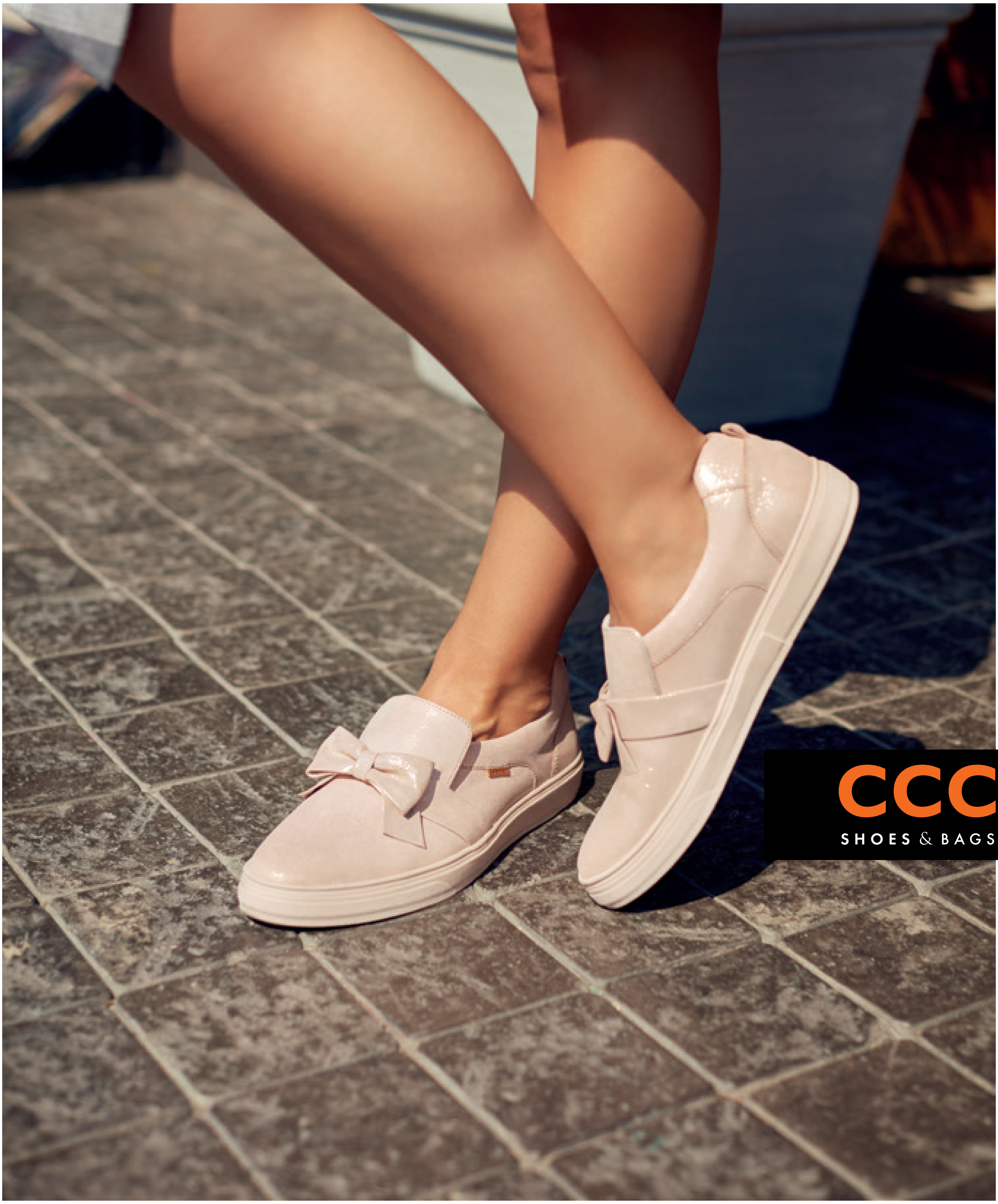
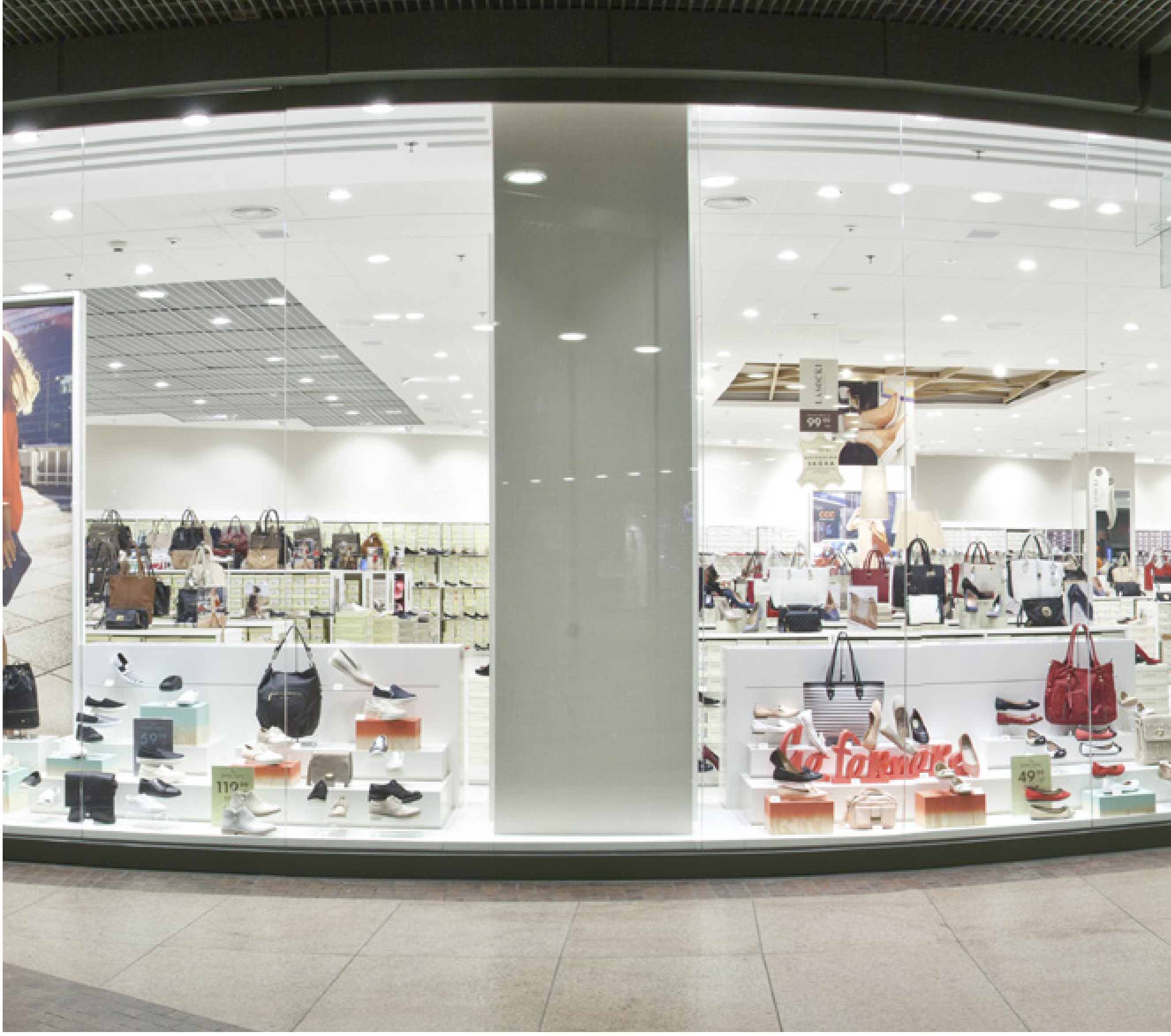
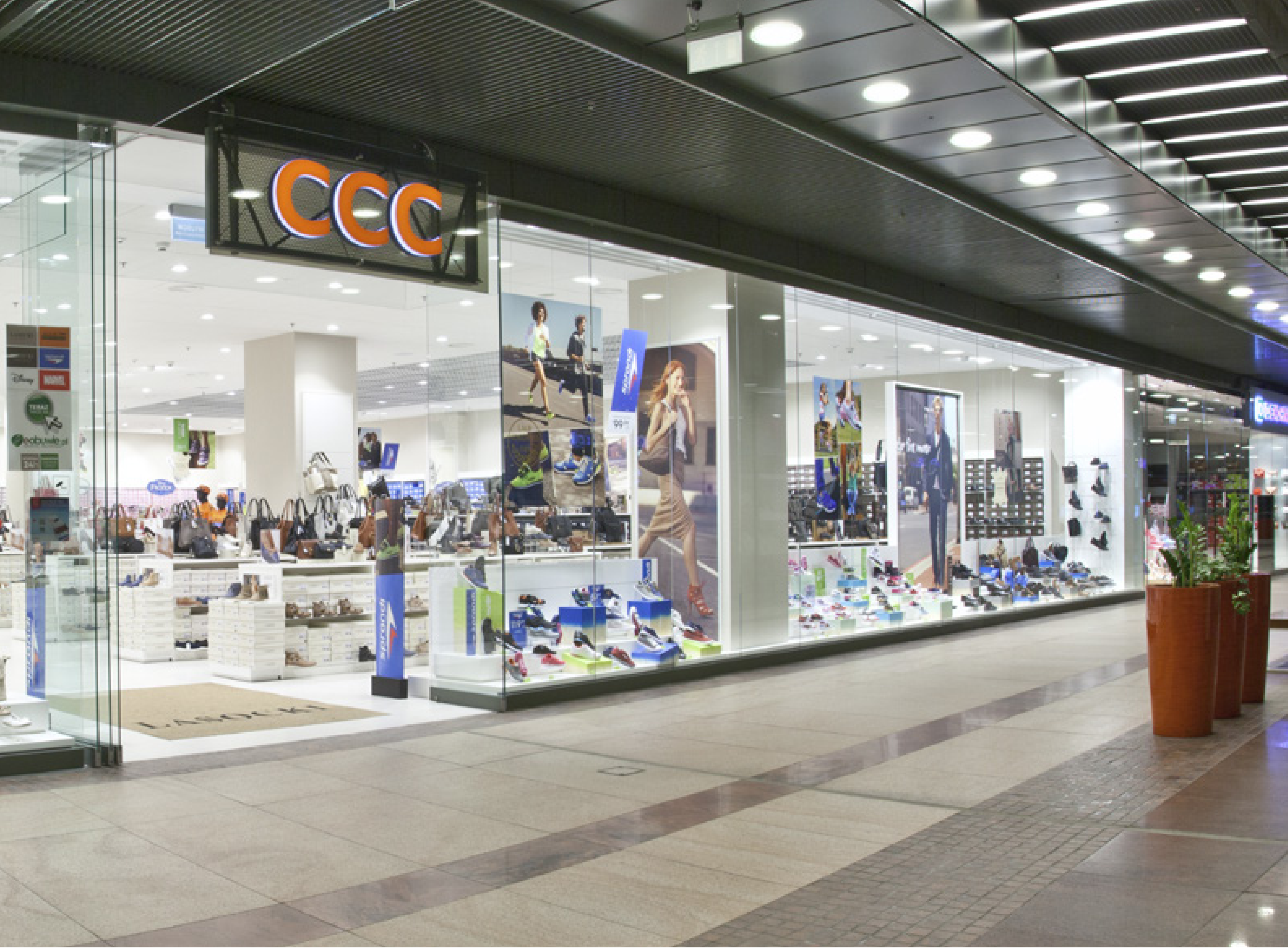
CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP CCC S.A.

FOR THE PERIOD 01.01.2017 – 31.12.2017



CCC
SHOES & BAGS





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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

NOTE		01.2017-12.2017	01.2016-12.2016
			CONVERTED DATA
2	Sales revenue	4 194,0	3 185,3
3.1	Cost of sale of goods	(2 044,1)	(1 505,2)
	Gross profit (loss) on sale	2 149,9	1 680,1
3.1	Cost of operating stores	(1 158,6)	(931,3)
3.1	Other cost of sale	(464,1)	(292,6)
3.1	Administrative expenses	(109,3)	(109,0)
3.2	Other cost and operating revenue	(13,4)	26,2
	Operating profit (loss)	404,5	373,4
3.2	Finance revenue	3,2	4,1
3.2	Finance cost	(66,9)	(31,5)
	Profit (loss) before tax	340,8	346,0
3.3	Income tax	(38,5)	(286,3)
	NET PROFIT (LOSS)	302,3	59,7
	Attributable to shareholders of the parent company	286,9	50,7
	Attributable to non – controlling interests	15,4	9,0
	Other comprehensive income		
	Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities	(3,1)	2,5
	Actuarial profit / (losses) related to employee benefits	(0,3)	—
	Non-attributable to be reclassified to result:	(0,3)	—
	Total net comprehensive income	(3,3)	2,5
	TOTAL COMPREHENSIVE INCOME	299,0	62,2
	Attributable to shareholders of the parent company	283,6	53,2
	Attributable to non-controlling interests	15,4	9,0
	Weighted average number of ordinary shares (mln pcs)	41,2	39,2
	Basic earnings per share (in PLN)	7,3	1,5
	Diluted earnings per share (in PLN)	7,3	1,5

i MORE INFORMATION IN SECTION **3.1.1.1** IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NOTE		31.12.2017	31.12.2016	01.01.2016
			CONVERTED DATA	CONVERTED DATA
5.1	Intangible assets	197,5	181,2	5,9
	Goodwill	106,2	106,2	—
5.2	Tangible fixed assets – investments in stores	393,0	358,6	307,0
5.2	Tangible fixed assets – factory and distribution	323,8	251,9	227,3
5.2	Tangible fixed assets – other	70,2	69,1	57,6
3.3	Deferred tax assets	63,4	60,1	312,5
4.2	Loans granted	—	—	10,0
	Total non-current assets	1 154,1	1 027,1	920,3
5.3	Inventories	1 417,7	1 019,7	680,5
5.4	Trade receivables	95,7	89,3	51,3
	Income tax receivables	25,8	12,1	6,8
4.2	Loans granted	9,1	11,1	18,0
	Other receivables	155,4	98,2	54,5
5.5	Cash and cash equivalents	511,6	143,4	340,6
	Financial derivative instruments	0,5	—	—
	Total current assets	2 215,8	1 373,8	1 151,7
	TOTAL ASSETS	3 369,9	2 400,9	2 072,0
4.2	Debt liabilities	436,0	366,0	296,0
	Deferred tax liabilities	33,2	34,1	6,4
5.7	Provisions	9,4	7,2	6,5
4.2	Grants received	21,3	23,5	26,1
4.3	Obligation to repurchase non-controlling interests	777,9	229,6	—
	Total non-current liabilities	1 277,8	660,4	335,0
4.2	Debt liabilities	481,1	429,5	422,8
5.6	Trade liabilities	235,8	174,3	78,1
5.6	Other liabilities	166,6	137,6	100,4
3.3	Income tax liabilities	26,6	16,8	15,8
5.7	Provisions	11,3	6,8	4,1
4.2	Grants received	2,4	4,4	2,6
	Total current liabilities	923,8	769,4	623,8
	TOTAL LIABILITIES	2 201,6	1 429,8	958,8
	NET ASSETS	1 168,3	971,1	1 113,2
	Equity			
3.3	Share capital	4,1	3,9	3,9
	Share premium	644,9	119,2	74,5
	Exchange rate differences from the translations	(1,3)	1,8	(2,0)
	Actuarial valuation of employee benefits	(0,3)	—	—
	Retained earnings	453,1	793,8	1 036,8
	Equity attributable to the shareholders of the parent entity	1 100,5	918,7	1 113,2
	Non-controlling interests	67,8	52,4	—
	TOTAL EQUITY	1 168,3	971,1	1 113,2

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTE		01.2017-12.2017	01.2016-12.2016
			CONVERTED DATA
	Profit before tax	340,8	346,0
5.2	Amortization and depreciation	92,7	72,7
	Loss on investment activity	1,6	(12,1)
4.3	Cost of borrowings	31,2	21,6
4.1	Other adjustments to profit before tax	41,8	34,8
3.3	Income tax paid	(46,6)	(31,1)
	Cash flow before changes in working capital	461,5	431,9
	Changes in working capital		
5.3	Change in inventory and inventory write-downs	(398,0)	(291,8)
4.4	Change in receivables	(64,1)	(72,3)
4.4	Change in current liabilities, excluding borrowings	78,8	106,9
	Net cash flows from operating activities	78,2	174,7
	Proceeds from the sale of tangible fixed assets	25,4	16,4
5.4	Repayment of loans granted and interest	2,0	4,0
5.2, 5.1	Purchase of intangible and tangible fixed assets	(244,7)	(160,0)
5.4	Loans granted	—	(0,1)
	Purchase of investment in eobuwie S.A.	(5,0)	(222,3)
	Net cash flows from investing activities	(222,3)	(362,0)
4.2	Proceeds from borrowings	121,6	114,8
4.1	Dividends and other payments to owners	(101,4)	(85,7)
4.2	Repayment of borrowings	—	(62,1)
4.2	Interest paid	(31,2)	(21,6)
	Proceeds from the issue of shares	525,8	44,7
	Net cash flows from finance activities	514,8	(9,9)
	TOTAL CASH FLOWS	370,7	(197,2)
	Net increase/decrease of cash and cash equivalents	368,2	(197,2)
	Exchange rate changes on cash and cash equivalents	(2,5)	—
	Cash and cash equivalents at beginning of period	143,4	340,6
	Cash and cash equivalents at the end of period	514,1	143,4

i MORE INFORMATION IN SECTION 3.1.1.3 IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON – CONTROLING INTERESTS	TOTAL EQUITY
CONVERTED DATA	PRZYPADAJĄCY AKCJONARIUSZOM JEDNOSTKI DOMINUJĄCEJ						
As of 01.01.2016	3,9	74,5	1 047,2	(2,0)	—	—	1 123,6
Adjustments of errors	—	—	(10,5)	—	—	—	(10,5)
As of 01.01.2016 after adjustments	3,9	74,5	1 036,7	(2,0)	—	—	1 113,1
Net profit for the period	—	—	59,7	—	—	—	59,7
Net profit attributable to non-controlling interests	—	—	(9,0)	—	—	9,0	—
Exchange rate differences from the translations	—	—	—	3,8	—	—	3,8
Total comprehensive income	—	—	50,7	3,8	—	9,0	63,5
Dividend payment	—	—	(85,7)	—	—	—	(85,7)
Valuation of employee option scheme	—	—	14,5	—	—	—	14,5
Issue of shares	—	44,7	—	—	—	—	44,7
Total transactions with owners	—	44,7	(71,2)	—	—	—	(26,5)
Obligation to purchase of own shares of eobuwie.pl S.A.	—	—	(222,5)	—	—	—	(222,5)
Non-controlling shares	—	—	—	—	—	43,4	43,4
As of 31.12.2016 (01.01.2017)	3,9	119,2	793,8	1,8	—	52,4	971,1
Net profit for the period	—	—	302,3	—	—	—	302,3
Actuarial valuation of employee benefits	—	—		—	(0,3)	—	(0,3)
Net profit attributable to non-controlling interests	—	—	(15,4)	—	—	15,4	—
Exchange rate differences from the translations	—	—	—	(3,1)	—	—	(3,1)
Total comprehensive income	—	—	286,9	(3,1)	(0,3)	15,4	299,0
Wypłata dywidendy	—	—	(101,4)	—	—	—	(101,4)
Valuation of employee option scheme	—	—	8,2	—	—	—	8,2
Emisja akcji	0,2	525,7	—	—	—	—	525,9
Total transactions with owners	0,2	525,7	(93,2)	—	—	—	432,7
Commitment to purchase own shares of eobuwie.pl S.A.	—	—	(534,4)	—	—	—	(534,4)
As of 31.12.2017 (01.01.2018)	4,1	644,9	453,1	(1,3)	(0,3)	67,8	1 168,3

In the reporting period, the Group issued shares.At the balance sheet date the share capital was paid and registered. For more information see note 4.1.

Obligation to acquire the shares of eobuwie.pl S.A. is described in detail in note 6.2.

[in PLN million unless otherwise stated]

NOTES

1. GENERAL INFORMATION

Name of the company:	CCC Spółka Akcyjna
Headquarters:	ul. Strefowa 6, 59-101 Polkowice
Registration:	District Court for Wrocław-Fabryczna in Wrocław, IX Commercial Division of the National Court Register,
National Court Register/ KRS/:	0000211692
Corporate purpose:	The Group's primary corporate purpose according to the European Classification of Economic Activities is wholesale and retail trade of clothing and footwear (ECEA 5142).

The consolidated financial statements of the Capital Group CCC S.A. (hereinafter: CG or Group) cover the year ended on 31st December 2017 and contain like-for-like data for the period of 12 months ended on 31st December 2016. Due to the introduced retrospective correction of the error in the statements of financial position (see Note 3.3 pkt e), the opening balance of the earliest period presented, i.e. as of 1st January 2016, is also presented.

The Company CCC S.A. (a parent company in the Capital Group CCC S.A. (hereinafter: a Parent Company) has been listed on the Warsaw Stock Exchange S.A. in Warsaw since 2004.

The consolidated financial statements is prepared in accordance with International Financial Reporting Standards as adopted by the European Union („IFRS"). Items included in the financial statements of each Group's entities are measured using the currency of the primary economic environment in which the entity operates („the functional currency"). The consolidated financial statements are presented in PLN currency, which is the functional currency of the Company and the Group's presentation currency. The financial statements is prepared under the method of historical cost.

The consolidated financial statements were approved to be published by the Management Board on 26.03.2018.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management Board to make their own assessments within applying the accounting policies adopted by the Company. Significant estimates of the Management Board are presented in individual notes.

The most important accounting principles applied in the preparation of these financial statements are presented in the context of successive individual notes. These principles were applied in all presented years in a continuous manner. The list of the most important accounting policies and estimates and judgments for each item of reports on financial results and financial position are presented below:

[in PLN million unless otherwise stated]

NOTE	TYTUŁ	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
2	Sales revenue	T		18
3.1	Cost of sales of goods	T		24
3.1	Cost of operating stores	T		24
3.1	Other cost of sales	T		24
3.1	Administrative expenses	T		24
3.1	Operating leasing	T	T	26
3.2	Other operating and finance costs and revenues	T		27
3.3	Income tax	T	T	28
3.3	Deferred tax assets	T	T	30
3.3	Income tax liabilities	T		30
4.1.1	Equity	T	T	37
4.2	Debt liabilities	T		40
5.1	Intangible assets	T	T	44
5.2	Tangible fixed assets	T	T	46
5.2	Grants received	T		46
5.3	Inventories	T	T	49
5.4	Loans granted	T		51
5.4	Trade receivables	T		51
5.4	Other receivables	T		51
5.5	Cash and cash equivalents	T		52
5.6	Trade liabilities	T		53
5.6	Other liabilities	T		53
5.7	Provisions	T		54
6.1	Financial instruments	T		56
6.3	Cost of incentive program	T	T	64

Regulations regarding a value added tax on goods and services, a corporate income tax and social security burdens are subject to frequent changes. These frequent changes result in the lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could be applicable. The binding provisions also contain ambiguities that cause differences in opinions as to the legal interpretation of tax regulations, both between state authorities as well as state authorities and enterprises.

Tax settlements and other areas of activity (for example, customs or currency issues) may be subject to control by authorities that are entitled to impose high fines and penalties, and any additional tax liabilities resulting from such control shall be paid together with high interest. These conditions mean that the tax risk in Poland is higher than in countries with a more mature tax system.

As a consequence, the amounts presented and disclosed in the financial statements may change in the future as a result of the final decision of the tax control authority.

As of 15 July 2016, the amendments to the Tax Code were introduced to take into account the provisions of the General Anti-Abuse Rule (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an act performed primarily to obtain a tax advantage that is contrary to the circumstances under consideration with the subject and purpose of the tax act. According to GAAR, such an activity does not result in gaining a tax advantage if the method of operation was artificial. Any occurrence of (i) unjustified dividing of operations, (ii) engaging intermediaries in the absence of economic or commercial justification, (iii) mutually eliminating or compensating elements, and (iv) other activities with a similar effect to those previously mentioned may be treated as a prerequisite for the existence of artificial activities subject to the GAAR regulations. The new regulations will require much greater judgment in assessing the tax consequences of individual transactions.

The GAAR clause should be applied to the transactions made after its entry into force and to transactions that were carried out prior to the entry into force of the GAAR clause, but for which benefits have been or are still being achieved after the entry into force of the clause. The implementation of the aforementioned provisions will enable the Polish tax inspection authorities to question the legal arrangements and arrangements made by legal taxpayers, such as the restructuring and reorganization of the group.

The Group recognizes and measures assets and liabilities due to current and deferred income tax, applying the requirements of IAS 12 Income tax based on profit (tax loss), a tax base, unsettled tax losses, unused tax credits and tax rates, including uncertainty assessments related to tax settlements.

When there is uncertainty as to whether and to what extent the tax authority will accept individual tax settlements of the transaction, the Group recognizes these settlements taking into account the uncertainty assessment.

APPLIED NEW AND REVISED ACCOUNTING STANDARDS:

The accounting principles (policies) applied to prepare these financial statements are consistent with those applied to the preparation of the Company's financial statements for the year ended 31 December 2016, except for the ones presented below. The following amendments to IFRS were applied to these financial statements in accordance with their effective date, however, they did not have a significant impact on the presented and disclosed financial information or did not apply to transactions concluded by the Group.

STANDARD	DESCRIPTION OF AMENDMENTS
IAS 12 „Recognition of deferred tax assets for unrealized losses"	The changes clarify issues related to the creation of negative temporary differences in the case of debt instruments valued at fair value, an estimate of the likely future taxable income and an assessment of whether the income generated will allow to realize negative temporary differences. The changes are of a retrospective application.
IAS 7 „Disclosure Initiative"	The changes require the entity to disclose information that enables users of financial statements to evaluate changes in liabilities arising from financing activities. No comparative information is required for previous periods.
IFRS 12 „Disclosures of Interest in Other Entities" being a part of „Changes resulting from the review of IFRSs 2014-2016"	The changes clarify that the requirements defined in the standard also apply to the entity's interest in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), affiliates or structured units not subject to consolidation, which are classified (or included in the group for disposal, which is classified) as meant for disposal or as discontinued operations in accordance with IFRS 5 Non-current assets meant for disposal and discontinued operations.

[in PLN million unless otherwise stated]

PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE NOT EFFECTIVE YET AND HAD NOT BEEN EARLY ADOPTED BY THE GROUP

In these financial statements, the Group did not decide on early application of the published standards, interpretations or amendments to existing standards before their effective date.

The Group analysed the impact of all of said, unapplied earlier standards, with particular emphasis on the following new standards:

STANDARD	MAIN AMENDMENTS AND THE EFFECTIVE DATE
IFRS 9 „Financial instruments"	International Financial Reporting Standard 9 Financial instruments („IFRS 9"). IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment and hedge accounting. It applies to annual periods beginning on 1 January 2018 and later, with the possibility of earlier application. The Group applies IFRS 9 from the effective date of the standard, without transforming the like-for-like data. In 2017, the Group carried out a detailed assessment of the impact of the introduction of IFRS 9 on the accounting principles (policy) applied by the Group with respect to the operations of the Group or its financial results. This assessment is based on currently available information and may be subject to changes resulting from the acquisition of rational and documentable additional information during the period when the Group applies IFRS 9 for the first time. As a result of the application of IFRS 9, the classification of some financial instruments will change. The Group does not expect a material impact on the statements of financial position and equity in connection with the application of IFRS 9 in the area of classification and valuation. It is expected that all financial assets so-far measured at fair value will continue to be measured at fair value. The Group continues to consult and analyze the impact of the application of the standard. The final impact will be presented in the report for 2018 when the application of the standard will be effective. Trade receivables are maintained in order to obtain cash flows resulting from the agreement, and the Group does not sell trade receivables as part of factoring – they will continue to be measured at amortized cost by the financial result. The company benefits from practical exemption and for trade receivables under 12 months, it does not identify significant elements of financing. In the case of trade receivables, the Group estimates that due to the nature of receivables, an impairment loss along with the related deferred tax asset will not change significantly. The main prerequisite for such a statements is directing the sales for cash sales. The application of IFRS 9 will not have a significant impact on the Group's financial statements. Effective date: 1 January 2018. (approved by the European Union)
IFRS 15 „Revenue from Contracts with Customers"	IFRS 15 establishes the so-called The Five-Steps Model for recognizing revenues resulting from contracts with customers. In accordance with the above standard, revenues are recognized in the amount of remuneration that the entity is entitled to in exchange for transferring the promised goods or services to the customer. The new standard replaces the existing requirements for recognizing revenues in accordance with IFRS. The standard applies to annual reporting periods beginning on 1 January 2018 and later with the possibility of earlier application. IFRS 15 introduces new requirements regarding the presentation and disclosure. The fundamental principle of the new standard is to recognize revenue at the time of transferring goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished within the package, should be recognized separately, moreover, any discounts and rebates relating to the transaction prices should in principle be allocated to the individual elements of the package. Recognition and measurement requirements in accordance with IFRS 15 also apply to the recognition and measurement of profit/loss from the sales of non-financial assets (such as property, plant and equipment and intangible assets), if such sales do not take place in the ordinary course of business. In accordance with the requirements of IFRS 15, the Group presents recognized revenues from contracts with customers, broken down into categories, which reflect the manner in which economic factors affect the nature, amount, payment date and uncertainty of revenues and cash flows. It also discloses comprehensive information that will enable users of financial statements to understand the relationship between the disclosure of revenue divided into categories and the revenue information that the entity discloses for each reporting segment.

[in PLN million unless otherwise stated]

STANDARD	MAIN AMENDMENTS AND THE EFFECTIVE DATE
IFRS 15 „Revenue from Contracts with Customers"	The company applies IFRS 15 from the effective date of the standard, using the simplified method. Sales revenues The company operates in the area of: a) Retail sales of goods The contract contains only one obligation to perform the service – sales of the goods, therefore, the Group assesses that the impact of adopting IFRS 15 on the recognition of revenues and the Group's financial results under such agreements will not be material. Revenue will be recognized at a specific moment, i.e. when the customer obtains control over the goods. As part of the assessment of the impact of the introduction of IFRS 15, the Company considered, inter alia, the following aspects: i. Variable remuneration In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the customer and includes a part or all of the variable remuneration in the transaction price only to such extent, in which there is a high probability that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues when the uncertainty about the amount of variable remuneration shall cease. • The right to return The Group grants customers the right to return unused goods within 7 days from the date of purchase. In the Group's opinion, the impact of adopting IFRS 15 should not be material. i. Guarantees The Group provides a guarantee for the goods sold. Typically, guarantees are the assurance for the customer that the product complies with the specifications set by the parties and does not constitute an additional service. The Company does not apply additional regulations or agreements in this matter, therefore, as a consequence, the existing guarantees will be further recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, see Note 5.7 As a result, the Company expects no impact of adopting IFRS 15 on the consolidated financial statements for the year ended 31 December 2017 b) Wholesale of goods The contract contains only one obligation to perform the service – sales of the goods, therefore, the Group assesses that the impact of adopting IFRS 15 on the recognition of revenues and the Group's financial results under such agreements will not be material. Revenue will be recognized at a specific moment, i.e. when the customer obtains control over the goods. As part of the assessment of the impact of the introduction of IFRS 15, the Company considered, inter alia, the following aspects: i. Guarantees The Group provides a guarantee for the goods sold. Typically, guarantees are the assurance for the customer that the product complies with the specifications set by the parties and does not constitute an additional service. The Company does not apply additional regulations or agreements in this matter, therefore, as a consequence, the existing guarantees will be further recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. As a result, the Company expects no impact of adopting IFRS 15 on the consolidated financial statements for the year ended 31 December 2017 c) E-commerce sales The contract contains only one obligation to perform the service – sales of the goods, therefore, the Group assesses that the impact of adopting IFRS 15 on the recognition of revenues and the Group's financial results under such agreements will not be material. Revenue will be recognized at a specific moment, i.e. when the customer obtains control over the goods.

[in PLN million unless otherwise stated]

STANDARD	MAIN AMENDMENTS AND THE EFFECTIVE DATE
IFRS 15 — Revenue from Contracts with Customers"	As part of the assessment of the impact of the introduction of IFRS 15, the Company considered, inter alia, the following aspects: i. Variable remuneration In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the customer and includes a part or all of the variable remuneration in the transaction price only to such extent, in which there is a high probability that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues when the uncertainty about the amount of variable remuneration shall cease. • The right to return The Group grants customers the right to return unused goods within 30 days from the date of purchase. Therefore, the Group estimates a potential write-down on this account and recognizes it on an ongoing basis in the financial result. In the Group's opinion, the impact of adopting IFRS 15 should not be material. i. Guarantees The Group provides a guarantee for the goods sold. Typically, guarantees are the assurance for the customer that the product complies with the specifications set by the parties and does not constitute an additional service. The Company does not apply additional regulations or agreements in this matter, therefore, as a consequence, the existing guarantees will be further recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. As a result, the Company expects no impact of adopting IFRS 15 on the consolidated financial statements for the year ended 31 December 2017 Recognition and measurement requirements in accordance with IFRS 15 also apply to the recognition and measurement of profit/loss from the sales of non-financial assets (such as property, plant and equipment and intangible assets) when such sales do not take place in the ordinary course of business. In the Company's opinion, the impact of adopting IFRS 15 should not, however, be significant. Effective date: 1 January 2018. (approved by the European Union)
IFRS 16 „Leases"	IFRS 16, which replaced IAS 17 Leases, IFRIC 4 Determining whether the contract includes leasing, SKI 15 Operating leases – special promotional offers and SIC 27 Assessment of the nature of transactions using the form of leasing. IFRS 16 sets out the principles for recognizing a lease in terms of valuation, presentation and information disclosure. The new standard establishes rules for the recognition, measurement, presentation and disclosure regarding the lease. All leasing transactions result in obtaining the lessee's right to use the assets and liabilities arising from the obligation to pay. IFRS 16 introduces a single model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of a low value. On the date of the commencement, the lessee recognizes an asset component due to the right of use of the underlying asset and a lease liability that reflects his obligation to make lease payments. The lessee separately recognizes depreciation of the asset component under the right of use and interest on the lease liability. The lessee updates the valuation of the lease liability after the occurrence of certain events (e.g. changes in the lease period, changes in future lease payments resulting from the change in the index or the rate used to determine these charges). As a rule, the lessee recognizes the revaluation of the lease liability as an adjustment to the asset's value due to the right of use. Lessor accounting in accordance with IFRS 16 remains substantially unchanged from current accounting in accordance with IAS 17. A lessor will continue to recognize all lease agreements using the same classification principles as in IAS 17, distinguishing between operating leases and finance leases. IFRS 16 requires broader disclosures from both the lessee and the lessor than in the case of IAS 17. A lessee has the right to choose a full or modified retrospective approach, and IFRS 16 is effective for annual periods beginning on 1 January 2019 and later. In the opinion of the Management Board, IFRS 16 Leases has significant impact on the Group's financial statements, based on the analysis performed. As part of the distribution activity the Group leases the premises where it sells its owngoods. Lease of stores is currently recognized in the financial statements of theGroups as operating lease. Pursuant to the rules introduced by IFRS 16, the Group will have to recognize assets and liabilities due to this type of agreements in the statements on financial position. Currently, operating lease payments are recognized in operating cost as the lease period expires. However, after the implementation of IFRS 16, the assets from the lease will be amortized on a linear basis, while liabilities from lease contracts will be settled with the effective interest rate. The Management Board of CCC S.A. has not yet made a formal decision on, earlier than applicable, date of application of this standard. In addition, the works are underway aimed at implementing tools that allow accurate estimation of the impact and therefore the impact presented below may change. The value of the minimum future fees for operating lease was described in note 3.1 and shows the estimated illustrative scale of growth of liabilities if the standard was adopted as at the balance sheet date – the Group estimates that if the right to use the assets and liabilities under the lease title were established as of 31.12.2017, due to the application of IFRS 16, thus they would probably exceed PLN 1.5 billion. Effective date: 1 January 2019. (approved by the European Union) Application of the standard earlier than required is possible.

[in PLN million unless otherwise stated]

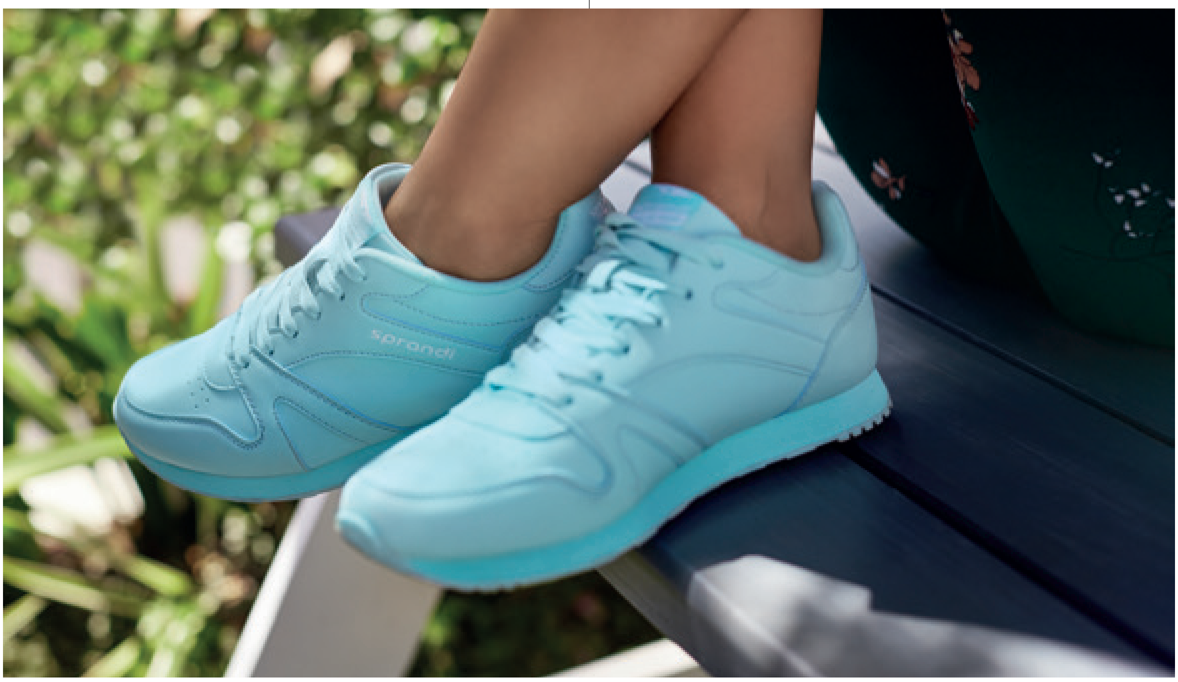
The standards and interpretations are listed below, which have been published by the International Accounting Standards Board, but have not yet entered into force. According to the Management Board's assessment, they would not have a significant impact on the financial statements if they were applied by the Company as at the balance sheet date.

STANDARD / INTERPRETATION	DATE OF ISSUE	DATE OF ENTRY INTO FORCE
IFRS 14 Regulatory Deferral Accounts	Issued on 30 January 2014	The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard– not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2016.
Amendments to IFRS 10 and IAS 28 Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture	Issued on 11 September 2014	The endorsement process of these Amendments has been postponed by EU – the effective date was deferred indefinitely by IASB.
Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	Issued on 12 September 2016	Effective for financial years beginning on or after 1 January 2018.
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions	Issued on 20 June 2016	Effective for financial years beginning on or after 1 January 2018.
Amendments to IAS 28 Investments in Associates and Joint Ventures which are part of Annual Improvements to IFRS Standards 2014-2016 Cycle	Issued on 8 December 2016	Effective for financial years beginning on or after 1 January 2018.
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards which are part of Annual Improvements to IFRS Standards 2014-2016 Cycle	Issued on 8 December 2016	Effective for financial years beginning on or after 1 January 2018.
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	Issued on 8 December 2016	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018.
Amendments to IAS 40: Transfers of Investment Property	Issued on 8 December 2016	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2018.
IFRS 17 Insurance Contracts	Issued on 18 May 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2021.

[in PLN million unless otherwise stated]

STANDARD / INTERPRETATION	DATE OF ISSUE	DATE OF ENTRY INTO FORCE
IFRIC 23 Uncertainty over Income Tax Treatments	Issued on 7 June 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	Issued on 12 October 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
Annual Improvements to IFRS Standards 2015-2017 Cycle	Issued on 12 December 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	Issued on 7 February 2018	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.

The effective dates are dates provided by the International Accounting Standards Board. Effective dates in the European Union may differ from the effective dates provided in standards and are published when the standards are endorsed by the European Union.



VALUATION OF AMOUNTS DENOMINATED IN FOREIGN CURRENCIES

The consolidated financial statements are presented in PLN, which is the functional currency of the Parent Company and the presentation currency for the consolidated financial statements of the Group.

Gains and losses from exchange rate differences relating to debt and cash and cash equivalents are recognized in the income statements under „finance income or cost." All other gains or losses on foreign exchange differences are recognized in the income statements under „other operating income and other operating cost" in the net value.

The results and the financial position of all the Group's entities whose functional currency differ from the presentation currency are converted into the presentation currency as follows:

- assets and liabilities in each presented statements of financial position are converted at the closing rate at the balance sheet date;
- income and cost for each statements of comprehensive income is converted at average exchange rates (unless this average exchange rate is not a reasonable approximation of the cumulative effect of the rates at transaction days – in such case income and cost is converted at the rates of dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income and cumulatively as a separate component of equity.

When selling a unit operating abroad (including partial disposal), such exchange differences are recognized in income statements as part of the gain or loss on sales.

2. SEGMENTS

The financial data prepared for management reporting purposes are based on the same accounting policies as used in the preparation of the consolidated financial statements.

ACCOUNTING POLICY

The sales revenues recognize revenues from sales of goods, products and sublease services achieved in the normal course of business.

Revenue from sales is recognized at the fair value received or receivable for the sales of goods and services in the ordinary course of business of the Group. Revenue is shown after the deduction of value-added tax, returns, rebates and discounts and also after eliminating sales within the Group.

Revenue from sales of goods and products – wholesale

The Group sells footwear handbags, shoe care products, small leather goods and clothing in the wholesale domestic market and foreign market. In the domestic market sales are made on the basis of franchise concluded agreements. Revenue from sales is recognized at the time the contractor is transferred the significant risks and benefits related to the ownership of the goods.

The Group has all the risks associated with product obsolescence and after-sales service for the retail customer, i.e. the Group is obliged to cover the costs incurred in this connection and receive the goods coming from the complaints handling. Principles of creating provisions for warranty repairs are presented in Note 5.7.

Revenue from sales of goods and products – retail sales

The Group sells footwear, handbags, shoe care products, small leather goods and clothing through a network of its own stores located throughout the country. Revenue from sales is recognized upon delivery of the goods to the customer in the store. Retail sales is conducted mainly in cash or by payment cards. The Group applies a policy of return of goods by the customer within 7 days from the date of purchase. In order to estimate the size of returns and the creation of provisions, the previous experience is applied. Principles of creating provisions for warranty repairs are presented in Note 5.7.

Revenue from the sales of goods – e-commerce sales

The group sells footwear, bags, shoe care accessories, small leather finery via the online stores operating on local and foreign markets. Revenue from sales is recognized when the invoice (receipt) is issued, or upon receipt of payment – depending on which of the events occurred first.

In order to estimate the size of returns and to create a reserve for this a previous experience is applied here. Principles for establishing provisions for warranty repairs are presented in Note 5.7

Revenue from premises sublease services

The Group is a party to the lease agreements and sublease of premises used to conduct retail business. Sublease agreements are concluded with business partners cooperating with the Group on the basis of franchise agreements. Therefore, the Group makes re-invoicing of lease costs for a contractor running business in a given location. In the consolidated financial statements, the Group presents the margin, it is the value of revenues less the costs associated with the title of revenue. Revenue from sublease services is recognized for the period to which lease or sublease applies.

Operating segments are presented in a manner consistent with internal reporting submitted to the chief operating decision-maker, on the basis of which he shall evaluate the results and decide on the allocation of resources. The main operating decision-maker is the Board of the Parent Company.

The Management Board verifies Group's performance from the geographical and product perspective:

- from a geographical perspective, the Management Board analyses the activities in Poland, the European Union and other countries;
- from the perspective of product, the Management Board examines the wholesale and retail activities in each of these geographic areas.

The Group identifies the following operating and reporting segments:

REPORTING SEGMENT	DESCRIPTION OF THE STATEMENTING SEGMENT AND USED MEASURES OF THE RESULT	PREMISES OF AGGREGATION OF OPERATING SEGMENTS INTO REPORTING SEGMENTS, INCLUDING ECONOMIC CIRCUMSTANCES TAKEN INTO ACCOUNT IN ASSESSING THE SIMILARITY OF THE ECONOMIC CHARACTERISTICS OF THE OPERATING SEGMENTS
Distribution activities – retail in Poland, the stores operate in the chain CCC. Distribution activities – retail in the European Union – Central and Eastern Europe (Czech Republic, Slovakia, Hungary, Croatia, Slovenia, Bulgaria) Stores operate exclusively in the chain CCC. Distribution activities – retail in the European Union – Western Europe (Austria, Germany) Stores operate exclusively in the chain CCC. Distribution activities – retail in other countries (Turkey, Russia, Serbia) Stores operate exclusively in the chain CCC.	Each own individual store operating in the said country constitutes the operating segment. Stores sell footwear handbags shoe care products, small leather goods and clothing in their own facilities, within the chain CCC. Measures of the result is the gross sales profit calculated in relation to the external sales and the segment's operating profit being the difference between the sales, cost of goods sold, direct selling costs relating to the operations of the retail chain (stores operating costs) and the cost of organizational units supporting the sales.	The financial information was aggregated in total for the chain CCC geographic markets due to: • Similarity of long-term average gross margins, • Similar nature of the goods (such as footwear, handbags, shoe care accessories, clothing accessories), • Similar way of distributing the goods, • Similar categories of customers (sales made in own facilities and directed to retail customers)
Distribution activities – e-commerce	The whole activity is conducted by the company eobuwie.pl S.A. dealing with the distribution of goods via the Internet. The Company sells footwear, handbags, shoe care accessories, small fashion finery, etc. to domestic and foreign retailers. Measures of the result is the gross sales profit calculated in relation to the external sales and the operating result of the segment, which is the difference between the sales, the cost of goods sold and the direct sales costs related to the functioning of the sales channel (e.g. logistics costs).	
Distribution activities – wholesale	The whole activity is carried out by CCC.eu dealing with the distribution of goods to the companies Group. The Company sells footwear, handbags, shoe care products, clothing accessories to domestic and foreign franchisees and other wholesale customers. Measures of result is the gross sales profit calculated in relation to the external sales and the segment's operating profit being the difference between the sales, cost of goods sold and direct selling costs relating to the operation of the distribution network (including logistics costs).	
Manufacturing activities	Manufacturing of leather shoes for women is carried out in Poland. Measures of result is the result of operating segment being the difference between the sales, cost of sales of products and direct costs of sales.	

i MORE INFORMATION IN SECTION **1.3** (BUSINESS MODE) IN THE STATEMENTS ON OPERATIONS OF THE GROUP

i MORE INFORMATION IN THE STATEMENTS ON OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

01.2017-12.2017	DISTRIBUTION ACTIVITY						MANUFACTURING ACTIVITY	TOTAL
	RETAIL				E-COMMERCE	WHOLESALE		
	POLAND	UE – CEE	UE – WESTERN EUROPE	OTHER COUNTRIES				
Total sales revenue	2 026,5	880,9	412,5	76,9	605,7	2 568,6	328,6	6 899,7
Revenue from sales to other segments	—	—	—	—	—	(2 377,8)	(327,9)	(2 705,7)
Revenue from sales from external customers	2 026,5	880,9	412,5	76,9	605,7	190,8	0,7	4 194,0
Gross profit on sale	1 043,6	517,0	243,6	41,2	249,6	55,1	(0,2)	2 149,9
Gross margin (gross profit on sales/revenues from sales to external customers)	51,5%	58,7%	59,1%	53,6%	41,2%	28,9%	nd	51,3%
PROFIT OF SEGMENT	377,6	110,9	(91,1)	6,2	87,8	36,0	(0,2)	527,2
Assets of segments								
Fixed assets except deferred tax asset and granted loans	395,6	135,7	78,9	24,5	335,9	33,7	90,2	1 094,5
Deferred tax assets	1,8	—	—	0,3	3,9	17,8	4,0	27,8
Inventories	249,8	139,1	78,9	23,4	163,5	757,7	42,5	1 454,9
Outlays on tangible fixed assets and intangibles	394,3	135,7	78,9	24,5	231,0	33,7	90,2	988,3
Other revenue/costs:								
Amortization and depreciation	(28,0)	(22,3)	(13,1)	(2,1)	(2,5)	(0,7)	(3,4)	(72,1)
Impairment loss of tangible fixed assets and intangibles	—	—	—	—	—	—	—	—

01.2016-12.2016	DISTRIBUTION ACTIVITY						MANUFACTURING ACTIVITY	TOTAL
	RETAIL				E-COMMERCE	WHOLESALE		
	POLAND	UE – CEE	UE – WESTERN EUROPE	OTHER COUNTRIES				
Total sales revenue	1 689,1	707,7	325,9	15,3	286,8	1 902,9	269,2	5 196,9
Revenue from sales to other segments	—	—	—	—	—	(1 744,2)	(267,3)	(2 011,6)
Revenue from sales from external customers	1 689,1	707,7	325,9	15,3	286,8	158,7	1,9	3 185,3
Gross profit on sale	882,1	411,6	202,1	6,4	122,3	53,9	1,7	1 680,1
Gross margin (gross profit on sales/revenues from sales to external customers)	52,2%	58,2%	62,0%	41,8%	42,6%	34,0%	nd	52,7%
PROFIT OF SEGMENT	341,1	104,4	(77,6)	(2,9)	51,0	38,5	1,7	456,2
Assets of segments								
Fixed assets except deferred tax asset and granted loans	317,2	137,8	86,3	8,7	209,8	12,6	92,1	864,5
Deferred tax assets	6,8	—	—	—	1,1	7,6	7,3	22,8
Inventories	149,6	101,6	76,3	13,0	111,2	548,4	59,6	1 059,7
Outlays on tangible fixed assets and intangibles	317,2	137,8	86,3	8,7	209,8	12,6	92,1	864,5
Other revenue/costs:								
Amortization and depreciation	(20,6)	(15,2)	(11,3)	(0,5)	(1,5)	(1,9)	(3,4)	(54,6)
Impairment loss of tangible fixed assets and intangibles	3,1	—	—	—	—	—	—	3,1

[in PLN million unless otherwise stated]

Reconciliation of data relating to the segments of the consolidated financial statements are presented below:

	01.2017-12.2017			01.2016-12.2016		
	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT
Total sales revenue	6 899,7	(2 705,8)	4 193,9	5 196,9	(2 011,6)	3 185,3
Sales revenue not allocated to the segment	—	—	—	—	—	—
Sales revenue in the financial statement	—	—	4 194,0	—	—	3 185,3
Cost of goods sold in the financial statement	—	—	(2 044,1)	—	—	(1 505,2)
Gross profit on sale	2 149,9	—	2 149,9	1 680,1	—	1 680,1
Cost of sales relating to the activity of segments	(1 622,8)	—	(1 622,8)	(1 223,9)	(254,4)	(1 478,3)
Performance of segment	527,1	—	527,1	456,2	(2 266,0)	201,8
Not allocated cos of sale	—	—	—	—	—	—
Administrative expenses	—	—	(109,3)	—	—	(109,0)
Other cost and operating revenue	—	—	(13,4)	—	—	26,2
Finance revenue	—	—	2,4	—	—	4,1
Finance cost	—	—	(66,1)	—	—	(31,5)
Profit before tax	—	—	340,7	—	—	346,0
Assets of segments						
Fixed assets except deferred tax asset and granted loans	1 094,5	(3,8)	1 090,7	970,7	(3,7)	967,0
Deferred tax assets	27,8	35,6	63,4	22,8	37,3	60,1
Inventories	1 454,9	(37,2)	1 417,7	1 059,7	(24,9)	1 034,8
Outlays on tangible fixed assets and intangibles	988,3	(3,8)	984,5	970,7	(3,7)	967,0
Other revenue/costs:						
Amortization and depreciation	(72,1)	(24,9)	(97,0)	(54,6)	(18,1)	(72,7)
Impairment loss of tangible fixed assets and intangibles	—	—	—	3,1	—	3,1

[in PLN million unless otherwise stated]

	SALES REVENUE		FIXED ASSETS (EXCEPT FINANCIAL INSTRUMENTS AND DEFERRED TAX)	
	01.2017-12.2017	01.2016-12.2016	01.2017-12.2017	01.2016-12.2016
Poland	2 026,5	1 693,9	514,4	428,7
Czech Republic	312,5	256,8	47,0	47,7
Hungary	232,9	183,9	40,7	39,2
Germany	255,9	215,6	50,9	57,6
Slovakia	183,8	152,0	19,5	20,4
Austria	156,6	110,3	28,0	28,7
Romania	115,5	99,4	—	—
Croatia	75,2	59,4	14,4	15,7
Slovenia	46,2	32,5	6,9	6,9
Other	183,1	94,8	31,7	6,0
e-commerce	605,7	286,8	337,2	316,1
Total	4 194,0	3 185,4	1 090,7	967,0
Deferred tax			63,4	60,1
Financial instruments			—	—
Total assets			1 154,1	1 027,1

i MORE INFORMATION IN SECTION **3.1.1.1** (REVENUE, COGS AND GROSS PROFIT) + **3.1.1.2** (FIXED ASSETS) IN THE STATEMENTS ON OPERATIONS OF THE GROUP

3. NOTES TO STATEMENTS OF PROFIT OR LOSS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME

3.1 COSTS BY NATURE

ACCOUNTING POLICY

MORE INFORMATION IN SECTION 3.1.1.1 (COST OF OPERATING STORES) IN STATEMENTS OF OPERATIONS OF THE GROUP

Cost of goods sold

As the cost of goods sold the Group recognizes:
- value of goods sold
- value of packages expended for sales
- cost of a provision concerning complaints (note 5.7)
- the value of finished goods sold
- cost of sublease services (cost of the fees under operating lease of premises that are the subject of sublease)
- impairments for inventories
- impairment losses for fixed assets and intangible assets used in manufacturing of goods or providing services (depreciation of production machines)

Cost of operating stores

Cost of operating stores includes the cost of maintenance of stores and other retail outlets. This item includes mainly:
- cost of the fees in operating lease of premises in which stores are run
- remuneration costs of employees employed in stores
- amortisation of tangible fixed assets (investments in stores)
- cost of external services (inter alia, the costs of the agent's remuneration, costs of media consumption)

Other cost of sales

Other cost of sales includes cost of sales not directly related to the maintenance of stores, relating to organizational units supporting the sales. This item includes mainly:
- remuneration costs of employees of organizational units supporting sales
- amortisation of tangible fixed assets
- cost of external services
- other flat costs
- impairment losses on receivables from supplies and services

Administrative expenses

Administrative expenses include expenses related to managing the general operations of the Group(general-administrative expenses) and general expenses of the Group.

Other income and operating cost

Other operating income and costs include income and costs from non-core operating business activities of the units, for example, profit or loss on disposal of tangible fixed assets, penalties and fines, donations, etc.

Operating lease

Leasing, in which a significant portion of the risks and benefits under the ownership are retained by the lessor, constitutes an operating lease. Operating lease mainly concerns the lease of retail space in which the sales of retail goods is made.

Payments made under operating lease are recognized in the income statements by a linear method over the period of the lease agreement. Discounts received by the lessor are recognized in the financial statements in the same way as an integral part of the total lease payments. These costs are recognized in the statements of comprehensive income in „Costs of operating stores" or „Other costs of goods sold".

[in PLN million unless otherwise stated]

NOTE	01.2017-12.2017	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 744,9)	—	—	—	(1 744,9)
	Consumption of materials and energy	(238,4)	(47,2)	(21,4)	(5,5)	(312,5)
5.3	Provision for inventories	0,3	—	—	—	0,3
	Remuneration and employees benefits	(47,3)	(438,2)	(103,2)	(43,4)	(632,1)
6.3	Cost of incentive program	—	—	—	(8,2)	(8,2)
	Agent services	—	(57,2)	(0,1)	(0,1)	(57,4)
	Transportation services	(2,2)	(0,7)	(106,3)	—	(109,2)
	Lease costs	—	(466,9)	(7,9)	(4,0)	(478,8)
	Other outsourcing services	(1,0)	(55,7)	(135,7)	(24,9)	(217,3)
5.2	Amortization	(2,6)	(65,0)	(19,3)	(10,1)	(97,0)
	Taxes and charges	(1,1)	(5,6)	(3,8)	(4,9)	(15,4)
	Other flat costs	(0,2)	(22,1)	(66,4)	(8,2)	(96,9)
	Change in products and production in progress	(6,7)	—	—	—	(6,7)
	Total	(2 044,1)	(1 158,6)	(464,1)	(109,3)	(3 776,1)

NOTE	01.2016-12.2016	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 245,6)	—	—	—	(1 245,6)
	Consumption of materials and energy	(211,5)	(36,0)	(14,7)	(4,5)	(266,7)
5.3	Provision for inventories	(6,1)	—	—	—	(6,1)
	Remuneration and employees benefits	(39,9)	(345,9)	(78,3)	(33,2)	(497,3)
6.3	Cost of incentive program	—	—	—	(14,5)	(14,5)
	Agent services	—	(47,9)	(1,3)	(0,1)	(49,3)
	Transportation services	(2,1)	(0,1)	(66,1)	—	(68,3)
	Lease costs	—	(386,1)	(5,9)	(1,5)	(393,5)
	Other outsourcing services	(0,9)	(40,6)	(58,1)	(34,9)	(134,5)
5.2	Amortization	(2,6)	(45,0)	(16,7)	(8,9)	(73,2)
	Taxes and charges	(1,1)	(3,6)	(2,1)	(3,7)	(10,5)
	Other flat costs	(0,4)	(26,1)	(49,5)	(7,7)	(83,7)
	Change in products and production in progress	5,0	—	—	—	5,0
	Total	(1 505,2)	(931,3)	(292,7)	(109,0)	(2 838,2)

[in PLN million unless otherwise stated]

OPERATING LEASE

The Company uses the following assets by virtue of agreements that are classified as operating lease: premises where commercial activities are performed and other assets (i.a. cars).

The costs associated with these agreements are recognized in the income statements in the item the lease costs (see table above on costs).

Expected minimum payments under operating leases deprived of the possibility of early termination on 31 December 2017 and 31 December 2016 are as follows:

	RENTS	
	31.12.2017	31.12.2016
– up to 1 year	466,9	386,1
– from 1 to 5 years	1 867,8	1 544,6
– over 5 years	933,9	772,3
Total	3 268,6	2 703,0

The Group has agreements with banks pursuant to which banks issued guarantees to entities that lease premises in which the Group operates commercially. The total amount of guarantees utilised at 31 December 2017 amounted to 96.7 million PLN (88.8 million PLN at 31 December 2016).

The Group is also a party to the sublease agreements on the basis of operating leases. Revenues from sub-leasing fees on the basis of operating leases for the period of 12 months of 2017 amounted to 16.7 million PLN (in 2016 14.3 million PLN).

[in PLN million unless otherwise stated]

3.2 OTHER INCOME AND OPERATING AND FINANCIAL COSTS

NOTE		01.2017-12.2017	01.2016-12.2016
	Total other costs		CONVERTED DATA
	Loss on disposal of tangible fixed assets	(1,6)	(0,5)
	Stocktaking net losses	(1,8)	(2,5)
5.7	Provision establishment	(0,3)	(5,4)
	Loss on exchange rate differences on items other than debt	(29,5)	—
	Total other costs	(33,2)	(8,4)
	Total other income		
	Profit on disposal of tangible fixed assets	—	8,2
	Profit from exchange rate differences on items other than debt	—	13,1
	Compensations	2,3	0,9
	Subsidy of SFRDP remuneration	3,1	3,2
	Other net operating income	14,4	9,2
	Total other income	19,8	34,6
	Total other operating costs and income	(13,4)	26,2

The amount of other operating income as at the end of 2017 consisted mainly of revenues from fit-out sales, which amounted to PLN 5.0 million and the subsidy in the amount of PLN 2.4 million.

NOTE		01.2017-12.2017	01.2016-12.2016
	Total finance cost		
4.2	Interest on borrowings (recognised in costs)	(29,8)	(21,0)
	Result on exchange rates	(19,2)	—
	Commissions paid	(1,3)	(0,5)
	Valuation of non-realized put option of non-controlling interests.	(13,9)	(7,1)
	Other finance cost	(2,7)	(2,9)
	Total finance cost	(66,9)	(31,5)
	Total finance revenue		
	Interest from current account and other	3,2	0,7
	Result on exchange rates	—	3,4
	Total finance revenue	3,2	4,1

i MORE INFORMATION IN SECTION **3.1.1.1**
(FINANCE INCOME AND COSTS) IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

3.3 TAXATION

ACCOUNTING POLICY

The obligatory burdens of result include current tax (CIT) and deferred tax.

Current tax is calculated on the basis of the tax result in a given reporting period in countries where the Company and its subsidiaries operate and generate taxable income based on the rates in force in the country. Changes in estimates relating to previous years are recognized as an adjustment to the burden for the current year.

Deferred tax assets and liabilities are recognized in the result of the creation of differences between the book value of assets and liabilities and their corresponding tax values and from unaccounted tax losses. Such differences arise in the Company in a situation of different accounting of depreciation for accounting and tax purposes, the recognition of accounting impairment of assets (which for tax purposes will be realized in the form of tax write-offs in future periods) or created for the purpose of accounting provisions (which for tax purposes will be recognized at the moment of incurring respective costs). The differences (not related to acquisitions transactions) related to the initial recognition of a part of an asset or liabilities that does not affect the moment of recognition of a given asset neither the outcome nor the accounting profit (loss) tax are excluded from recognition.

Temporary differences also arise in transactions of acquisitions and internal reorganization within the group. In the case of acquisitions of external entities, temporary differences arise as a result of the valuation of assets and liabilities to their fair values without affecting the tax bases of assets and liabilities – liability or deferred tax asset arising from these differences adjusts the goodwill (profit on occasional acquisition). In case of an intra-group reorganizations, the assets and deferred tax liabilities arise as a result of recognition or changes in the value of parts of assets or liabilities for tax purposes (e.g. a trademark) without their concurrent recognition in the balance sheet due to the elimination of result on intra-group transactions – the effects of recognition of the related assets and deferred taxes liabilities are recognized in the result of the period unless the related transactions have an impact on other comprehensive income or equity.

Positive temporary differences relating to goodwill are excluded from being recognized, however, if the tax value of goodwill arising on the transaction is higher than its book value, the deferred tax asset is recognized on the initial recognition of goodwill if it is probable that the income tax will be generated which will allow for the implementation of the negative temporary difference.

Deferred tax assets and liabilities are calculated using the current (or practically applicable) tax rates. Deferred tax assets and liabilities are subject to offsetting within the Company, when it has the right to settle current tax in a net amount.

Deferred tax assets are recognized to the amount that it is probable to generate taxable income, which will allow the realization of negative temporary differences and tax losses, or when it is expected to simultaneously realize positive temporary differences. Amounts above this are exclusively subject to disclosure.

A. AMOUNTS OF INCOME TAX RECOGNIZED IN THE INCOME STATEMENTS AND STATEMENTS OF CASH FLOWS

		01.2017-12.2017	01.2016-12.2016
			CONVERTED DATA
	Current tax	(43,1)	(38,9)
5.3.c	Deferred tax	4,6	(247,5)
5.3.b	**Income tax recognized in income statement**	(38,5)	(286,4)
	Current tax recognized in the result	43,1	38,9
	Balance of liabilities /(receivables) at beginning of period	4,7	9,0
	Balance of receivables / (liabilities) at the end of the period	(0,8)	(4,7)
	Other changes	(0,4)	(12,1)
	Tax paid recognized in statement of cash flows	46,6	31,1

[in PLN million unless otherwise stated]

B. INFORMATION ON APPLIED TAX RATES AND RECONCILIATION FOR CHARGING THE RESULT

The table below shows the countries in which the Group achieves the highest income tax with an indication of the tax rate corresponding to the relevant jurisdiction:

	2017	2016
		CONVERTED DATA
Poland	19%	19%
Czech Republic	19%	19%
Hungary	10%	10%
Slovakia	22%	22%
Other countries	8,47% — 25%	8,47% — 25%
Weighted average income tax rate	18,68%	14,54%

Income tax on profit before tax of the Group differs from the theoretical amount that would have been obtained using the weighted average tax rate applicable to consolidated profits of the companies:

	01.01-31.12.2017	01.01-31.12.2016
		CONVERTED DATA
Profit before tax	340,8	346,0
Weighted average tax rate	18,68%	17,92%
Tax calculated according to weighted average tax rate	(63,7)	(62,0)
Tax effects of the following items:		
• income not allowable for tax income	0,5	7,0
• non-tax-deductible expenses	(2,9)	(6,4)
• recognition of temporary difference for trademarks and goodwill	—	(217,9)
• tax losses in respect of which deferred tax assets were not recognized	13,2	(4,4)
• other adjustments	14,4	(3,5)
Charging financial result on income tax	(38,5)	(286,3)

Tax non-deductible costs mainly include the cost of the employee scheme valuation and the provisions for costs of future periods.

Other adjustments include primarily the recognized tax loss asset of CCC.eu in the amount of PLN 13.2 million.

[in PLN million unless otherwise stated]

C. BALANCE AND CHANGES OF DEFERRED TAX

Changes in assets and liabilities due to deferred income tax during the year is presented as follows:

NOTE		31.12.2017	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2016	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2016
				CONVERTED DATA		
	Assets					
5.1	Goodwill	—	—	—	(247,3)	247,3
5.1	Trademarks	27,7	(4,1)	31,7	(4,1)	35,8
	Inventories – adjustment of margin on intragroup sale	7,0	2,3	4,7	(3,1)	7,8
	Impairment of assets	2,5	1,7	0,8	(6,5)	7,3
	Provisions for liabilities	7,6	2,3	5,3	2,2	3,1
	Others	8,3	(6,9)	15,2	0,3	14,9
	Tax losses	15,8	11,3	4,5	4,5	—
	Total before offsetting	68,9	6,7	62,2	(254,0)	316,2
	Liabilities					
	Accelerated tax depreciation of tangible fixed assets	4,5	2,7	1,8	(1,3)	3,1
	Others	2,7	0,8	1,9	(5,1)	7,0
	Purchase of intangible assets revealed during aquisition of eobuwie.pl SA	31,7	(1,0)	32,7	32,7	—
	Total before offsetting	38,9	2,6	36,3	26,2	10,1
	Offsetting	5,7	3,5	2,2	(1,5)	3,7
	Balance of deferred tax in the balance sheet:					
	Assets	63,3	3,2	60,1	7,8	312,5
	Liabilities	33,2	(0,9)	34,1	27,7	6,4

The value of the remaining deferred tax asset is mainly comprised of the public aid limit to be used by CCC Factory in the amount of PLN 2.7 million and public aid limit to be used by eobuwie in the amount of PLN 2.6 million.

[in PLN million unless otherwise stated]

D. SIGNIFICANT ESTIMATES OF THE RECOGNITION OF DEFERRED TAX ASSETS AND INFORMATION ABOUT UNRECOGNIZED DEFERRED TAX ASSETS

In 2014 CCC.eu purchased in 2014 from a related company NG2 Suisse S.a.r.l. trademarks of CCC at a price equal to their fair value at the acquisition date. In this regard, the tax value of trademarks was increased.

As a result of the transactions concluded, the Group recognized deferred tax assets in the amount of PLN 40.5 million, reporting the effect in the result for the year 2014.

The realization and reversal of temporary differences requires from the Management Board significant estimates with respect to the expected results subject to taxation in individual entities of the Group. Recognition of deferred tax assets in excess of recognized deferred tax liabilities means that it is probable that the Group will be able to realize the economic benefits arising from the settlement of trademark depreciation. The table below presents the periods in which the realization of recognized deferred tax assets and liabilities is estimated:

THE PERIOD FOR THE REALISATION OF ASSETS AND LIABILITIES	31.12.2017		31.12.2016	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
			CONVERTED DATA	
up to 1 year	36,8	0,1	32,3	0,6
1-2 years	4,1	0,4	4,1	—
2-3 years	4,9	0,2	4,1	0,5
3-5 years	8,1	0,8	8,1	0,3
Over 5 years	9,5	31,7	11,5	32,7
Total	63,4	33,2	60,1	34,1
Unrecognized	—	—	23,2	—
• Relating to goodwill	—	—	—	—
• Relating to tax losses	—	—	23,2	—

The balance of unrecognized assets due to tax losses presented in the comparative data, they submit of tax losses of companies operating in Poland.

E. ADJUSTMENTS OF ERRORS OF PREVIOUS YEARS

On 25.05.2017 in connection with the inspection and tax audit proceedings carried out by the Head of the Lower Silesian Customs and Tax Office in Wrocław for the years 2014-2015 on corporate income tax and in connection with the findings of the body included in the inspection report, after a legal consultation and tax opinion, guided by the precautionary principle, the Management Board of CCC S.A. decided to suspend depreciation of goodwill commencing from 2017 (CR 28/2017).

During the preparation of the consolidated financial statements for the financial year 2016, as well as at the time of drawing up and approving publication of the condensed consolidated financial statements for the first quarter of 2017, reliable information was available on:

1. the reorganization made in the Group in 2014, as a result of which goodwill was disclosed in CCC.eu, subject to depreciation in accordance with the provisions of the Corporate Income Tax Act;

2. entry into force on 15 July 2016 of the provisions of the GAAR Introductory Act, which introduced a norm of a general nature into the Polish legal order enabling the tax authorities to assess the tax consequences of legal activities (set of activities) based on general functional criteria;

3. entry into force on 1 January 2017 of the provisions of the Act Amending the GAAR Introductory Act, resulting in restricting the protective value of individual interpretations issued before the entry into force of the GAAR Introductory Act, i.e. before 15 July 2016, which information was misinterpreted by the Board, at the time of approval for publication of the condensed consolidated financial statements for the first quarter of 2017. In addition, as at the balance sheet date and as at the date of preparation of the consolidated financial statements, there was a control procedure which covered the above issues. After making further consultations, the Management Board concluded that the assessment originally made on 31 December 2016 on the absence of a significant risk of the inability to realize a deferred tax asset related to goodwill was erroneous.

[in PLN million unless otherwise stated]

Due to the above and other results of tax audits which took place in the companies from the CCC group and the re-verification of the opening balance data, the Management Board decided to adjust the financial statements for 2016 as a result of which, the retained earnings were reduced in total by PLN 265.1 million and the individual titles look as follows:

The impact of adjustments made on the financial result in 2016 amounted to PLN 254.7 million. The impact of adjustments made to retained earnings as at 01.01.2016 amounted to PLN 10.4 million.

The impact of adjustments made on the comparative data in the consolidated statements of changes in consolidated equity and at the same time on comparative data in the consolidated statements of profit or loss and other comprehensive income amounted to PLN 5.1 million (reduction of retained earnings and increase of comparative data in the consolidated statements of profit or loss and other comprehensive income.

Presentation of adjustments affecting data for the comparative period:

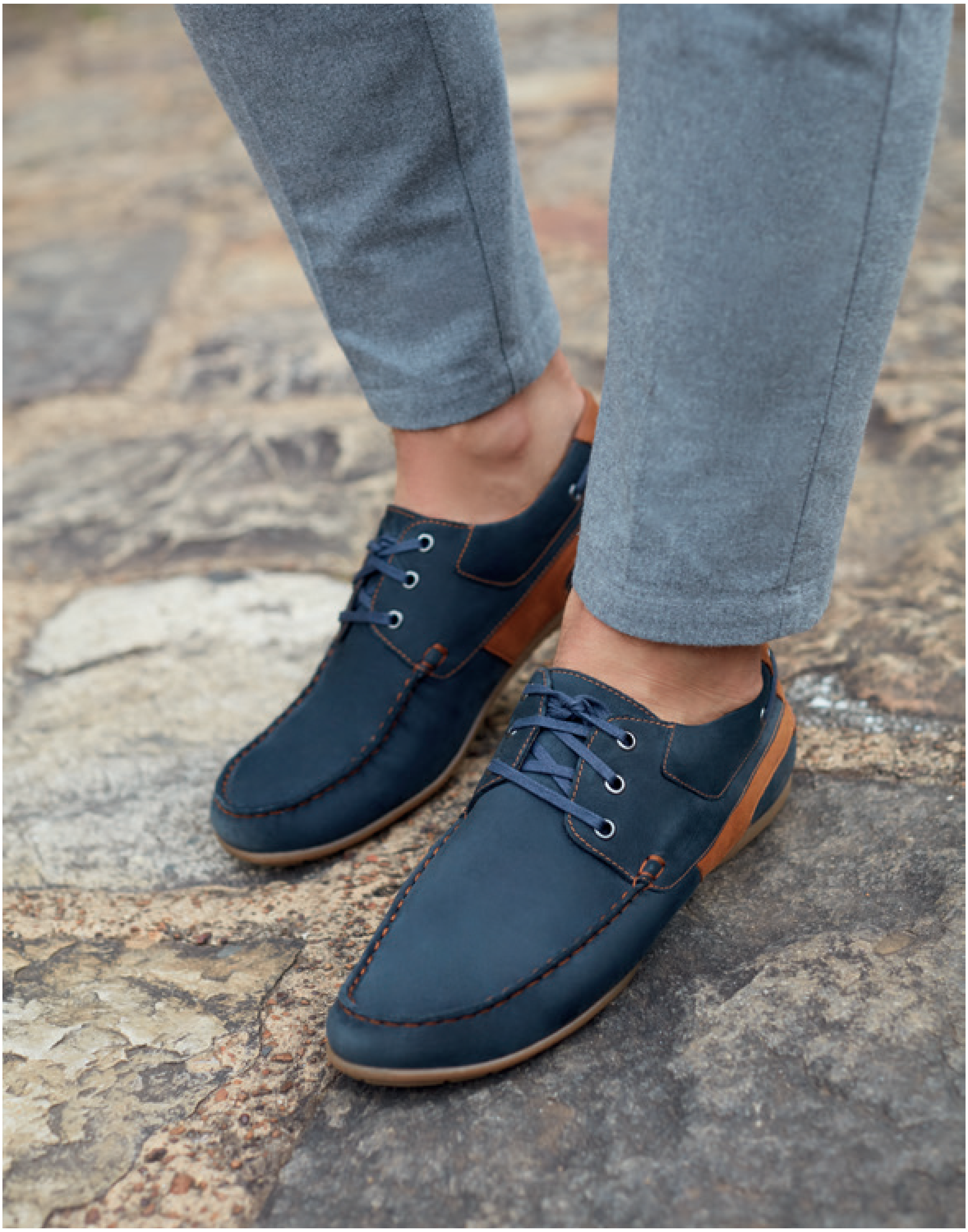
ADJUSTMENT DESCRIPTION	ADJUSTED ITEM	VALUE OF ADJUSTMENT DEBIT	VALUE OF ADJUSTMENT CREDIT
Adjustments affecting the financial result:			
Asset write-off due to goodwill deferred tax	Income tax	251,1	
	Deferred tax assets		251,1
Writing of the recognized asset due to temporary difference on amortization of intangible assets	Income tax	3,3	
	Deferred tax assets		3,3
Writing off deferred tax assets on recognized tax losses	Income tax	5,8	
	Deferred tax assets		5,8
Estimation of the CIT liability of subsidiaries	Income tax		2,3
	Income tax liabilities	2,3	
Correction of consolidation packages for 2016	Income tax	3,7	
	Income tax liabilities		3,7
Reversal of advances valuation	Other operating cost		3,2
	Income tax liabilities		1,9
	Profits retained	5,1	
Other adjustments	Income tax		0,7
	Income tax liabilities	0,7	

ADJUSTMENT AFFECTING EQUITY:			
Adjustment of the CIT liability for the years 2014-2015	Profits retained	10,4	
	Income tax liabilities		10,4
Consolidation adjustment of exclusion of the received dividend	Profits retained		6,4
	Other liabilities	6,4	

[in PLN million unless otherwise stated]

In addition, following adjustments was made on the consolidated statements of financial position as of 31.12.2016:

ADJUSTMENT DESCRIPTION	ADJUSTED ITEM	VALUE OF ADJUSTMENT DEBIT	VALUE OF ADJUSTMENT CREDIT
Presentation of advance payments for deliveries	Inventory		15,2
	Other receivables	15,2	
Presentation of the consolidation exclusion due to the reversal of the advance payments valuation	Account receivables		2,3
	Other receivables		5,6
	Account liabilities	7,9	
Presentation of liabilities due to other taxes	Income tax liabilities	12,0	
	Other liabilities		12,0
Presentation of provisions for holidays and uninvoiced costs	Short-term provisions	5,9	
	Other liabilities		5,9



[in PLN million unless otherwise stated]

4. DEBT, CAPITAL AND LIQUIDITY MANAGEMENT

4.1 CAPITAL MANAGEMENT

The Group's objective in capital management is to secure Group's ability to continue its operations so that it can generate return for shareholders and benefits for other interested parties and maintain an optimal capital structure in order to reduce its cost.

In accordance with the Group's policy, the dividend is possible in the amount not less than 33% and not higher than 66% of the profit for the period. Detailed information on the dividend policy is described in the Statements on operations of the Group. [Section 3.2.1 (financial ratios)]

To maintain or adjust the capital structure, the Group may adjust the amount of dividends declared to be paid to shareholders, return capital to shareholders, issue new shares or sell assets in order to reduce debt.

Like other companies in the industry, the Group monitors the capital by using the debt ratio. This ratio is calculated as the ratio of net debt to total capital employed. Net debt is calculated as total of borrowings (including current and non-current loans and issued bonds indicated in the separate statements of financial position) less cash and cash equivalents. Total value of capital is calculated as equity presented in the separate statements of financial position with net debt.

NOTE		31.12.2017	31.12.2016 CONVERTED DATA
4.2	Debt liabilities	917,1	795,5
5.5	Cash and cash equivalents	511,6	143,4
	Net debt	405,5	652,1
4.1	Total equity	1 168,3	971,1
	Capital employed (equity and net debt)	1 573,8	1 623,2
	Debt ratio	26%	40%

The change of a ratio is consistent with the activities undertaken by the Group, and the ratio is at the level expected by the Management Board of the Parent Company, which is in the range from 20 to 40%.

4.1.1 EQUITY

ACCOUNTING POLICY

Equity is recognized in the accounting books by type and in accordance with legal regulations and the provisions of the Articles of Association.
The types of equity:

- basic capital (share) of the Parent Company is recognized in the value specified in the Articles of Association and entered in the court register,
- capital reserve created from the surplus value from the sales of shares above their nominal value less the issuance costs,
- retained earnings created from the dividing of financial result, undivided financial result and profit (loss) for the period covered by the financial statements,
- other capitals – created based on launched stock option scheme for employees

Dividend payments to shareholders of the Parent Company are recognized as a liability in the Company's financial statements in the period in which they are approved by shareholders of the Parent Company.

SHARE CAPITAL

As at 31 December 2017, the Company's equity capital consisted of 41.16 million shares (as at 31 December 2016 it consisted of 39.16 million shares) with a nominal value of PLN 0.10 each, including 34.51 million ordinary shares and 6.65 million voting preference shares.All issued shares were paid in full.

The value of share capital as at 31 December 2017 amounted to PLN 4.1 million.

Shareholders have the right to purchase the registered preferred shares held for sales.

The entity which has a significant effect on the Company is a company ULTRO Sp. z o.o., based in Polkowice, which holds 28,27% of the share capital and 34.90% of the total number of votes. This entity is dependent on Dariusz Miłek, The President of the Management Board of CCC S.A. Other information on Shareholders is included in Statements of operations of the Company.

The District Court for Wrocław-Fabryczna in Wrocław, IX Commercial Division of the National Court Register, entered into the register of entrepreneurs for the Company's share capital the increase from PLN 3,912,790.00 to PLN 3,916,400.00 by way of issuing 36,100 ordinary shares with a nominal value of PLN 0.10 each. The issue price of shares is PLN 61.35. The surplus of the issue price over the nominal price of the shares has been allocated to supplementary capital.

On 2 October 2017, the District Court for Wrocław-Fabryczna in Wrocław, IX Commercial Division of the National Court Register, entered into the register of entrepreneurs for the Company's share capital the increase from PLN 3,916,00.00 to PLN 4,166,400.00 by way of issuing 2,000,000 series H ordinary bearer shares of the Company with a nominal value of PLN 0.10 each. The shares were issued on the basis of the resolution of the Management Board of the Company as of 6 September 2017 regarding the increase of the share capital by way of issuing series H shares within the target capital.

i MORE INFORMATION IN NOTE **6.1**

[in PLN million unless otherwise stated]

RESERVE CAPITAL FROM THE SALES OF SHARES ABOVE THEIR NOMINAL VALUE

Reserve capital mainly includes the capital from the surplus of the value of sales over the nominal value of issued shares.

As a result of the issue made in 2017, it increased by PLN 525.7 million.

The value of reserve capital as at 31 December 2017 amounted to PLN 644.9 million.

OTHER CAPITAL

Other capital mainly include capital from the settlement of employee benefit plans based on shares settled in capital instruments (further information is presented in the note 6.3)

RETAINED EARNINGS

Retained earnings include: retained earnings from previous years and profit of the fiscal year.

EARNINGS PER SHARE

In the fiscal year earnings per share amounted to PLN 7.34 (2016 – 1.55 PLN and 1.68 PLN according to transformed data). The existence of series A subscription warrants granted as part of the incentive scheme has no significant effect on the calculation of diluted earnings per share.

i MORE INFORMATION IN NOTE **6.3**

DIVIDEND PAID

In 2017, a dividend of PLN 101.4 million was paid, which corresponds to PLN 2.59 per share (in 2016 it was PLN 86.0 million, corresponding to PLN 2.19 per share). Detailed information on the dividend policy is included in the statements on the Group's operations.

SUBSIDIARIES WHERE NON-CONTROLLING INTERESTS ARE MATERIAL

Financial information on subsidiaries that have non-controlling interests that are material to the Group are as follows:

Proportion of ownership interests held by non-controlling interests

NAME	PLACE OF BUSINESS	31 DECEMBER 2017	31 DECEMBER 2016
CCC Russia sp. z o.o.	Russia	25,00 %	25,00%
Grupa eobuwie.pl	Poland	25,01 %	25,01%

The condensed financial information on subsidiaries is as follows:

PROFIT AND LOSS ACCOUNT IN PLN MILLION

	CCC RUSSIA SP. Z O.O		GROUP EOBUWIE.PL	
	2017	2016	2017	2016
Sales revenues	65,0	9,8	611,6	185,0
Cost of goods sold	(30,9)	(4,4)	(369,0)	(109,1)
Gross sales profit (loss)	34,1	5,4	242,6	75,9
Cost of operating stores	(24,8)	(3,9)	(1,7)	(0,7)
Other cost of sales	—	—	(158,2)	(42,0)
General administrative expenses	(2,9)	(0,4)	(10,5)	(4,4)
Other operating cost and income	(1,3)	(1,2)	0,8	0,4
Operating profit (loss)	5,1	(0,1)	73,1	29,2
Financial income	3,9	1,7	0,1	0,2
Financial cost	(5,0)	(1,0)	(2,8)	(0,5)
Profit (loss) before tax	4,0	0,6	70,4	28,9
Income tax	(0,2)	—	(12,5)	(5,8)
Net profit (loss)	3,8	0,6	57,9	23,1
Total comprehensive income	—	—	—	—
Applied to non-controlling interests	—	—	—	—
Dividends paid to non-controlling interests	—	—	—	—

CONDENSED STATEMENTS OF FINANCIAL POSITION IN MILLION PLN

	CCC RUSSIA SP. Z O.O		GROUP EOBUWIE.PL	
	2017	2016	2017	2016
Fixed assets	21,5	8,2	69,3	41,8
Current assets	24,4	18,4	245,0	134,1
Non-current liabilities	—	(8,2)	(31,0)	(29,2)
Current liabilities	(38,9)	(14,2)	(155,0)	(76,2)
Equity	(7,0)	(4,2)	(128,3)	(70,5)

[in PLN million unless otherwise stated]

4.2 DEBT

ACCOUNTING POLICY

Debt liabilities cover mainly bank loans and issued bonds. Debt liabilities are recognized initially at fair value less transaction costs associated with obtaining financing.
After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate. Financial costs are recognized in the financial result in financial costs except for costs that relate to the financing of production of fixed assets (according to the policy in note 5.2).

i MORE INFORMATION IN NOTE 5.2

NOTE		DEBT LIABILITIES			BONDS PAYABLE	TOTAL
		NON-CURRENT	CURRENT	IN CURRENT ACCOUNT		
4.2	As of 01.01.2016	86,0	60,0	362,8	210,0	718,8
	Proceeds from debt contracted					
	– financing received	98,9	15,9	—	—	114,8
	– transactional cost	0,1	—	—	—	0,1
	Charging interest	2,9	0,5	10,9	6,8	21,1
	Repayment of debt					
	– repayment of capital	—	(62,0)	—	—	(62,0)
	– interest paid	(2,9)	(0,5)	(10,9)	(6,8)	(21,1)
	Change in current account	—	—	23,8	—	23,8
	Change of presentation from short to long-term	(29,0)	29,0	—	—	—
	Other non-cash changes	—	—	—	—	—
4.2	As of 31.12.2016	156,0	42,9	386,6	210,0	795,5
	Proceeds from debt contracted					
	– financing received	70,0	—	0,7	—	70,7
	– transactional cost	—	—	—	—	—
	Charging interest	5,5	2,5	16,2	6,9	31,1
	Repayment of debt					
	– repayment of capital	—	—	—	—	—
	– interest paid	(5,5)	(2,5)	(16,2)	(6,9)	(31,1)
	Change in current account	—	(42,9)	93,8	—	50,9
	Change of presentation from short to long-term	—	—	—	—	—
	Other non-cash changes	—	—	—	—	—
4.2	As of 31.12.2017	226,0	—	481,1	210,0	917,1

[in PLN million unless otherwise stated]

Financing mainly takes place in Poland and was taken in PLN. Interest on total financing (loans and bonds) is based on variable interest rates (WIBOR rate plus the margin of the bank).

On 21 December 2017, the Management Board received information from the subsidiary CCC Russia Sp. z o.o., based in Moscow, on signing a loan agreement in USD currency.

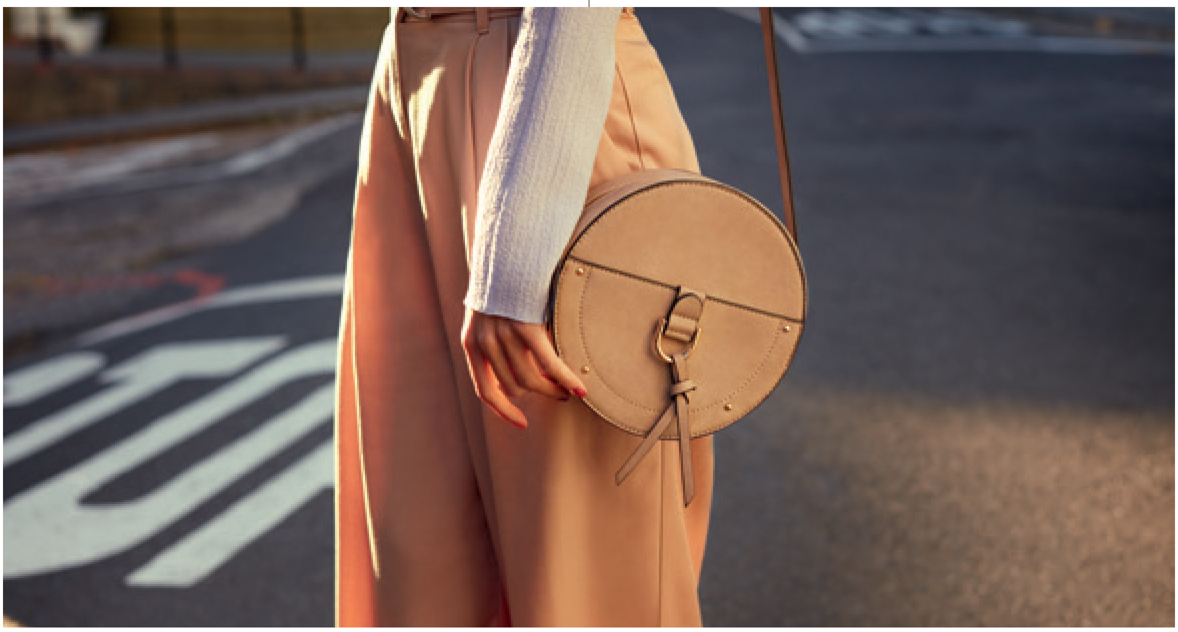
Financing based on the variable LIBOR 12M rate plus the margin of the bank.

The existing debt involves interest rate risk and currency risk. Description of exposure to financial risks is included in note 6.1.

As of 31 December 2017, during the reporting period and until the date of approval of the report for publication, there were no instances of violation of the covenants included in the abovementioned agreements. A description of covenants can be found in section 3.2.1 in the Statements on the operations of the Group

Repayment of these liabilities are covered by the following collateral:

	AMOUNT/OR BOOK VALUE OF GUARANTEE	
	31.12.2017	31.12.2016
Sureties granted	96,7	88,8
Capped mortgages on property	527,1	1 205,0
Registered pledge on movable assets	1 650,0	900,0
In blanco bills of exchange	—	51,2
Assignments of insurance policies	27,0	9,8
Statement on submission to enforcement	3,0	—



[in PLN million unless otherwise stated]

4.3 CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES AND LIQUIDITY MANAGEMENT POLICY

Cautious liquidity management implies maintaining sufficient cash and cash equivalents and the availability of further funding through guaranteed sources from credit lines.

The following table provides information on the contractual undiscounted payments under the existing debt.

i MORE INFORMATION IN SECTION **3.2.1** (BORROWINGS) IN THE STATEMENTS ON OPERATIONS OF THE GROUP

NOTE	AS OF 31.12.2017	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	480,7	0,4	234,7	—	—	715,8	707,1
4.2	Bonds	—	6,8	212,8	—	—	219,6	210,0
5.6	Trade liabilities	235,8	—	—	—	—	235,8	235,8
	Obligation to repurchase minority interests	—	—	—	900,4	—	900,4	777,9
	Financial liabilities	716,5	7,2	438,8	900,4	—	2 062,9	1 930,8

NOTE	AS OF 31.12.2016	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	429,5	2,8	161,6	—	—	593,9	585,5
4.2	Bonds	—	6,8	219,6	—	—	226,4	210,0
5.6	Trade liabilities	168,5	5,8	—	—	—	174,3	174,3
	Obligation to repurchase minority interests	—	—	229,6	—	—	229,6	229,6
	Financial liabilities	598,0	15,4	610,8	—	—	1 224,2	1 199,4

[in PLN million unless otherwise stated]

4.4 ADDITIONAL INFORMATION TO SELECTED ITEMS OF THE STATEMENTS OF CASH FLOWS

NOTE		RECEIVABLES	LIABILITIES
	As of 31.12.2016 *	198,7	312,1
	As of 31.12.2017	260,7	402,4
	Change in the statement of financial position	(62,0)	90,3
	Difference arising from:		
5.4	Loans granted	(2,0)	—
	Change in investment liabilities	—	(16,6)
	Other	—	5,0
	Change recognized in the statement of cash flows	64,0	78,7
	As of 31.12.2015	133,8	178,4
	As of 31.12.2016 *	198,7	312,1
	Change in the statement of financial position	(64,9)	133,7
	Difference arising from:		
5.4	Loans granted	(16,9)	—
	Change in investment liabilities	—	4,1
	Acquisition of investment in eobuwie.pl S.A.	9,3	(24,9)
	Other	0,2	(6,0)
	Change recognized in the statement of cash flows	(72,3)	106,9

* the data for 2016 have been converted

	01.2017-12.2017	01.2016-12.2016 CONVERTED DATA
Other profit adjustments before taxation:		
Differences from the translations	10,4	(3,8)
Change in provisions	6,7	7,1
Valuation of employee option scheme	8,2	14,5
Other	2,6	10,0
Obligation to purchase call option on eobuwie.pl SA	13,9	7,0
	41,8	34,8

	01.2017-12.2017	01.2016-12.2016 CONVERTED DATA
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	97,0	73,2
Change due to re-invoicing of costs	—	—
Other	(4,3)	(0,6)
	92,7	72,6

5. NOTES TO THE STATEMENTS OF FINANCIAL POSITION

5.1 INTANGIBLE ASSETS AND GOODWILL

ACCOUNTING POLICY

The Group measures intangible assets in the value of incurred cost less depreciation write-offs and impairment losses.
Depreciation is calculated with linear method by estimating the utility period of a particular asset, which for selected groups refers to:
- patents and licenses – from 5 to 10 years
- trademarks – from 5 to 10 years

In case when there were events or changes in circumstances indicating that the book value of intangible assets may not be recoverable, they undergo verification for impairment in accordance with the policy described in note 5.2.
Goodwill on acquisition of an entity is initially recognized at the acquisition price representing the excess of the sum:
transferred payment,
the amount of any non-controlling shares in the acquired entity and
in the case of joining entities carried out with the fair value steps as at the capital share acquisition date of the acquired entity previously belonged to the acquiring entity over the net amount determined at the acquisition date of the identifiable assets acquired and liabilities assumed.
After initial recognition, goodwill is recognized the acquisition price less any accumulated impairment losses. The impairment test is carried out once a year or more often if there is some prerogatives. Goodwill is not subject to depreciation.
At acquisition date, the acquired goodwill is allocated to each cash-generating unit that can benefit from merge synergies. Each unit, or set of units to which goodwill is allocated:
corresponds to the lowest level in a Group at which the goodwill is monitored for internal management needs and
is not bigger than one operating segment defined in accordance with IFRS 8 Operating Segments.
An impairment loss is determined by estimating the recoverable amount of the value of a cash-generating unit to which the goodwill is allocated.
Where the recoverable amount of a cash-generating unit is lower than the carrying amount, an impairment loss is recognized. Where goodwill is a part of a cash-generating unit and part of its activities within this unit is sold, when determining the gain or loss on the sales of such business, the goodwill associated with the business sold shall be included in its carrying amount.
Under such circumstances, the goodwill sold is determined on the basis of the relative value of the business sold and the value of the retained part of the cash-generating unit.
Intangible assets with indefinite usage period and those that are not used are tested annually for impairment, in reference to individual assets or at the level of the cash-generating unit.

i MORE INFORMATION IN NOTE **6.2**

[in PLN million unless otherwise stated]

	TRADEMARKS, PATENTS AND LICENCES	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2016	12,6	2,0	14,6
Aggregated amortization	(8,6)	—	(8,6)
Net value 01.01.2016	4,0	2,0	6,0
Exchange rate differences from the translations	—	0,1	0,1
Amortization	(2,8)	(0,3)	(3,1)
Purchase	173,6	3,8	177,4
Producing on its own	—	—	—
Liquidation and sale	—	1,7	1,7
Transfer between groups	—	(0,9)	(0,9)
Gross value 31.12.2016 (01.01.2017)	186,2	7,8	194,0
Aggregated amortization	(11,4)	(1,4)	(12,8)
Net value 31.12.2016 (01.01.2017)	174,8	6,4	181,2
Exchange rate differences from the translations	(0,2)	—	(0,2)
Amortization	(7,7)	(0,5)	(8,2)
Purchase	1,3	23,2	24,5
Producing on its own	—	—	—
Liquidation and sale	—	—	—
Transfer between groups	2,1	(2,1)	—
Gross value 31.12.2017	189,3	28,0	217,3
Aggregated amortization	(18,9)	(1,0)	(19,9)
Net value 31.12.2017	170,4	27,1	197,5

In the statements of financial position, the Group presents the goodwill arising from the acquisition of eobuwie.pl SA in 2016. As of 3 November 2017, the goodwill remained unchanged compared to the previous year and amounts to PLN 106.2 million.

In accordance with IAS 36 and accounting policy as of 31 December 2017, an goodwill and trademarks impairment write-down test was performed using the discounted cash flow model, including forecasts of revenues and expenses, increases in annual sales and the average discount rate. The test did not reveal the need to create any impairment write-down.

[in PLN million unless otherwise stated]

5.2 TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

Tangible fixed assets include mainly: investments in foreign fixed assets (i.e. outlays in rented premises used for selling retail goods) and land and buildings, machinery and equipment.

Fixed assets are recognized at purchase price or production cost less depreciation write-offs and recognized impairment losses. Lands and fixed assets in progress are not depreciated.

Subsequent outlays are included in the book value of the fixed asset or recognized as a separate fixed asset (where appropriate) only when it is probable that this item will generate economic benefits for the Group, whereas the cost of the item can be measured reliably. Book value of the mentioned item is removed from the balance sheet. All other outlays on repairs and maintenance are recognized in financial result during the financial period in which they are incurred.

Borrowing costs are subject to capitalization and are recognized as an increase in the value of the fixed asset. Depreciation is calculated with linear method by estimating the utility period of a particular asset, which for selected groups refers to:

:

GROUP OF FIXED ASSETS	DEPRECIATION PERIOD	OTHER UTILITY PERIOD
Investment in stores	Depreciation period is determined by two factors and accept lesser of values: • utility period of outlays (typically 10 years) • duration of the lease store in which the fixed asset is placed (usually 10 years)	
Factory and distribution	• buildings • machines and equipment • means of transport • other tangible fixed assets	• from 10 to 40 years • from 10 to 40 years • from 5 to 10 years • from 5 to 10 years
Other	• machines and equipment • means of transport • other tangible fixed assets	• from 3 to 15 years • from 5 to 10 years • from 5 to 10 years

Depreciation method and its period are reviewed at each balance sheet date.

Principles of testing for impairment and accounting write-downs due to impairment of tangible fixed assets is disclosed in Note 5.2

Impairment on non-financial fixed assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate the possibility of not realizing their book value. An impairment loss is recognized for the amount by which the book value of a particular part of assets exceeds its recoverable amount. The recoverable amount constitutes the higher of two amounts: fair value of assets less costs of sales or value in use. For the purposes of assessing impairment, assets are grouped at the lowest level in regard to which there are separately identifiable cash flows (cash generating units). Non-financial assets in regard to which impairment had been identified previously are assessed at each balance sheet date for the occurrence of reasons for possible reversal of the made impairment.

In retail sales each of the stores is a separate cash generating unit. In accordance with the above principles, in respect of investments in stores at each balance sheet date, the Group makes analysis for impairment loss. Operating profit realized by each of the retail units is assessed.

In order to estimate the impairment loss of non-financial assets, the Group takes into account the following reasons:

1. Store operates at least 24 months.
2. Store suffers a loss at the gross level in each of the last two years of operation.
3. Analysis of the current value of future cash flows indicates the lack of coverage of investment outlays.

In the event that the assets are recognized as irrecoverable, the Group performs an impairment loss in the amount of surplus of investment outlays over the recoverable amount. Write-down is recognized in cost of goods sold.

For companies in the Group that are starting or operate in developed economies, additional considerations for winning the market are analysed. For these entities, the adaptation period and expected profitability can be extended to 5 years.

Grants received

Grants for the purchase or production of tangible fixed assets the Group recognizes in the books of the Group at the moment of inflow or prima facie evidence of its inflow in the future (e.g. receiving a promissory note, incentive on operating lease) if there is reasonable assurance that the Group will meet the conditions necessary to receive a grant. Grants are recognized as deferred income (item „grants received"). Included in deferred income the amounts of grants gradually adjust the depreciation in cost of sales of goods, in parallel to depreciation write-offs or tangible fixed assets impairment financed from these sources.

In 2016, the impairment of non-financial assets was released in the amount of PLN 3.1 million in total concerning the outlays in the stores.

Some of the assets relating to the specific points of sales can be permanently connected to the rented premise (outlays in stores), which causes the lack of an alternative way of using them or reselling. Their utility period, as well as the amortization period is related to the estimation of the lease of the premises. Approved utility periods are described above.

Accordingly, the level of costs of depreciation depends on the estimated rental period of the point of sales. Changes of this period can affect the level of impairment loss.

In the event that the rental period has been increased/ decreased by one year, the level of depreciation expense would be decreased/increased by PLN 7.6 million.

Fixed assets in progress mainly include investment outlays incurred in the stores.

Information on fixed assets creating a pledge for the debt incurred is presented in note 4.2.

The Company CCC S.A. on 23 December 2009 concluded the agreement with the Polish Agency for Enterprise Development for financing investments in fixed assets. The Company applied for a grant from the Innovative Economy Operational Programme in connection with the investment of building high-storage warehouse located in Polkowice. The final amount of the grant was fixed in the amount of PLN 38.5 million.

The grant was, in accordance with the accounting policy of the Group, classified as deferred income in the statements of financial position.

In 2017, in the statements of comprehensive income the grant in the amount of PLN 2.6 million was settled (in 2016 PLN 2.6 million), which are recognized in Other operating income.

[in PLN million unless otherwise stated]

		FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				
	INVESTMENT IN STORES	LAND, BUILDINGS AND CON-STRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	TOTAL
Gross value 01.01.2016	434,9	175,9	116,5	2,8	295,2	21,1	40,4	48,4	109,9	840,0
Aggregated depreciation	(125,6)	(20,8)	(46,7)	(0,4)	(67,9)	(2,0)	(19,9)	(30,3)	(52,2)	(245,7)
Impairment loss	(2,3)	—	—	—	—	—	—	—	—	(2,3)
Net value 01.01.2016	307,0	155,1	69,8	2,4	227,3	19,0	20,5	18,1	57,6	591,9
Exchange rate differences from the translations	3,1	—	—	(0,7)	(0,7)	—	3,4	4,7	8,2	10,6
Purchase	90,5	31,4	12,3	1,9	45,6	0,5	8,5	10,0	19,0	155,1
Produced on its own	5,1	—	—	1,2	1,2	—	—	—	—	6,4
Depreciation	(43,8)	(5,0)	(12,3)	—	(17,3)	(0,4)	(6,7)	(4,1)	(11,2)	(72,3)
Liquidation and sale	(14,2)	(0,1)	(6,3)	—	(6,4)	(0,1)	(2,8)	(13,6)	(16,5)	(37,1)
Decrease	8,0	—	1,1	—	1,1	—	0,5	9,0	9,5	18,6
Transfers	—	0,6	0,1	(2,3)	(1,7)	(1,4)	1,0	—	(0,4)	(2,1)
Impairment loss	3,1	—	—	—	—	—	—	—	—	3,1
Gross value 31.12.2016	510,2	207,8	125,3	2,5	335,6	20,1	52,8	49,5	122,5	968,3
Aggregated depreciation	(151,5)	(25,8)	(57,9)	—	(83,7)	(2,4)	(31,0)	(19,9)	(53,3)	(288,7)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2016	358,6	182,0	67,4	2,5	251,9	17,7	21,8	29,6	69,1	679,6
Exchange rate differences from the translations	(10,4)	(0,1)	—	6,7	6,7	—	(0,7)	(7,6)	(8,3)	(11,8)
Purchase	120,6	7,9	19,2	62,9	89,9	9,0	11,3	4,5	24,8	235,4
Produced on its own	—	—	—	—	—	—	—	—	—	—
Depreciation	(56,1)	(5,9)	(13,5)	(0,9)	(20,3)	(0,4)	(8,1)	(3,8)	(12,4)	(88,9)
Liquidation and sale	(28,0)	—	(5,8)	—	(5,8)	(1,8)	(2,5)	(2,1)	(6,4)	(40,2)
Decrease	8,1	—	1,3	—	1,3	0,7	1,1	1,8	3,6	13,0
Transfers	0,2	35,4	—	(35,4)	—	(0,3)	—	—	(0,3)	(0,1)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Gross value 31.12.2017	590,7	251,3	132,4	37,4	421,1	27,0	60,0	43,6	130,6	1 142,4
Aggregated depreciation	(197,7)	(31,7)	(63,8)	(1,6)	(97,1)	(2,1)	(37,2)	(21,2)	(60,5)	(355,3)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2017	393,0	219,4	68,6	35,8	323,7	24,9	22,8	22,5	70,2	787,0

[in PLN million unless otherwise stated]

5.3 INVENTORIES

ACCOUNTING POLICY

Inventories are recognized at purchase price or production cost or the net selling price, depending which of these amounts is lower.

Net selling price it is the estimated selling price in the ordinary course of business less applicable variable selling expenses.
In the event of circumstances as a result of which there has been a decrease in the value of inventories, the impairment loss in cost of sales of goods is made. In case of termination of the circumstances that caused the decrease in the value of inventories, the reversal of impairment is made by deducting the cost of sales of goods. In regard to the disbursement of all inventories of similar kind and similar usage the FIFO method is applied.

i MORE INFORMATION IN SECTION **3.1.1.2** (FIXED ASSETS)
IN THE STATEMENTS ON OPERATIONS OF THE GROUP

	31.12.2017	31.12.2016
Materials	2,4	3,5
Manufacturing in progress	49,7	12,1
Goods	1 343,2	972,2
Finished goods	34,7	44,4
Total (gross)	1 430,0	1 032,2
Inventory provision	(12,3)	(12,5)
Total (net)	1 417,7	1 019,7

historical data and expectations for sales. Sales of footwear depends mainly on the changing trends and customer expectations.

To determine the value of impairment on the balance sheet date inventories are taken into account that were purchased at least two years in advance. Based on the data relating to sales of footwear conforming to the above conditions, the Group establishes a ratio that is used to estimate the value of impairment of inventories.

In addition, the Company calculates the provision for the sale of goods below the purchase price and a special write-off for goods in the complaint warehouse.

As at the balance sheet date, the value of the impairment loss on the sale of goods after the balance sheet date below the purchase price amounted to PLN 1.8 million, a flat-rate write-off in the amount of PLN 1.4 million, and a write-off for goods in the complaint warehouse of PLN 9.0 million.

The value of inventory impairments and changes of the impairments are shown below.

[in PLN million unless otherwise stated]

CHANGE IN IMPAIRMENT LOSS ON INVENTORIES

i MORE INFORMATION IN SECTION **3.1.1.2** (CURRENT ASSETS)
IN THE STATEMENTS ON OPERATIONS OF THE GROUP

	31.12.2017	31.12.2016
At the beginning of the period	12,5	6,4
Establishment in cost of sales of goods	10,8	7,9
Utilisation	(6,4)	—
Reversal in cost of sales of goods	(4,7)	(1,8)
At the end of the period	12,2	12,5

The creation of an additional impairment loss of inventories or its release concerns goods. Changes in impairments result from the development of the Group's operations and sales policy.

The value of inventories pledged as collateral for repayment of loans is presented in note 4.2.

[in PLN million unless otherwise stated]

5.4 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate less the impairment losses (further policy described in note 6.1).

If the amount payable can be expected within one year, receivables are classified as current assets. Otherwise, it is recognized as fixed assets.

Other receivables

Other receivables not being financial assets are initially recognized at nominal value and measured on the last day of the reporting period in the due amount.

Loans granted

Loans granted are measured initially at their fair values and are measured after initial recognition at amortized cost using the effective interest rate method less the impairment losses (further policy is described in note 6.1).

i MORE INFORMATION IN NOTE 6.1

	31.12.2017	31.12.2016
Trade and other receivables	96,6	92,3
Provision for receivables	(0,9)	(3,0)
Total net receivables	95,7	89,3
Short-term loans granted	9,1	11,1
Payments on future supplies of goods	105,9	71,1
Accrued expenses	8,9	14,6
Tax receivables	11,9	7,2
Other	28,7	5,3
Total other receivables and short-term loans granted	164,5	109,3
Long-term loans granted	—	—

Customer receivables are exposed to credit risk and currency exchange risk.

Policy for managing these risks and further information on these risks (including assessment of credit quality, the maximum exposure to credit risk, sensitivity analysis on the change rate of the exchange rate) are shown in note 6.1. In relation to this assets of item there are not any receivables overdue

As of 31 December 2017, the balance of short-term loans comprised mainly a loan granted to the entity Adler International Sp. z o.o. Sp. k. for PLN 9 million. This entity is a long-term contractor of the CCC Group. The loan repayment due date is 31 December 2018, the interest rate is calculated based on the WIBOR 3M rate plus a margin.

The value of other receivables consists mainly of receivables from fit-out sales in the amount of PLN 11.8 million.

i MORE INFORMATION IN SECTION 3.3.1 (LOANS GRANTED)
IN THE STATEMENTS ON OPERATIONS OF THE GROUP

Receivables for the loan is exposed to credit risk and interest rate risk.

[in PLN million unless otherwise stated]

Credit risk	Policy for risk management presented in note 6.1. In the opinion of the Management Board, the credit quality of the receivables is good. The loan is unsecured and the maximum amount of exposure to credit risk is the nook value of the receivable. The receivable is not expired or no impairment is stated.
Interest rate risk	Policy for managing this risk is presented in note 6.1. Analysis of sensitivity to interest-rate changes is presented in note 6.1.
Fair value	The fair value of the receivables is close to their book value.

5.5 CASH

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, bank deposits payable on demand. Overdrafts are presented in the statements of financial position as a component of short-term debt liabilities.

i MORE INFORMATION IN SECTION **3.1.1.2** (CASH) IN THE STATEMENTS ON OPERATIONS OF THE GROUP

	31.12.2017	31.12.2016
Cash in hand	31,5	23,9
Cash at bank	185,7	103,4
Short-term deposits (up to 3 months)	294,4	12,7
Cash in transit	—	3,5
Total	511,6	143,4

Cash and cash equivalents are exposed to credit risk and currency exchange risk.

Policy for managing these risks and further information on these risks (including assessment of credit quality, the maximum exposure to credit risk, sensitivity analysis on the change rate of the exchange rate) are shown in note 6.1.

[in PLN million unless otherwise stated]

5.6 LIABILITIES TO SUPPLIERS AND OTHER LIABILITIES

ACCOUNTING POLICY

Trade liabilities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest rate method. Trade liabilities are classified as current liabilities if payment is due within one year. Otherwise, liabilities are recognised as non-current. Other liabilities are measured at the amount due.

i MORE INFORMATION IN NOTE 4.3

	31.12.2017	31.12.2016 CONVERTED DATA
Trade liabilities		
• lease and supply of goods and services	206,8	165,7
• investment	29,0	8,6
Total	235,8	174,3
Liabilities for indirect taxes, duties and other benefits	59,5	42,5
Liabilities to employees	46,8	31,0
Other liabilities	60,4	64,1
Total	166,6	137,6

The Group signed a reversed factoring agreement in the current year. The value of due liabilities as of 31.12.2017 amounted to PLN 22.8 million.

Liabilities to suppliers are exposed to currency risk. Management of currency risk and sensitivity analysis are presented in note 6.1.

Liabilities involve liquidity risk (for further information see note 4.3). The fair value of liabilities to suppliers approximates their book value.

[in PLN million unless otherwise stated]

5.7 PROVISIONS

ACCOUNTING POLICY

Provision for jubilee awards and retirement benefits and litigations are mainly recognized within the provisions.

The provision for warranty repairs is created as an estimated determination determine of the average level of product returns in respect of the complaints based on historical data.

After making the calculation for several periods and on the basis of gained experience of the Group in order to simplify the estimates made, the average rate of complaints concerning prior periods is calculated. Variable determining the potential returns from sales, upon which the value of the potential claims depends is the amount of revenue from sales in the period.

In subsequent periods some provisions adjustments are made by increasing or releasing depending on the revenue generated from the sales.

Provision for litigations is created in the amount representing the best estimate of the amount required to settle the resulting obligation.

A defined long-term benefit scheme within the period of employment

Under the terms of the collective labour agreement, a group of employees has the right to receive jubilee awards depending on seniority.

Eligible employees receive a lump sum constituting, after 10 years of service, the equivalent of 100% of the base salaries monthly, an amount equivalent to 150% of the base salaries monthly after 15 years of service, after 20 years of service an amount equivalent to 200% of the base salaries monthly and after 25 years of service an amount equivalent to 250% of the base monthly salaries.

The Group recognizes a provision for bonuses payable for the fiscal period and subject to the charging and payment after the end of the fiscal year. The value is determined at the end of the fiscal year.

The Group establishes a provision for future jubilee awards based on actuarial valuation using the projected unit benefits method.

	PROVISION FOR JUBILEE AWARDS AND RETIREMENT BENEFITS	PROVISIONS FOR WARRANTY REPAIRS	PROVISION FOR LITIGATION	OTHER PROVISIONS	TOTAL
As of 31.12.2016 CONVERTED DATA	7,9	5,0	—	1,1	14,0
Current	0,9	5,0	—	0,9	6,8
Non-current	7,0	—	—	0,2	7,2
As of 01.01.2017	7,9	5,0	—	1,1	14,0
Establishment	4,0	3,5	—	33,0	40,5
Utilisation	(1,2)	(0,5)	—	(31,9)	(33,6)
Release	—	—	—	(0,2)	(0,2)
Exchange rate differences	—	—	—	—	—
As of 31.12.2017	10,7	8,0	—	2,0	20,7
Current	1,5	8,0	—	1,8	11,3
Non-current	9,2	—	—	0,2	9,4

[in PLN million unless otherwise stated]

Other provisions for the reporting period were recognized under the cost after the balance sheet date.

On the basis of a valuation performed by a professional actuarial company, the Group creates a provision for the current value of liabilities due to retirement benefits. Due to the fact that the balance consists mainly of provisions created in the companies CCC S.A., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o., the information on the key assumptions and the sensitivity analysis presented below show aggregate data of the companies listed.

The main assumptions adopted for the valuation of employee benefits as at the reporting date are as follows:

Discount rate	3.25%
Mortality tables	pttz2016
Average assumed annual increase in the basis for calculating retirement and disability benefits in 2018-2027	2,50%
Average assumed annual increase in the basis for the jubilee prizes calculation in 2018-2027	2,50%
The weighted average employee mobility ratio	33,5%

Sensitivity analysis of provisions for employee benefits:

TITLE OF THE PROVISION	THE FINANCIAL DISCOUNT RATE		PLANNED INCREASES OF THE BASIS	
	-1 P.P.	+1 P.P.	-1 P.P.	+1 P.P.
Retirement benefits	0,8	0,6	0,6	0,8
Disability benefits	0,1	0,1	0,1	0,1
Jubilee prizes	8,8	8,0	7,9	9,0
Death benefits	0,8	0,6	0,6	0,7
Total provisions	10,5	9,3	9,2	10,6

[in PLN million unless otherwise stated]

6. OTHER NOTES

6.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Impairment of financial assets

At each balance sheet date an assessment is made whether a financial asset is impaired.

If there is evidence of impairment of loans and receivables valued at amortized cost, the impairment loss is determined as the difference between the asset's book value and the present value of estimated future cash flows discounted at the original effective interest rate for these assets.

An impairment loss is recognized in financial result in other operating cost. Reversal of impairment loss is recognized if in subsequent periods, the impairment loss decreases and the decrease can be attributed to events occurring after recognition of the impairment.

	31.12.2017		31.12.2016 CONVERTED DATA	
	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES
Financial assets	616,4	—	243,8	—
Loans granted	9,1	—	11,1	—
Trade receivables	95,7	—	89,3	—
Cash and cash equivalents	511,6	—	143,4	—
Financial liabilities	—	1 152,9	—	969,8
Debt liabilities	—	917,1	—	795,5
Trade liabilities	—	235,8	—	174,3

FINANCIAL RISK MANAGEMENT

There are many different financial risks related to the activities carried out by the Capital Group CCC S.A. The Management Board identifies the main ones: the risk of changes in exchange rates, interest rate change, credit risk (described below) and liquidity risk (see note 4.3).

RISK OF CHANGES IN CURRENCY EXCHANGE RATES

The Capital Group CCC S.A. operates internationally and therefore is exposed to the risk of changes in currency exchange rates, in particular USD and EUR in relation to the transaction executed in China and costs of stores lease.

The main balance sheet items exposed to foreign exchange risk refer to trade liabilities (for purchase of goods and lease of stores), trade receivables (wholesale of goods and sublease of stores) and cash.

The Group monitors exchange rate fluctuations and systematically takes steps to minimize the negative impact of exchange rate fluctuations, e.g. by including such changes in product prices. The Group does not use hedging instruments.

The amounts were translated to a functional currency according to the rate applicable at the last day of the reporting period:

- currency exchange rate as at 31.12.2017 amounted to 1 EUR – 4,1709 PLN
- currency exchange rate as at 31.12.2016 amounted to 1 EUR – 4,4240 PLN
- currency exchange rate as at 31.12.2017 amounted to 1 USD – 3,4813 PLN
- currency exchange rate as at 31.12.2016 amounted to 1 USD – 4,1793 PLN

The translation was made according to the exchange rates indicated earlier by dividing the amounts expressed in millions of Polish zlotys by the currency exchange rate.

The following table presents the Group's exposure to foreign currency risk:

31.12.2017	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets	616,4	41,2	131,4	21,6	423,4
Loans granted	9,1	–	–	–	9,1
Trade receivables	95,7	5,3	18,4	19,3	52,8
Cash and cash equivalents	511,6	36	113	2,3	361,5
Financial liabilities	1 152,9	–	20,4	0,2	1 132,4
Debt liabilities	917,1	–	–	–	917,1
Trade liabilities	235,8	–	20,4	0,2	215,3

31.12.2016 CONVERTED DATA	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets	243,8	14,1	67,2	17,3	149,7
Loans granted	11,1	–	–	–	11,1
Trade receivables	89,3	13,4	32,4	17,3	26,2
Cash and cash equivalents	143,4	0,7	34,8	–	107,9
Financial liabilities	969,8	0,5	9,6	0,3	965,1
Debt liabilities	795,5	–	–	–	795,5
Trade liabilities	174,3	0,5	9,6	0,3	163,9

[in PLN million unless otherwise stated]

Sensitivity analysis of exchange rate fluctuations, if exchange rates of assets/financial liabilities provided in foreign currencies movements, in particular for USD and EUR during the period of 12 months ended 31 December 2017 were higher/lower by PLN 0.05, is presented in the table below.

2017	ITEM VALUE IN CURRENCY USD	INCREASE/ DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN CURRENCY EUR	INCREASE/ DECREASE OF EXCHANGE RATE EUR	
		0,05	-0,05		0,05	-0,05
Financial assets	41,2	0,6	(0,6)	131,4	1,6	(1,6)
Loans granted	–	—	—	—	—	—
Trade receivables	5,3	0,1	(0,1)	18,4	0,2	(0,2)
Cash and cash equivalents	36,0	0,5	(0,5)	113,0	1,4	(1,4)
Financial liabilities	—	—	—	20,4	0,2	(0,2)
Debt liabilities	—	—	—	—	—	—
Trade liabilities	—	—	—	20,4	0,2	(0,2)
Impact on net result		0,6	(0,6)		1,8	(1,8)

2016 CONVERTED DATA	ITEM VALUE IN CURRENCY USD	INCREASE/ DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN CURRENCY EUR	INCREASE/ DECREASE OF EXCHANGE RATE EUR	
		0,05	-0,05		0,05	-0,05
Financial assets	14,1	0,2	(0,2)	67,2	0,8	(0,8)
Loans granted	—	—	—	—	—	—
Trade receivables	13,4	0,2	(0,2)	32,4	0,4	(0,4)
Cash and cash equivalents	0,7	—	—	34,8	0,4	(0,4)
Financial liabilities	(0,5)	—	—	9,6	0,1	(0,1)
Debt liabilities	—	—	—	—	—	—
Trade liabilities	(0,5)	—	—	9,6	0,1	(0,1)
Impact on net result		0,2	(0,2)		0,9	(0,9)

[in PLN million unless otherwise stated]

RISK OF INTEREST RATE CHANGES

The Group CCC S.A. is exposed to interest rate change risk mainly due to the debt resulting from concluded loan agreements and issued bonds, cash in bank accounts and loans granted.

The entire debt bears interest at a variable interest rate based on WIBOR. An increase in interest rates affect the cost of debt servicing, which is partially offset by cash deposits and loans granted with variable interest rates.

The Capital Group does not use hedging activities limiting the impact on the financial result of changes in cash flows resulting from changes in interest rates.

If interest rates on debt in the 12 months ended 31 December 2017 were 1 p.p. higher/lower, the profit for the period would be about PLN 4.3 million (31.12.2016: PLN 6.7 million higher/lower). The following table presents a sensitivity analysis of the risk of changes in interest rates, which in the opinion of the Group would be reasonably possible at the balance sheet date.

	AMOUNT VULNERABLE TO RISK OF INTEREST RATE CHANGE %		AS OF 31.12.2017		AS OF 31.12.2016	
	31.12.2017	31.12.2016	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	480,1	116,1	4,8	(4,8)	1,2	(1,2)
Loans granted	9,1	11,1	0,1	(0,1)	0,1	(0,1)
Debt liabilities	(917,1)	(795,5)	(9,2)	9,2	(8,0)	8,0
Effect on net result	—	—	(4,3)	4,3	(6,7)	6,7

[in PLN million unless otherwise stated]

CREDIT RISK

Credit risk it is the Group's risk to incur financial losses due to a failure by the customer or counterparty to a financial instrument to meet its contractual obligations. Credit risk is mainly related to the Group's receivables from customers (due to wholesale), loans granted and cash and cash equivalents in bank accounts

The maximum exposure to credit risk at balance sheet date (31 December) is presented in the table below:

	31.12.2017	31.12.2016 CONVERTED DATA
Loans granted	9,1	11,1
Trade receivables	95,7	89,3
Cash and cash equivalents	511,6	143,4
Total	616,4	243,8

The lifetime structure of receivables, together with information on impairment of receivables are presented in note 5.4

Due to the fact that the Group's wholesale customers do not have external ratings, the Group independently monitors the exposure to credit risk associated with receivables from customers through periodic analysis of the financial situation of the counterparties, setting credit limits and collateral promissory note from the franchise recipients. Due to the lifelong cooperation with its counterparties, the Group assesses the credit risk of receivables from those counterparties as low.

Credit risk is further reduced by concluded framework agreements for offsetting of receivables from customers with liabilities (as described in note 6.1).

Credit risk related to financial instruments in the form of cash in bank accounts is limited, due to the fact that the parties to the transaction are banks with high credit ratings received from international rating agencies.

[in PLN million unless otherwise stated]

	31.12.2017	31.12.2016
Banks with a rating of A	1,0	5,4
Banks with a rating of A-	429	63,5
Banks with a rating of B+	1,9	0,4
Banks with a rating of BAA1	0,4	0,5
Banks with a rating of BAA2	0,1	0,4
Banks with a rating of BBB+	16,2	2,6
Banks with a rating of BBB-	29,6	46,6
Banks with a rating of BBB	1,9	0,2
Total cash at banks	480,1	119,6

The Group has no significant concentration of credit risk. The risk is spread over a large number of banks, whose services are used, and customers it cooperates with.

FRAMEWORK AGREEMENTS FOR OFFSETTING

The following assets and financial liabilities are covered by the enforced framework agreement and similar agreements concerning offsetting (as of 31 December).

31.12.2017	GROSS VALUE	VALUE SUBJECT TO OFFSETTING	NET VALUE PRESENTED IN THE BALANCE SHEET
Trade receivables	95,7	—	95,7
Trade liabilities	235,8	—	235,8

31.12.2016 CONVERTED DATA	GROSS VALUE	VALUE SUBJECT TO OFFSETTING	NET VALUE PRESENTED IN THE BALANCE SHEET
Trade receivables	89,3	—	89,3
Trade liabilities	174,3	—	174,3

6.2 ACQUISITION OF EOBUWIE.PL S.A.

On 15 January 2016, CCC S.A. acquired 74.99% of the share capital of eobuwie.pl S.A. for the amount of PLN 235.7 million and took control over the Group eobuwie.pl S.A., which runs online sales of footwear and fancy goods, operating in Poland and in other European countries.

The original purchase agreement provided for an option to purchase the remaining 25.01% shares of eobuwie.pl S.A. by CCC S.A.. In case of exercising put option by minority shareholders of eobuwie.pl S.A. or the call option by CCC SA, it was obliged to purchase a block of shares for the price corresponding to the value of 25.01% of the multiplier: 12 x EBITDA eobuwie.pl S.A. for 2018, and if the company reaches the loss at the EBITDA or EBITDA level will be zero, the price will be equal to the nominal value of the shares (i.e. PLN 500,200). The options are enforceable until 28 February 2020.

The above put and call options are symmetrical – their settlement takes place at the same time and at the same price. The symmetrical put and call option used to acquire a non-controlling interest (minority interest) was recognized at the time of initial recognition (01.2016) in the consolidated financial statements as an obligation to pay in the current value of remuneration for the remaining shares and recognized in equity (retained earnings) in the amount of PLN 222 million and PLN 7 million recognized in costs of the current period, being discounted (using the original effective interest rate) estimated liability.

The liability was estimated on the basis of 25.01% of forecasted EBITDA for ebuwie.pl S.A. for 2018 multiplied by the rate of 12 and discounted using the interest rate at the level of the average debt cost for CCC S.A..

The liability for minority buy-back of shares in eobuwie.pl S.A. is a variable price, calculated based on EBITDA of this company. Due to this construction of the price, it is highly probable that the risks and benefits were not transferred to CCC S.A. as at the date of the option, therefore the financial liability under the put option reduces equity.

In addition CCC S.A., on 21 August 2017, signed an annex to the agreement obliging the sale of shares of eobuwie.pl S.A. as of 26 August 2015 concluded between CCC S.A. with its registered office in Polkowice as the purchaser and shareholders of the Company eobuwie.pl S.A. as a seller. According to the provision of the annex, if the put option is exercised by eobuwie.pl S.A. or the call option by CCC S.A., CCC S.A. will be required to purchase a block of shares for a price equivalent to 25.01% of the multiplier: 12 x EBITDA of eobuwie.pl SA for 2021.

In the opinion of the Management Board, the modification of the terms of the contract of the existing financial liability is significant and as a consequence the Group has included this modification as the expiration of the original financial liability and recognizing a new one in correspondence with retained earnings.

The previous liability was excluded from the acquisition of a minority shareholding in eobuwie.pl S, A, in the amount of PLN 234.4 million, and at the same time a new liability was recognized at the discounted value of PLN 768.8 million.

Then, as at the balance sheet date, the discount for the period from 21 August 2017 to 31 December 2017 was settled, amounted to PLN 9.1 million (for the period from 01.01.2017 to 21.08.2017 amounted to PLN 4.8 million)

The value of the liability as at the balance sheet date was PLN 777.9 million and the costs recognized in the current period for the entire year 2017 amounted to PLN 13.9 million in total. (a discount)

The nominal value of the liability resulting from the 12 x EBITDA multiplier was PLN 900.4 million

If the option is re-priced, its effect will be recognized in the financial result under the item of financial costs. The discount is settled by the financial result in the item of financial costs.

TRANSACTIONS WITH RELATED ENTITIES

In the periods presented the Group made the following transactions with related entities:

	31.12.2017	31.12.2016
Entities related to members of key management personnel		
Transactions in the fiscal year:		
Sale	0,8	—
Purchase	6,5	2,8
Transactions in the fiscal year:		
Receivables	0,9	—
Liabilities	0,3	0,2

Transactions with related entities were concluded under market conditions.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL

IN THOUSAND PLN	FIXED REMUNERATION	PROGRAM OF PAYMENTS BASED ON SHARES – FAIR VALUE AT THE MOMENT OF GRANTING	OTHER (BONUSES)	TOTAL
31.12.2017				
Members of Management Board	4 304,8	1 120,0	490,0	5 914,8
Supervisory Board	388,6	—	—	388,6
Total	4 693,3	1 120,0	490,0	6 303,4

IN THOUSAND PLN	FIXED REMUNERATION	PROGRAM OF PAYMENTS BASED ON SHARES – FAIR VALUE AT THE MOMENT OF GRANTING	OTHER (BONUSES)	TOTAL
31.12.2016				
Members of Management Board	1 350,0	11 502,5	—	12 852,5
Supervisory Board	198,1	—	—	198,1
Total	1 548,1	11 502,5	—	13 050,6

6.3 PAYMENTS IN THE FORM OF SHARES

ACCOUNTING POLICY

The Group runs a program of benefits based on shares settled in capital instruments, under which the entity receives services of employees in exchange for equity instruments (options) of the Group. The fair value of employee's services received in exchange for granting options is recognized as an expense over the period of conferring rights to exercise the option in correspondence to equity – retained earnings.

The total amount subject to recognition in cost is determined by referring to the fair value of options granted at the date of granting the option:

- taking into account any market conditions (for example entity's share price);
- excluding the impact of any related work experience and non-market conferring rights (for example, sales profitability, the goals connected with growth in sales and the indicated period of the compulsory employment of the employee in the unit); and
- taking into account the impact of any conditions unrelated to conferring the rights (for example, the requirement by the current staff to keep received instruments for a specified period).

At the end of each reporting period, the entity revises the made estimates of the expected number of options to which rights are to be conferred as a result of the conditions of conferring rights of a non-market. The Group presents the impact of a possible revision of the original estimates in the report on the financial result, with a corresponding adjustment to equity.

In addition, in certain circumstances, employees can provide services before the date of granting them the stock options. In this case, the fair value of at the date of granting stock options is estimated to recognize costs during the period from commencement of the service by the staff to the actual date of granting them the options.

Upon exercise of the options, an entity issues new shares. The funds obtained after the deduction of any costs that can be directly attributable to the transaction, increase the share capital (nominal value) and the surplus of the issue price of shares over their nominal value.

Social security contributions payable in connection with the granting of stock options are considered an integral part of the benefit granted and the cost is treated as a transaction settled in a form of cash.

The parent company, in December 2012, launched an incentive scheme based on subscription warrants (Scheme). As part of this scheme, the Supervisory Board granted warrants in a total number of 768,000. The statement of subscription for shares was submitted by 94 entitled persons, which gives a total of 764,000 series E shares, at PLN 61.35 for the amount of PLN 46,871,400.00. With respect to the remaining 4,000 A-series subscription warrants, for which the right to convert to Series E Shares has not been exercised, there is a possibility to subscribe for Shares by 30 June 2018.

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 an incentive scheme (Scheme) will be launched covering current and future members of the Management Board. Current and future members of management boards of subsidiaries and management of subsidiaries.

The main goals of the scheme are additional, long-term motivation for the management of CCC Capital Group to implement the Group's strategy in the years 2017-2019 and to take actions and efforts aimed at the further development of the Group and its prospects for 2020 and subsequent years – as a consequence, leading to an increase in the value of the Company's shares and the value for shareholders. The Scheme provides for the issuance of no more than 1,174,920 Warrants and no more than 1,174,920 Series F shares. The persons entitled for a take-up 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 scheme will not exceed 149 people. The program assumes minimum EBITDA thresholds (which condition the launch of the Tranches of Scheme) at PLN 550, 650 and 800 million for 2017, 2018 and 2019 respectively, that is, a total of not less than PLN 2 billion in this period. The vesting rights date was on 26 August 2017.

TRANCHE [in PLN thousand]	NUMBER OF INSTRUMENTS IN THE TRANCHE	FAIR VALUE OF THE INSTRUMENT	2017	2018	2019	TOTAL
Tranche 2017	391 640	79,34	3 907	13 582	13 582	31 071
Tranche 2018	391 640	79,34	3 907	13 582	13 582	31 071
Tranche 2019	391 640	79,68	3 924	13 640	13 640	31 204
Total cost	1 174 920		11 739	40 804	40 804	93 347
valuation of stake assigned to participants			10 966	38 119	38 119	87 204
value 75%			8 225	28 589	28 589	65 403

Due to the achievement of EBITDA for the year 2017 at a lower level in relation to the result assumed for this year, the Supervisory Board, at the request of the President of the Management Board, decided to reduce the exercise of the right to subscribe for 2017 by 25%.

Details concerning the purpose and the detailed rules of issuing and acquiring shares are described in the statements of the operations of the Capital Group CCC S.A. in 4.2.4

[in PLN million unless otherwise stated]

6.4 CONSOLIDATION

ACCOUNTING POLICY

Subsidiaries these are all business entities over which the Group exercises control. Subsidiaries are subject to a full consolidation from the date of transfer of control to the Group. Consolidation ceases from the date of cessation of control.

The Group recognizes the business combination using the purchase method. The payment given for the acquisition of the venture it is the fair value of the assets given, liabilities incurred to the previous owners of the acquiree and the equity shares issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured at initial recognition at their fair values at the acquisition date. The Group recognizes at the acquisition date any non-controlling shares in the acquiree either at fair value or according to the proportionate share (corresponding to the share not giving control) in identifiable recognized net assets of the acquiree.

The excess of the cost of acquisition and non-controlling shares over the fair value of net assets acquired is recorded as goodwill.

Transaction costs are recognized in the financial result when incurred.

Intra-group transactions and balances and unrealized gains on transactions between the entities of the group are eliminated.

Related entities (indirectly and directly) from CCC S.A. are presented in the table below:

SUBSIDIARIES OF CCC S.A.	HEADQUARTERS/COUNTRY	TYPE OF BUSINESS ACTIVITY	PERCENTAGE AS OF 31.12.2017	PERCENTAGE AS OF 31.12.2016
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing	100%	100%
CCC Czech s.r.o.	Prague, Czech Republic	commercial	100%	100%
CCC Slovakia s.r.o.	Bratislava, Slovakia	commercial	100%	100%
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial	100%	100%
CCC Austria Ges.M.b.H.	Graz, Austria	commercial	100%	100%
CCC Shoes Ayakkabıcılık Ticaret Limited Sirketi	Istanbul, Turcja	commercial	100%	100%
CCC Obutev d o.o.	Maribor, Slovenia	commercial	100%	100%
CCC Hrvatska d o.o.	Zagreb, Croatia	commercial	100%	100%
CCC Germany GmbH	Frankfurt, Germany	commercial	100%	100%
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial	100%	100%
CCC Isle of Man Ltd.	Isle of Man, Douglas	service	100%	100%
CCC.eu sp. z o.o.	Polkowice, Poland	purchase and selling	100%	100%
CCC Shoes and Bags sp. z o.o.	Polkowice, Poland	investment	100%	100%
NG2 Suisse S.a.r.l.	Zug, Switzerland	in liquidation	74,99%	74,99%

On 22 December 2017, the Management Board of CCC S.A. concluded with Peeraj Brands International SRL, a non-binding preliminary agreement regarding the acquisition from a franchisee of an enterprise that includes running stores operating under the CCC brand in Romania and a letter of intent regarding the opening of CCC stores in Georgia and Kazakhstan.

The total amount to be paid by the Issuer as part of the Transaction has been set at EUR 33 million. This amount may be appropriately changed depending on the business development of Peeraj CCC after 1 January 2018. The Letter of Intent provides that the Issuer will be entitled to withhold EUR 1 million from the price of the Transaction against the price for goods for sale in Kazakhstan and Georgia.

The implementation of the Transaction is conditional upon the fulfillment of a number of conditions, including making appropriate corporate transformations within Peeraj CCC, obtaining required corporate and regulatory approvals, including the consent of relevant antitrust authorities, finalization of due diligence and other standard for this type of transaction. Closing of the Transaction is planned for the second quarter of 2018.

On the day of signing the Preliminary Agreement, Peeraj CCC operates a network of 54 stores operated by Peeraj under the CCC brand. According to pro forma data received from the Sellers, Peeraj CCC sales in 2016 amounted to RON 178 million, approx. EUR 38 million, with a net profit of RON 25 million – under the prevailing trade terms between Peeraj CCC and Issuer. According to data received from the Sellers, revenues for the period January-October 2017 were higher than those achieved in January-October 2016 by 28%.

Organizational changes that took place in the Capital Group during the financial year are described in p. 4.1.2. Statements on the operations of the Capital Group CCC S.A.

6.5 EVENTS AFTER BALANCE SHEET DATE

- On 17 January 2018, the company CCC.eu Sp. z o.o., a subsidiary of the Issuer, concluded a franchise agreement with Apparel FZCO, based in the United Arab Emirates regarding the distribution of goods through a network of retail stores under the CCC brand and via dedicated online channels for the Middle East, managed by Apparel. The period of its validity is 10 years with the possibility of extending it by another 10 years. Under this agreement, the parties agreed to open in the abovementioned countries at least 60 stores operating under the CCC brand until 2023, with a total area of at least 40,000 m2. The expansion of the sales network and the opening of the first stores is planned in the first half of 2019.
- On 31 January 2018, Mr. Marcin Pałażej submitted his resignation from the position of Vice President of the Management Board of CCC S.A. with effect as of 31 January 2018. (CR 4/2018))

[in PLN million unless otherwise stated]

6.6 INFORMATION ON THE REMUNERATION OF THE STATUTORY AUDITOR OR THE ENTITY AUTHORIZED TO AUDIT FINANCIAL STATEMENTS

The table below presents the remuneration of the entity authorized to audit financial statements paid or due for the year ended 31 December 2017 and 31 December 2016, by type of services:

TYPE OF SERVICE	YEAR ENDED 31 DECEMBER 2017 [1]	YEAR ENDED 31 DECEMBER 2016 [2]
Mandatory audit of the annual financial statements	0,5	0,4
Other certifying services	—	—
Tax advisory services	—	—
Other services	—	0,7
In total	0,5	1,1

* refers to the company Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k.

** refers to PricewaterhouseCoopers Sp. z o.o.

The remuneration does not include services provided to other Group companies

The financial statements were approved for publication by the Management Board of the Company on 26 March 2018
and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS

Edyta Banaś	Chief Accountant	

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

Dariusz Miłek	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Marcin Czyczerski	Vice-President of the Management Board	
Karol Półtorak	Vice-President of the Management Board	

Polkowice, 26 March 2018