
- reports of an independent chartered auditor, i.e. Ernst & Young Audyt Polska sp. o.o. Limited Partnership with its registered office in Warsaw from the audit of the standalone financial statements of the Company and the consolidated financial statements of the CCC S.A. Capital Group. as at 31 December 2019 as well as the additional report for the Audit Committee prepared on the basis of art. 11 Regulation of the European Parliament and of the Council (EU) No 537/2014 of 16.04.2014 on detailed requirements regarding statutory audit of financial statements of public-interest entities, repealing the decision of the commission 2005/909 and pursuant to the provisions of the Act of 11 May, 2017 about statutory auditors, audit firms and public supervision;
- meetings with representatives of the above auditing company, including the key certified auditor;
- information of the Audit Committee on the course, results and the importance of research for reliable reporting in the Company and the role of the Committee in the process auditing financial statements;
- the results of other verification activities carried out in selected financial and operational areas.

AUDITOR'S REMUNERATION	01.2019-12.2019	01.2018-12.2018
CAPITAL GROUP CCC AND CCC S.A.		
Examination and reviews of financial statements	0,4	0,6
Total	0,4	0,6
SUBSIDIARIES		
Examination and reviews of financial statements	0,3	0,1
Total	0,3	0,1
TOTAL	0,7	0,7

11.
OTHER INFORMATION

11.1 INFORMATION ON BRANCHES (FACILITIES) OWNED BY THE UNIT

The Parent company does not own any branches (facilities).

11.2 KEY ACHIEVEMENTS IN RESEARCH

Not applicable.

11.3 DESCRIPTION OF THE STRUCTURE OF MAIN CAPITAL DEPOSITS OR MAIN CAPITAL INVESTMENTS MADE WITHIN THE ISSUER'S CAPITAL GROUP IN THE GIVEN FINANCIAL YEAR.

Subsidiaries did not make any significant deposits or capital investment during 12 months ended 31 December 2019.

11.4 BASIS OF THE PREPARATION OF THE REPORTS ON THE OPERATIONS OF THE GROUP CCC

This report on the operations of CCC SA covers the reporting period from 1 January to 31 December 2019 and the comparative period from 1 January to 31 December 2018.

The report on the operations was prepared in compliance with the standalone financial statements as well as current and periodic reports.

The content of the report on the operations of CCC S.A. complies with § 71 paragraph 3 and 4 of the Decree of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent and containing the required elements specified in § 68 subparagraph 5-6 for issuers engaged in manufacture, construction, commercial or service activities.

The provisions set out in the Act of 29 September 1994 on accounting specified in art. 55 item 2 point 5 in connection with art. 49 paragraph 2 and 3 and art. 63 d.

In the case of the Regulations of the Warsaw Stock Exchange S.A. the provisions of § 29 paragraph 1, 2, 3 and 5 shall apply.

11.5 AGREEMENTS CONCLUDED BETWEEN THE ISSUER AND MANAGERIAL PERSONS

The above mentioned agreements were not concluded between the Issuer and managing persons.

11.6 PROCEEDINGS PENDING AT COURT, ARBITRATION AUTHORITY OR PUBLIC ADMINISTRATION BODY

Companies of the CCC S.A. Capital Group are not a party to the court proceedings, which value would exceed 10% of the Group's equity.

11.6.1 ACQUISITION OF OWN SHARES

In the reporting period the Company CCC S.A. did not make an acquisition of own shares.

11.6.2 INDICATION OF ANY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS IN THE ISSUER'S COMPANY

In the reporting period, there were no restrictions on the exercising voting rights in the company of the Issuer.

12.
SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE THAT MAY AFFECT THE ISSUER'S FUTURE FINANCIAL RESULTS

SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

As of the date of approval for publication of this consolidated financial statement there were no material events after the reporting date, which would not be included in these financial statements. Events after the balance sheet date are presented below:

On 29 January 2020 the Management Board of CCC S.A. informed that on 29 January 2020 adopted the strategy of the CCC Capital Group for the years 2020-2022 „GO.22", including a summary of the main directions of its development (Current Report 4/2020).

On 7 January 2020 the Group exercised its option to acquire (call I) 24% stake in the share capital of DeeZee Sp. z o.o. for PLN 7 million.

THE STATEMENTS ON OPERATIONS OF CCC S.A. APPROVED FOR PUBLICATION BY THE MANAGEMENT BOARD OF THE COMPANY ON 6 MARCH 2020 AND SIGNED ON BEHALF OF THE MANAGEMENT BOARD BY:		
SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS		
Marcin Czyczerski	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Karol Półtorak	Vice-President of the Management Board	

Polkowice, 6 March 2020