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

FOR THE PERIOD 01.01.2016 – 31.12.2016

CCC
SHOES & BAGS

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

NOTA		2016	2015
2	Sales revenue	3 185,3	2 307,0
3.1	Cost of sale of goods	(1 505,2)	(1 041,2)
	Gross profit on sale	1 680,1	1 265,8
	gross margin	52,7%	54,9%
3.1	Cost of operating stores	(931,3)	(731,1)
3.1	Other cost of sale	(292,6)	(164,7)
3.1	Administrative expenses	(109,0)	(115,2)
3.2	Other cost and operating revenue	26,2	1,9
	Operating profit	373,4	256,7
3.2	Finance revenue	0,9	0,1
3.2	Finance cost	(33,4)	(23,8)
	Profit before tax	340,9	233,0
3.3	Income tax	(25,4)	26,4
	NET PROFIT	315,5	259,4
	Attributable to shareholders of the parent company	306,5	259,4
	Attributable to non-controlling interest	9,0	—
	Other comprehensive income		
	Attributable to be reclassified to profit - exchange rate differences upon conversion of reports of foreign entities	2,5	0,4
	Non-attributable to be reclassified to result - other	—	—
	Total net comprehensive income	2,5	0,4
	TOTAL COMPREHENSIVE INCOME	318,0	259,8
	Attributable to shareholders of the parent company	309,0	—
	Attributable to non-controlling interest	9,0	—
	Weighted average number of ordinary shares (mln pcs)	39,2	38,4
4.1.1	**Basic and diluted earnings per share (in PLN)**	7,82	6,77

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

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENT OF CASH FLOWS

NOTA		2016	2015
	Profit before tax	340,9	233,0
3.1	Amortization and depreciation	72,7	66,9
	Loss on investment activity	(12,1)	4,4
4.2	Cost of borrowings	21,6	16,8
4.4	Other adjustments to profit before tax	33,4	27,1
3.3	Income tax paid	(31,1)	(51,9)
	Other adjustments	9,0	—
	Cash flow before changes in working capital	434,4	296,3
	Changes in working capital		
5.3	Change in inventory and inventory write-downs	(307,0)	60,8
4.4	Change in receivables	(65,1)	(27,6)
4.4	Change in current liabilities, excluding borrowings	103,1	(1,5)
	Change in provisions	9,3	(2,6)
	Net cash flows from operating activities	174,7	325,4
	Proceeds from the sale of tangible fixed assets	16,4	14,0
5.4	Repayment of loans granted and interest	4,0	0,6
5.2, 5.1	Purchase of intangible and tangible fixed assets	(160,0)	(156,9)
5.4	Loans granted	(0,1)	(13,2)
	Purchase of subsidiary eobuwie.pl S.A.	(222,3)	—
	Net cash flows from investing activities	(362,0)	(155,5)
4.2	Proceeds from borrowings	114,8	288,0
4.1	Dividends and other payments to owners	(85,7)	(115,2)
4.2	Repayment of borrowings	(62,1)	(147,2)
4.2	Interest paid	(21,6)	(16,8)
	Proceeds from the issue of shares	44,7	—
	Net cash flows from finance activities	(9,9)	8,8
	TOTAL CASH FLOWS	(197,2)	178,7
	Net increase/decrease of cash and cash equivalents	(197,2)	178,7
	Exchange rate changes on cash and cash equivalents	—	—
	Cash and cash equivalents at beginning of period	340,6	161,9
	Cash and cash equivalents at the end of period	143,4	340,6

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

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTA		2016	2015
5.1	Intangible assets	181,2	5,9
6.2	Goodwill	106,2	—
5.2	Tangible fixed assets - investments in stores	358,6	307,0
5.2	Tangible fixed assets - factory and distribution	251,9	227,3
5.2	Tangible fixed assets - other	69,1	57,6
3.3	Deferred tax assets	320,3	312,5
5.4	Loans granted	—	10,0
	Total non-current assets	1 287,3	920,3
5.3	Inventories	1 034,9	680,5
5.4	Trade receivables	91,7	51,3
	Income tax receivables	12,1	6,8
5.4	Loans granted	11,1	18,0
	Other receivables	88,6	54,5
5.5	Cash and cash equivalents	143,4	340,6
	Total current assets	1 381,8	1 151,7
	TOTAL ASSETS	2 669,1	2 072,0
4.2	Debt liabilities	366,0	296,0
3.3	Deferred tax liabilities	34,1	6,4
5.7	Provisions	7,2	6,5
5.2	Grants received	23,5	26,1
	Liabilities on acquisition of own shares	229,6	—
	Total non-current liabilities	660,4	335,0
4.2	Debt liabilities	429,5	422,8
5.6	Trade liabilities	182,3	78,1
5.6	Other liabilities	125,9	100,4
3.3	Income tax liabilities	17,8	5,4
5.7	Provisions	12,7	4,1
5.2	Grants received	4,4	2,6
	Total current liabilities	772,6	613,4
	TOTAL LIABILITIES	1 433,0	948,4
	NET ASSETS	1 263,1	1 123,6
	Equity		
4.2	Share capital and share premium	123,1	78,4
	Exchange rate differences from the translations	1,8	(2,0)
	Retained earnings	1 058,8	1 047,2
	Non-controlling shares resulting from acquisition of a subsidiary	52,4	—
	RAZEM KAPITAŁY WŁASNE	1 236,1	1 123,6

i MORE INFORMATION IN SECTION **3.1.1.2** IN STATEMENT OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL AND SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	NON-CONTROLLING SHARES RESULTING FROM ACQUISITION OF A SUBSIDIARY	TOTAL EQUITY
As of 01.01.2015	78,4	876,2	(2,4)	—	952,2
Net profit for the period	—	259,4	—	—	259,4
Exchange rate differences from the translations	—	—	0,4	—	0,4
Total comprehensive income	—	259,4	0,4	—	259,8
Dividend payment	—	(115,2)	—	—	(115,2)
Valuation of employee option scheme	—	26,8	—	—	26,8
Total transactions with owners	—	(88,4)	—	—	(88,4)
As of 31.12.2015 (01.01.2016)	78,4	1 047,2	(2,0)	—	1 123,6
Net profit for the period	—	315,5	—		315,5
Profit allocated to minority shares		(9,0)		9,0	—
Exchange rate differences from the translations	—	(1,3)	3,8	—	2,5
Total comprehensive income	—	305,2	3,8	9,0	318,0
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)
Liabilities to acquire own shares in eobuwie.pl S.A. (Obligation to buy out minority shares in eobuwie.pl S.A.)	—	(222,4)	—	—	(222,4)
Non-controlling shares resulting from acquisition of a subsidiary	—	—	—	43,4	43,4
As of 31.12.2016 (01.01.2017)	123,1	1 058,8	1,8	52,4	1 236,1

The issue of shares regards the implementation of the incentive scheme, as at the balance sheet date the share capital was paid but not registered. For more information see note 4.1.

Obligation to acquire own shares (the obligation to buy back minority shares) in eobuwie.pl S.A. is described in detail in note 6.2.

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 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 of the Capital Group CCC S.A. (hereinafter: CG or Group) 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 financial statements is prepared under the method of historical cost.

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	TITLE	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
2	Sales revenue	Y		13
3.1	Cost of goods sold	Y		18
3.1	Cost of operating stores	Y		18
3.1	Other cost of sales	Y		18
3.1	Administrative expenses	Y		18
3.1	Operating leasing	Y		18
3.2	Other operating and finance costs and revenues	Y		18
3.3	Income tax	Y		22
3.3	Deferred tax assets	Y	Y	22
3.3	Income tax liabilities	Y		22
4.2	Equity	Y	Y	28
4.2	Debt liabilities	Y		30
5.1	Intangible assets	Y	Y	35
5.2	Tangible fixed assets	Y	Y	37
5.2	Grants received	Y		37
5.3	Inventories	Y		40
5.4	Loans granted	Y		42
5.4	Trade receivables	Y		42
5.4	Other receivables	Y		42
5.5	Cash and cash equivalents	Y		44
5.6	Trade liabilities	Y		46
5.6	Other liabilities	Y		45
5.7	Provisions	Y		46
6.1	Financial instruments	Y		47
6.3	Cost of incentive program	Y		58

[in PLN million unless otherwise stated]

APPLIED NEW AND REVISED ACCOUNTING STANDARDS

In these financial statements, the following new and amended standards and interpretations were applied, which came into force on 1 January 2016: :

STANDARD	DESCRIPTION OF CHANGE
IAS 1 „Disclosure Initiative"	Amendments to IAS 1 include explanations of the materiality of the information with particular regard to limiting negligible information in the financial statements.
IAS 16 "Property, Plant and Equipment" and IAS 38 „Intangible Assets"	It explains how to recognize the gross balance sheet value and depreciation using a model based on the revaluation value.

The above changes had no material impact on the Group's financial statements.

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
MSSF 9 „Instrumenty finansowe"	Standard wprowadza jeden model przewidujący tylko dwie kategorie klasyfikacji aktywów finansowych: wyceniane w wartości godziwej i wyceniane według zamortyzowanego kosztu. Klasyfikacja jest dokonywana na moment początkowego ujęcia i uzależniona jest od przyjętego przez jednostkę modelu zarządzania instrumentami finansowymi oraz charakterystyki umownych przepływów pieniężnych z tych instrumentów. MSSF 9 wprowadza nowy model w zakresie ustalania odpisów aktualizujących – model oczekiwanych strat kredytowych. Data wejścia w życie: 1 stycznia 2018 r. (niezatwierdzone przez Unię Europejską)
IFRS 15 — Revenue from Contracts with Customers"	The principles set out in IFRS 15 will apply to all contracts resulting in revenues. 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.
IFRS 16 „Leases"	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. Thus, IFRS 16 abolishes the classification of operating leases and finance leases in accordance with IAS 17 and introduces a single model for accounting recognition of the lease by the lessee. Effective date: 1 January 2019. (not approved by the European Union)

Other published changes and new standards not listed in the table above have no material impact on the Group.

On the basis of conducted analysis, in the opinion the Management Board IFRS 16 Leases may have a significant impact on the financial statements of the Group. Within the activity described in the segment of distribution activities, the Group rents premises, in which it sells its own goods. Rent is now recognized in the financial statements of the Company as operating leases. According to the rules introduced by IFRS 16, the Group will have to recognize assets and liabilities arising from contracts of this type in the statement of financial position. The value of future minimum payments under operating leases is described in note 3.1. After application of IFRS 16, the Group expects a significant increase in the value of assets and lease liabilities in the statement of financial position of the Group. The minimum value of the discounted future payments is an approximate estimate of how much liabilities would increase if the standard was adopted at the balance sheet date. Recognized assets and liabilities will be differently accounted from the settlement of operating leases.

Currently, lease payments are accounted linearly. It is expected that the assets of the lease will also be accounted linearly however liabilities will be accounted with the effective interest rate, which will make the increase of burdens in the period after the conclusion or modification of the lease agreement and its reduction in the course of time.

The Management Board has not made a detailed assessment or simulation on the balance sheet date, and is planning to carry out relevant analyses in the years 2017-2018.

The Group expects that the only significant impact associated with the implementation of IFRS 9 may be the need to create impairments on the based on expected losses model. It is expected that this will have an impact on the opening balance and the balance positions of impairment losses, but this will have a little effect on the size of the recognized impairments. The Management Board plans to conduct appropriate analysis of the impact of this standard on the Group in 2017.

In case of IFRS 15 the majority of the Group's sales to retail sale (individual products), and any changes may affect discount programs and bonus programs (especially for wholesale customers). The Management Board plans to conduct appropriate analysis of the impact of this standard on the Group in 2017.

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 statement of the Group.

Gains and losses from exchange rate differences relating to debt and cash and cash equivalents are recognized in the income statement under „finance income or cost." All other gains or losses on foreign exchange differences are recognized in the income statement 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 statement of financial position are converted at the closing rate at the balance sheet date;
- income and cost for each statement 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 statement as part of the gain or loss on sale.

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 sale 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 sale 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.

i FOR FURTHER DETAILS SEE NOTE **5.7**

Revenue from sale of goods and products – retail sale

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 sale 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 sale of goods – e-commerce sale

The group sells footwear, bags, shoe care accessories, small leather finery via the online stores operating on local and foreign markets. Sales revenue is recognized when the goods are delivered to the customer. In order to estimate the amount of returns and create provisions for them, the current experience gained is used. 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:

<table>
<tr><th>REPORTING SEGMENT</th><th>DESCRIPTION OF THE REPORTING SEGMENT AND USED MEASURES OF THE RESULT</th><th>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</th></tr>
<tr><td>Distribution activities - retail in Poland, the stores operate in the chain: CCC, Lasocki, BOTI.</td><td rowspan="4">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, BOTI LASOCKI / QUAZI.

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 sale.</td><td rowspan="4">The financial information was aggregated in total for the chain CCC, BOTI, LASOCKI/ QUAZI by 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 (sale made in own facilities and directed to retail customers)</td></tr>
<tr><td>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.</td></tr>
<tr><td>Distribution activities - retail in the European Union - Western Europe (Austria, Germany) Stores operate exclusively in the chain CCC.</td></tr>
<tr><td>Distribution activities - retail in other countries (Turkey, Russia, Serbia).

Stores operate exclusively in the chain CCC.</td></tr>
<tr><td>Distribution activities – e-commerce</td><td colspan="2">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 sale, the cost of goods sold and the direct sales costs related to the functioning of the sales channel (e.g. logistics costs).</td></tr>
<tr><td>Distribution activities – wholesale</td><td colspan="2">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).</td></tr>
<tr><td>Manufacturing activities</td><td colspan="2">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.</td></tr>
</table>

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

[in PLN million unless otherwise stated]

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	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
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

2015	DISTRIBUTION ACTIVITY						MANUFACTURING ACTIVITY	TOTAL
	RETAIL				E-COMMERCE	WHOLESALE		
	POLAND	UE - CEE	UE - WESTERN EUROPE	OTHER COUNTRIES				
Total sales revenue	1 438,4	538,5	201,3	8,0	—	1 756,4	282,0	4 224,6
Revenue from sales to other segments	—	—	—	—	—	(1 638,1)	(281,8)	(1 919,9)
Revenue from sales from external customers	1 438,4	538,5	201,3	8,0	—	118,3	0,2	2 304,7
Gross profit on sale	771,6	313,8	131,8	4,8	—	41,3	0,2	1 263,5
Gross margin	53,6%	58,3%	65,5%	60,0%	—	34,9%	nd	54,8%
PROFIT OF SEGMENT	289,8	84,4	(34,4)	(1,6)	—	29,3	0,2	367,7
Assets of segments								
Fixed assets except deferred tax asset and granted loans	318,5	118,3	62,8	1,2	—	8,0	94,3	603,1
Deferred tax assets	5,8	—	—	—	—	6,6	7,9	20,3
Inventories	116,1	87,7	46,1	4,5	—	420,9	46,6	721,9
Tangible fixed assets and intangibles	318,5	118,3	62,8	1,2	—	8,0	94,3	603,1
Other revenue/costs:								
Amortization and depreciation	(19,1)	(11,7)	(7,7)	(0,3)	—	(2,0)	(3,3)	(44,1)
Impairment loss of tangible fixed assets and intangibles	(3,1)	0,8	—	—	—	—	—	(2,3)

[in PLN million unless otherwise stated]

	2016			2015		
	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT
Total sales revenue	5196,9	(2011,6)	3185,3	4224,6	(1919,9)	2 304,7
Sales revenue not allocated to the segment	—	—	—	—	—	2,3
Sales revenue in the financial statement	—	—	3 185,3	—	—	2 307,0
Cost of goods sold in the financial statement	—	—	(1 505,2)	—	—	(1 041,2)
Gross profit on sale	1 680,1	—	1 680,1	1 263,5	—	1 265,8
Gross margin	(1 223,9)	—	(1 223,9)	(895,8)	—	(895,8)
Performance of segment	456,2	—	456,2	367,7	—	370,0
Not allocated cost of sale	—	—	—	—	—	—
Administrative expenses	—	—	(109,0)	—	—	(115,2)
Other cost and operating revenue	—	—	26,2	—	—	1,9
Finance revenue	—	—	0,9	—	—	0,1
Finance cost	—	—	(33,4)	—	—	(23,8)
Profit before tax	—	—	340,9	—	—	233,0
Assets of segments						
Fixed assets except deferred tax asset and granted loans	864,5	(3,7)	860,8	603,1	(5,3)	597,8
Deferred tax assets	22,8	297,5	320,3	20,3	292,2	312,5
Inventories	1 059,7	(24,9)	1 034,8	721,9	(41,4)	680,5
Outlays on tangible fixed assets and intangibles	864,5	(3,7)	860,8	603,1	(5,3)	597,8
Other revenue/costs:						
Amortization and depreciation	(54,6)	(18,1)	(72,7)	(44,1)	(22,8)	(66,9)
Impairment loss of tangible fixed assets and intangibles	3,1	—	3,1	(2,3)	—	(2,3)

[in PLN million unless otherwise stated]

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

	SALES REVENUE TO EXTERNAL CLIENT		FIXED ASSETS (EXCEPT FINANCIAL INSTRUMENTS AND DEFERRED TAX)	
	2016	2015	2016	2015
Poland	1 693,9	1 454,0	428,7	416,9
Czech Republic	256,8	205,4	47,7	45,3
Hungary	183,9	143,7	39,2	32,1
Germany	215,6	124,0	57,6	42,7
Slovakia	152,0	121,5	20,4	18,4
Austria	110,3	77,3	28,7	20,1
Romania	99,4	69,3	—	—
Croatia	59,4	32,1	15,7	11,8
Slovenia	32,5	25,5	6,9	4,8
Other	94,8	54,2	6,0	5,7
e - commerce	286,8	—	209,8	—
Total	3 185,3	2 307,0	860,7	597,8
Deferred tax			320,3	312,5
Financial instruments			—	10,0
Total assets			1 181,0	920,3

i FOR MORE INFORMATION SEE **3.1.1.1** (REVENUE, COGS AND GROSS PROFIT) AND **3.1.1.2** (FIXED ASSETS) IN THE STATEMENTS OF OPERATIONS OF THE GROUP]

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

3.1 COSTS BY NATURE

ACCOUNTING POLICY

Cost of goods sold

As the cost of goods sold the Group recognizes:

- value of goods sold
- value of packages expended for sale
- 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)

i MORE DETAILS IN THE STATEMENT OF OPERATIONS OF THE GROUP **3.1.1.1**

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 sale

Other cost of sale includes cost of sale not directly related to the maintenance of stores, relating to organizational units supporting the sale. This item includes mainly:

- remuneration costs of employees of organizational units supporting sale
- 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 sale of retail goods is made.
Payments made under operating lease are recognized in the income statement by a linear method over the period of the lease agreement. Discounts received by the lessor are recognized in the financial statement in the same way as an integral part of the total lease payments. These costs are recognized in the statement of comprehensive income in „Costs of operating stores" or „Other costs of goods sold".

[in PLN million unless otherwise stated]

NOTE	2016	COST OF GOODS SOLD	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 other employee 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)	(49,4)	(7,7)	(83,6)
	Change in products and production in progress	5,0	—	—	—	5,0
	Total	(1 505,2)	(931,3)	(292,6)	(109,0)	(2 838,1)

NOTE	2015	COST OF GOODS SOLD	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(848,5)	—	—	—	(848,5)
	Consumption of materials and energy	(157,4)	(36,3)	(33,7)	(4,2)	(231,6)
5.3	Provision for inventories	(6,4)	—	—	—	(6,4)
	Remuneration and other employee benefits	(26,2)	(272,6)	(39,9)	(28,5)	(367,2)
6.3	Cost of incentive program	—	—	—	(23,5)	(23,5)
	Agent services	—	(37,3)	—	—	(37,3)
	Transportation services	(1,1)	(0,2)	(2,5)	—	(3,8)
	Lease costs	—	(284,0)	(0,8)	(13,8)	(298,6)
	Other outsourcing services	(0,8)	(34,2)	(54,4)	(25,6)	(115,0)
5.2	Amortization	(1,8)	(35,7)	(2,0)	(8,8)	(48,3)
	Taxes and charges	(0,1)	(3,1)	(0,1)	(2,6)	(5,9)
	Other flat costs	—	(27,7)	(32,3)	(8,2)	(68,2)
	Change in products and production in progress	1,1	—	1,0	—	2,1
	Total	(1 041,2)	(731,1)	(164,7)	(115,2)	(2 052,2)

[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 statement 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 2016 and 31 December 2015 are as follows:

:

	RENTS	
	2016	2015
– up to 1 year	386,1	245,0
– from 1 to 5 years	1 544,6	980,0
– over 5 years	772,3	490,0
Total	2 703,0	1 715,0

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 2016 amounted to 88,8 million PLN (68.4 million PLN at 31 December 2015).

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 2016 amounted to 14.3 million PLN (in 2015 13.1 million PLN).

[in PLN million unless otherwise stated]

3.2 OTHER INCOME AND OPERATING AND FINANCIAL COSTS

NOTE		2016	2015
	Other costs		
	Loss on disposal of tangible fixed assets	(0,5)	(7,3)
	Stocktaking net losses	(2,5)	(4,2)
5.7	Provision establishment	(5,4)	(1,7)
	Other net operating cost	—	—
	Loss on exchange rate differences on items other than debt	—	—
	Total other costs	(8,4)	(13,2)
	Other income		
	Profit on disposal of tangible fixed assets	8,2	—
	Profit from exchange rate differences on items other than debt	13,1	8,6
	Compensations	0,9	0,3
	Subsidy of SFRDP remuneration	3,2	3,1
	Other net operating income	9,2	3,1
	Total other income	34,6	15,1
	Total other operating costs and income	26,2	1,9

NOTE		2016	2015
	Finance cost		
4.2	Interest on borrowings (recognised in costs)	(21,0)	(17,4)
	Result on exchange rates	(1,9)	(3,7)
	Commissions paid	(0,5)	(0,7)
	Wycena opcji wykupu udziałów mniejszości	(7,1)	—
	Other finance cost	(2,9)	(2,0)
	Total finance cost	(33,4)	(23,8)
	Finance revenue		
	Interest from current account and other	0,7	0,1
	Result on exchange rates	0,2	—
	Total finance revenue	0,9	0,1

i MORE INFORMATION IN SECTION **3.1.1.1** (FINANCE INCOME AND COSTS) IN THE STATEMENT 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 STATEMENT AND STATEMENT OF CASH FLOWS

		2016	2015
	Current tax	(38,2)	(18,9)
5.3.c	Deferred tax	12,8	45,3
5.3.b	**Income tax recognized in income statement**	(25,4)	26,4
	Current tax recognized in the result	38,2	18,9
	Balance of liabilities /(receivables) at beginning of period	(1,4)	31,8
	Balance of receivables / (liabilities) at the end of the period	(5,6)	1,4
	Other changes	(0,1)	(0,2)
	Tax paid recognized in statement of cash flows	31,1	51,9

[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:

	2016	2015
Poland	19%	19%
Czech Republic	19%	19%
Hungary	10%	10%
Slovakia	22%	23%
Other countries	8,47% — 25%	8,47% — 25%
Weighted average income tax rate	17,92%	18,56%

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:

	2016	2015
Profit before tax	340,9	233,0
Weighted average tax rate	17,92%	18,56%
Tax calculated according to weighted average tax rate	(61,1)	(43,3)
Tax effects of the following items:		
• income not allowable for tax income	7,0	0,5
• non-tax-deductible expenses	(6,4)	(7,1)
• recognition of temporary difference for trademarks and goodwill	43,0	95,2
• tax losses in respect of which deferred tax assets were not recognized	(4,4)	(22,1)
• other adjustments	(3,5)	3,2
Charging financial result on income tax	(25,4)	26,4

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

[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:

NOTA		31.12.2016	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2015	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2015
	Assets					
5.1	Goodwill	251,1	3,8	247,3	39,2	208,1
5.1	Trademarks	31,7	(4,1)	35,8	(4,0)	39,8
	Inventories - adjustment of margin on intragroup sale	4,7	(3,1)	7,8	(4,0)	11,8
	Impairment of assets	0,8	(6,5)	7,3	1,2	6,1
	Provisions for liabilities	5,3	2,2	3,1	(0,1)	3,2
	Others	17,4	2,6	14,9	13,6	1,3
	Tax losses	11,4	11,4	—	—	—
	Total before offsetting	322,5	6,3	316,2	45,9	270,3
	Liabilities					
	Accelerated tax depreciation of tangible fixed assets	1,8	(1,3)	3,1	(5,8)	8,9
	Acquisition of a ngible assets*	32,7	—	—	—	—
	Others	1,9	(5,1)	7,0	6,4	0,6
	Total before offsetting	36,3	(6,4)	10,1	0,6	9,5
	Offsetting	2,3	(1,5)	3,7	0,7	3,0
	Balance of deferred tax in the balance sheet:					
	Assets	320,3	7,8	312,5	45,2	267,3
	Liabilities	34,1	(5,0)	6,4	(0,1)	6,5

* Concerns the acquisition of eobuwie.pl S.A. For more information see note 6.2

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 6.3 million, depreciation of fixed assets of PLN 3.5 million, accrued interest of PLN 2.5 million and loss of inventories of PLN 2.3 million..

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

In October 2014, the organized part of the enterprise was transferred from CCC S.A. including distribution, logistics, marketing, investment activities and other to the company CCC.eu.

The result is a tax goodwill. From the resulting negative temporary difference in respect of goodwill deferred tax asset was recognized in the amount of which implementation is likely taking into account forecasts of future tax results. At the same time, the company CCC.eu purchased in 2014 from a related company NG2 Suisse S.a.r.l. trademarks of CCC, Lasocki and BOTI at a price equal to their fair value at the acquisition date. In this regard, the tax value of trademarks was increased. From the resulting negative temporary difference between the book value of the trademarks and their increased tax value, the deferred tax asset was recognized.

As a result of the transactions, the Group recognized deferred tax assets in the amount of PLN 215.6 million recognizing the effect in 2014, leaving the amount of PLN 193.9 million on goodwill as undiagnosed.

In 2015, the Group recognized another part of the assets of goodwill in the amount of PLN 95.1 million thus leaving the unrecognized value of PLN 98.8 million. In 2016, the Group recognized another asset part of goodwill in the amount of PLN 43.2 million that is leaving an unrecognized value of PLN 55.6 million.

Implementation and reversal of temporary differences requires from the Management Board significant estimates in relation to expected results that are subject to taxation in various entities of the Group. Recognition of deferred tax assets in excess of recognized deferred tax liability means that it is probable that the Group will be able to realize the economic benefits resulting from the settlement of amortization of goodwill and trademarks. The following table shows the periods in which the realization of recognized assets and deferred tax liabilities is estimated:

[in PLN million unless otherwise stated]

PERIOD OF REALIZATION OF ASSETS AND LIABILITIES DUE TO DEFERRED TAX	2016		2015	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
up to 1 year	73,3	1,4	72,9	6,4
1-2 years	47,2	—	43,4	—
2-3 years	47,2	—	43,4	—
3-5 years	87,0	—	86,9	—
Over 5 years	65,6	32,7	65,9	—
Total	320,3	34,1	312,5	6,4
Unrecognized	78,8	—	129,7	—
• Relating to goodwill	55,6	—	98,8	—
• Relating to tax losses	23,2	—	30,9	—

Goodwill is amortized for tax purposes over 10 years (remaining period to 31 December 2016 - 8 years). Estimation of future tax income of CCC.eu. affects the recoverability of asset.

Unrecognized tax losses balance includes a tax loss of the Company (operating in Poland) for the years 2015 and 2016. According to local regulations, a tax loss may be settled over a period of five years from the tax year following the tax year for which the loss was accrued.

[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 Statement 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. Net debt is calculated as total of borrowings (including current and non-current loans and issued bonds indicated in the separate statement of financial position) less cash and cash equivalents. Total value of capital is calculated as equity presented in the separate statement of financial position with net debt.

i MORE INFORMATION IN SECTION **3.2.1** IN THE STATEMENT OF OPERATIONS OF THE GROUP

NOTA		2016	2015
4.2	Debt liabilities	795,5	718,8
5.5	Cash and cash equivalents	143,4	340,6
	Net debt	652,1	378,2
4.1	Total equity	1 236,1	1 123,6
	Capital employed (equity and net debt)	1 888,3	1 501,8
	Debt ratio	35%	25%

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 sale 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 2016, the Company's equity capital consisted of 39,2 million shares (as at 31 December 2015 it consisted of 38.4 million shares) with a nominal value of PLN 0.1 each, including 32.45 million ordinary shares and 6.65 million voting preference shares.

All issued shares were paid in full.

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

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 36.46% 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 Statement of operations of the Company

During the reporting period, 727,900 ordinary shares were issued with a nominal value of PLN 0.1 each. The issue price of shares is PLN 61.35. The surplus of the issue price over the nominal value of shares was charged to the reserve capital. The issue in full was charged to the share capital in the amount of PLN 44.7 million. At the balance sheet date the capital was paid in full, but not registered. Capital registration took place on February 14, 2017.

i FOR MORE INFORMATION SEE NOTE **6.3**

OTHER CAPITALS

Other capital mainly include capital from the settlement of employee benefit plans based on shares settled in capital instruments (for further details see note 6.3).

EARNINGS PER SHARE

In the fiscal year earnings per share amounted to PLN 7.82 (2015 –PLN 6.77). The existence of A-series subscription warrants granted under the incentive scheme does not significantly affect the calculation of diluted earnings per share. (More information in the note 6.3.).

RETAINED EARNINGS

Retained earnings include: retained earnings from previous years (including the amounts transferred to the capital reserve in accordance with the requirements of the Commercial Companies Code) and profit of the fiscal year.

DIVIDEND PAID

In the current year a dividend in the amount of PLN 85.69 million was paid, which corresponds to 2,19 PLN per 1 share (in 2015 it was 115.20 million PLN, corresponding to 3,00 PLN per 1 share). Detailed information on the dividend policy is contained in the statement of operations of the Group.

[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.

i ACCORDING TO THE POLICY IN NOTE **5.2**

NOTA		DEBT LIABILITIES NON-CURRENT	DEBT LIABILITIES CURRENT	DEBT LIABILITIES IN CURRENT ACCOUNT	BONDS PAYABLE	TOTAL
4.2	As of 01.01.2015	6,0	252,0	110,0	210,0	578,0
	Proceeds from debt contracted					
	- financing received	—	25,0	80,6	—	105,6
	- transactional cost	—	—	—	—	—
	Charging interest	1,3	4,2	3,0	—	8,5
	Repayment of debt					
	- repayment of capital	(6,0)	(109,5)	(10,1)	—	(125,6)
	- interest paid	(1,3)	(4,2)	(3,0)	—	(8,5)
	Change in current account	—	(21,5)	182,3	—	160,8
	Change of presentation from short to long-term	86,0	(86,0)	—	—	—
	As of 31.12.2015	—	—	—	—	—
4.2	Stan na 31.12.2015	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	21,0
	Repayment of debt					
	- repayment of capital	—	(62,0)	—	—	(62,0)
	- interest paid	(2,9)	(0,5)	(10,9)	(6,8)	(21,0)
	Change in current account	—	—	23,8	—	23,8
	Change of presentation from short to long-term	(29,0)	29,0	—	—	—
	Other non-financial changes	—	—	—	—	—
4.2	As of 31.12.2016	156,0	42,9	386,6	210,0	795,5

Total funding was incurred in PLN. Interest on the total funding (loans and bonds) are based on variable interest rates (WIBOR plus the bank margin). The existing debt involves interest rate risk. Description of exposure to financial risks is provided in note 6.1.

[in PLN million unless otherwise stated]

Under the terms of loan agreements and incurred liabilities with respect to bonds of which the balance of the debt on the balance sheet date is 795.5 (2015: 718.8) The Group is required to comply with the following covenants:

a) ratio 1 i.e. [net financial debt ratio / EBITDA] is not higher than 3.0

a. Net financial debt calculated as financial debt (long-term and short-term) less cash.

b. EBITDA calculated as net income adjusted for tax, financial result and increased by depreciation.

b) ratio 2 i.e. [interest service ratio – EBITDA/ interest] is not lower than 5.0

a. EBITDA calculated as net income adjusted for tax, financial result and increased by depreciation.

b. Interest

c) ratio 3 i.e. [operating margin] is not lower than 9.0%

a. Operating profit

b. Sale revenue

The above ratios (EBITDA, net financial debt) are not indicators resulting from accounting standards and they are not defined by IFRS and may be calculated differently by other entities. They do not constitute the measure of liquidity or cash.

The calculations for the above financial ratios based on the consolidated data of the Capital Group CCC S.A. are presented below (in accordance with the provisions of loan agreements):

	2016	2015
Financial debt	795,5	378,2
Cash	143,4	340,6
Net financial debt	652,1	378,2
Operating profit	373,4	256,7
Depreciation	72,7	66,9
EBITDA	446,1	323,6
Net financial debt ratio / ebitda	1,5	1,2

	2016	2015
Operating profit	373,4	256,7
Depreciation	72,7	66,9
EBITDA	446,1	323,6
Interest	21,0	17,4
Interest service ratio	21,2	18,6

[in PLN million unless otherwise stated]

	2016	2015
Sales revenue	373,4	256,7
Operating profit	3 185,3	2 307,0
Operating margin	11,7%	11,1%

	2016	2015
Financial debt		
- Long-term (including bonds)	429,5	422,8
- Short-term	366,0	296,0
Total	795,5	718,8

As of 31 December 2016 the value of Ratio 1 was 1.5 (1.2 at 31 December 2015), the value of Ratio 2 amounted to 21.2 (18.6 at 31 December 2015) whereas the value of Ratio 3 amounted to 11.7% (11.1% at 31 December 2015)

As of 31 December 2016, during the reporting period and until the date of approval of the financial statements, there had been no breaches of the covenants contained in the aforementioned agreements.

Repayment of these liabilities are covered by the following collateral:

	AMOUNT/OR BOOK VALUE OF GUARANTEE	
	2016	2015
Guarantees given	88,8	68,4
Capped mortgage on the the property	1 205,0	645,0
Registered pledge on movables	900,0	200,0
Blank promissory notes	51,2	—
Assignment of rights from insurance policies	9,8	8,0

[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 STATEMENT OF OPERATIONS OF THE GROUP

NOTE	AS OF 31.12.2016	CONTRACTUAL MATURITIES FROM THE END OF REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS M-CY	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	176,5	5,8	—	—	—	182,2	182,2
4.2	Contingent liabilities under guarantees granted	—	88,8	—	—	—	88,8	—
	Liabilities under the obligation to buyout minority shares	—	—	249,0	—	—	249,0	229,6
	Financial liabilities	606,0	104,2	630,2	—	—	1 340,3	1 207,3

NOTE	AS OF 31.12.2015	CONTRACTUAL MATURITIES FROM THE END OF REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS M-CY	3-12 MONTHS	1-3 YEARS	3 - 5 YEARS	OVER 5 YEARS		
4.2	Borrowings	60,0	248,8	206,8	—	—	515,6	508,8
4.2	Bonds	—	6,8	6,8	219,6	—	233,2	210,0
5.6	Trade liabilities	78,1	—	—	—	—	78,1	78,1
4.2	Contingent liabilities under guarantees granted	—	68,4	—	—	—	68,4	—
	Financial liabilities	138,1	324,0	213,6	219,6	—	895,3	796,9

Financial guarantees granted within the Capital Group CCC is presented in note 3.3. Transactions with related entities.

[in PLN million unless otherwise stated]

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

NOTE		RECEIVABLES	LIABILITIES	INVENTORY
	As of 31.12.2015	133,8	178,5	680,5
	As of 31.12.2016	191,4	537,7	1 034,9
	Change in the statement of financial position	(57,6)	359,2	(354,4)
	Difference arising from:			
5.4	Loans granted	(16,9)	—	—
	Change in investment liabilities	—	4,1	—
	Liabiliites under the obligation to buyout minority shares	—	(229,6)	—
	Acquisition of investment in eobuwie.pl S.A.	9,3	(24,9)	47,4
	Other	0,1	(5,0)	—
	Change recognized in the statement of cash flows	(65,1)	103,1	(307,0)
	As of 31.12.2014	93,5	181,3	741,3
	As of 31.12.2015	133,8	178,5	680,5
	Change in the statement of financial position	(40,3)	(2,8)	60,8
	Difference arising from:			
5.4	Loans granted	12,7	—	—
	Change in investment liabilities	—	1,1	—
	Declared dividend	—	0,2	—
		—	—	
	Change recognized in the statement of cash flows	(27,6)	(1,5)	60,8

	2016	2015
Other profit adjustments before taxation:		
(Profit) loss on exchange rates differences	(3,8)	0,5
Change in provisions	7,1	—
Valuation of employee option scheme	14,5	26,6
Other	15,7	—
	33,4	27,1

	2016	2015
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	73,2	48,3
Change due to re-invoicing of costs	—	18,8
Other	(0,6)	(0,2)
	72,7	66,9

5. NOTES TO THE STATEMENT 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 sale 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 **5.2**

[in PLN million unless otherwise stated]

In 2016 the entity eobuwie.pl S.A. was acquired, among other things, and this was reflected in the presentation of goodwill in the Group's assets in amount of PLN 106 million. As at the balance sheet date, the value of acquired intangible assets was finally identified and estimated. As a result of the allocation of purchase price in intangible assets, the trademarks were valued at PLN 172.0 million (presented below in position Acquisition).

	TRADEMARKS, PATENTS AND LICENCES	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2015	11,5	3,5	15,0
Aggregated amortization	(5,7)	—	(5,7)
Net value 01.01.2015	5,8	3,5	9,3
Exchange rate differences from the translations	—	—	—
Amortization	(2,9)	—	(2,9)
Purchase	1,1	1,1	2,2
Producing on its own	—	—	—
Liquidation and sale	—	(2,7)	(2,7)
Transfer between groups	—	—	—
Gross value 31.12.2015 (01.01.2016)	12,6	1,9	14,5
Aggregated amortization	(8,6)	—	(8,6)
Net value 31.12.2015 (01.01.2016)	4,0	1,9	5,9
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	186,2	7,8	194,0
Aggregated amortization	(11,4)	(1,4)	(12,8)
Net value 31.12.2016	174,8	6,4	181,2

i MORE INFORMATION IN NOTE 6.2

[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	– from 10 to 40 years
	machines and equipment	– from 3 to 15 years
	means of transport	– from 5 to 10 years
	other tangible fixed assets	– from 5 to 10 years
Other	machines and equipment	– from 3 to 15 years
	means of transport	– from 5 to 10 years
	other tangible fixed assets	– 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 sale 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.

SIGNIFICANT ESTIMATE

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.

In 2015 an impairment loss of non-financial assets in the amount of PLN1.3 million was made, 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 statement of financial position.

In 2016, in the statement of comprehensive income the grant in the amount of PLN 2.6 million was settled (in 2015 PLN 2.6 million), which are recognized in Other operating income.

[in PLN million unless otherwise stated]

	INVESTMENT IN STORES	FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				TOTAL
		LAND, BUILDINGS AND CONSTRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	
Gross value 01.01.2015	363,2	87,9	99,9	57,5	245,3	20,1	33,4	49,9	103,4	711,9
Aggregated depreciation	(106,0)	(8,1)	(36,9)	—	(45,0)	(1,7)	(17,7)	(17,0)	(36,4)	(187,4)
Impairment loss	(3,6)	—	—	—	—	—	—	—	—	(3,6)
Net value 01.01.2015	253,6	79,8	63,0	57,5	200,3	18,4	15,7	32,9	67,0	520,9
Exchange rate differences from the translations	0,1	—	—	—	—	—	—	0,6	0,6	0,7
Purchase	88,8	88,0	22,7	69,1	179,8	1,0	4,3	1,8	7,1	275,7
Produced on its own	—	—	—	—	—	—	—	—	—	—
Depreciation	(27,3)	(12,7)	(10,3)	—	(23,0)	(0,4)	(2,2)	(13,8)	(16,4)	(66,7)
Liquidation and sale	(13,5)	(1,0)	(4,7)	—	(5,7)	—	—	(3,9)	(3,9)	(23,1)
Decrease	10,4	—	0,8	—	0,8	—	—	0,5	0,5	11,7
Transfers	—	—	—	(124,9)	(124,9)	—	—	—	—	(124,9)
Impairment loss	1,3	—	—	—	—	—	—	—	—	1,3
Gross value 31.12.2015	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 31.12.2015	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	181,9	67,4	2,5	251,9	17,7	21,8	29,6	69,1	679,6

[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 FOR MORE INFORMATION SEE SECTION **3.1.1.2** (FIXED ASSETS) IN THE STATEMENT OF OPERATIONS OF THE GROUP

	2016	2015
Materials	3,5	39,2
Manufacturing in progress	12,1	7,3
Goods	987,5	602,3
Finished goods	44,4	38,1
Total (gross)	1 047,4	686,9
Inventory provision	(12,5)	(6,4)
Total (net)	1 034,9	680,5

In order to determine the amount of impairment, the Management Board relies on the most appropriate available 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. 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 FOR MORE INFORMATION SEE **3.1.1.2** (CURRENT ASSETS) IN THE STATEMENT OF THE OPERATIONS OF GROUP

	2016	2015
At the beginning of the period	6,4	9,0
Establishment in cost of goods sold	7,9	5,5
Utilisation	—	—
Reversal in cost of goods sold	(1,8)	(8,1)
At the end of the period	12,5	6,4

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 FOR FURTHER DETAILS SEE NOTE **6.1**

	2016	2015
Trade and other receivables	94,7	53,6
Provision for receivables	(3,0)	(2,3)
Total net receivables	91,7	51,3
Short-term loans granted	11,1	18,0
Payments on future supplies of goods	56,1	43,3
Accrued expenses	14,6	9,6
Tax receivables	7,2	1,2
Other	10,7	0,4
	—	—
Total other receivables	88,6	54,5
Long-term loans granted	—	10,0

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

[in PLN million unless otherwise stated]

As at 31 December 2015, the balance of non-current loans consisted mainly of a loan granted to the entity eobuwie.pl S.A. for the amount of PLN 13.0 million (PLN 10.0 million as at 31.12.2016). The Company took control of this entity in 2016. The due repayment date of this loan is on 31 December 2017, interest is calculated based on 3M interest rate WIBOR plus margin.

As at 31 December 2016, the balance of current loans consisted mainly of a loan granted to Adler International Sp. z o.o. Sp. k for the amount of PLN 11.0 million. This entity is a long-term business contractor of the CCC Group. The due repayment date of this loan is on 31 December 2017, interest is calculated based on 3M interest rate WIBOR plus margin.

i MORE INFORMATION IN SECTION **3.3.1** (LOANS GRANTED) IN THE STATEMENT OF THE OPERATIONS OF THE GROUP

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

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.

i MORE INFORMATION IN SECTION **6.2**

[in PLN million unless otherwise stated]

5.5 CASH

ACCOUNTING POLICY

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

i FOR MORE INFORMATION SEE **3.1.1.2** (CASH) IN THE STATEMENT OF THE OPERATIONS OF THE GROUP

	2016	2015
Cash in hand	23,9	15,1
Cash at bank	103,4	84,5
Short-term deposits (up to 3 months)	12,7	241,0
Cash in transit	3,5	—
Total	143,4	340,6

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.

	2016	2015
Trade liabilities		
• lease and supply of goods and services	139,5	68,8
• investment	8,6	9,3
• other	34,2	—
Total	182,3	78,1
Liabilities for indirect taxes, duties and other benefits	42,5	28,6
Liabilities to employees	31,0	25,0
Other liabilities	52,4	46,8
Divident liability	—	—
Total	125,9	100,4

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.

i FOR FURTHER DETAILS SEE NOTE 4.3

[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 sale.
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 01.01.2015	5,9	3,8	3,0	0,4	13,1
Establishment	1,4	0,4	—	0,6	2,4
Utilisation	—	—	(2,0)	—	(2,0)
Release	(0,7)	(1,2)	(1,0)	—	(2,9)
Exchange rate differences	—	—	—	—	—
As of 31.12.2015	6,6	3,0	—	1,0	10,6
Current	0,1	3,0	—	1,0	4,1
Non-current	6,5	—	—	—	6,5
As of 01.01.2016	6,6	3,0	—	1,0	10,6
Establishment	1,3	1,9	—	6,6	9,8
Utilisation	—	—	—	(0,6)	(0,6)
Release	—	(0,2)	—	—	(0,2)
Exchange rate differences	—	0,3	—	—	0,3
As of 31.12.2016	7,9	5,0	—	7,0	19,9
Current	0,9	5,0	—	6,8	12,7
Non-current	7,0	—	—	0,2	7,2

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

[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.

POZYCJE BILANSOWE	2016		2015	
	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES
Financial assets	246,1	—	419,9	—
Loans granted	11,1	—	28,0	—
Trade receivables	91,7	—	51,3	—
Cash and cash equivalents	143,4	—	340,6	—
Financial liabilities	—	977,8	—	796,9
Debt liabilities	—	795,5	—	718,8
Trade liabilities	—	182,2	—	78,1

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 31.12.2016 amounted to 1 EUR – 4,4240 PLN
- currency exchange rate as at 31.12.2015 amounted to 1 EUR – 4,2615 PLN
- currency exchange rate as at 31.12.2016 amounted to 1 USD – 4,1793 PLN
- currency exchange rate as at 31.12.2015 amounted to 1 USD – 3,9011 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:

2016	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	INNE	
Financial assets	246,2	14,1	67,2	17,3	149,7
Loans granted	11,1	—	—	—	11,1
Trade receivables	91,7	13,4	32,4	17,3	30,7
Cash and cash equivalents	143,4	0,7	34,8	—	107,9
Financial liabilities	977,8	0,5	9,6	0,3	965,1
Debt liabilities	795,5	—	—	—	795,5
Trade liabilities	182,2	0,5	9,6	0,3	169,6

2015	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	INNE	
Financial assets	419,9	51,8	27,0	0,7	340,4
Loans granted	28,0	—	—	—	28,0
Trade receivables	51,3	28,3	21,8	—	1,2
Cash and cash equivalents	340,6	23,5	5,2	0,7	311,2
Financial liabilities	796,9	0,5	2,3	—	794,1
Debt liabilities	718,8	—	—	—	718,8
Trade liabilities	78,1	0,5	2,3	—	75,3

[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 2016 were higher/lower by PLN 0.01, is presented in the table below.

2016	ITEM VALUE IN CURRENCY USD	INCREASE/DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN CURRENCY EUR	INCREASE/DECREASE OF EXCHANGE RATE EUR	
		+ 0,01	– 0,01		+ 0,01	– 0,01
Financial assets	3,4	—	—	15,2	0,2	(0,2)
Loans granted	—	—	—	—	—	—
Receivables from customers	3,2	—	—	7,3	0,1	(0,1)
Cash and cash equivalents	0,2	—	—	7,9	0,1	(0,1)
Financial liabilities	(0,1)	—	—	(2,2)	—	—
Debt liabilities	—	—	—	—	—	—
Liabilities for suppliers	(0,1)	—	—	(2,2)	—	—
Impact on net result	3,3	—	—	13,0	0,2	(0,2)

2015	ITEM VALUE IN CURRENCY USD	INCREASE/DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN CURRENCY EUR	INCREASE/DECREASE OF EXCHANGE RATE EUR	
		+ 0,01	– 0,01		+ 0,01	– 0,01
Financial assets	12,4	0,2	(0,2)	6,1	0,1	(0,1)
Loans granted	—	—	—	—	—	—
Receivables from customers	6,8	0,1	(0,1)	4,9	0,1	(0,1)
Cash and cash equivalents	5,6	0,1	(0,1)	1,2	—	—
Financial liabilities	(0,1)	—	—	(0,5)	—	—
Debt liabilities	—	—	—	—	—	—
Liabilities for suppliers	(0,1)	—	—	(0,5)	—	—
Impact on net result	—	—	—	—	—	—

[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 2016 were 1 p.p. higher/lower, the profit for the period would be about PLN 6.7 million (31.12.2015: PLN 3.7 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 31.12.2016		AS OF 31.12.2015	
	2016	2015	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	116,1	325,5	1,2	(1,2)	3,3	(3,3)
Loans granted	11,1	28,0	0,1	(0,1)	0,3	(0,3)
Debt liabilities	(795,5)	(718,8)	(8,0)	8,0	(7,2)	7,2
Wpływ na wynik netto	—	—	(6,7)	6,7	(3,7)	3,7

[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:

	2016	2015
Loans granted	11,1	28,0
Receivables from customers	91,7	51,3
Cash and cash equivalents	143,4	340,6
Total	246,1	419,9

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]

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.

	2016	2015
Banks with a rating of A	5,4	—
Banks with a rating of A-	63,4	272,5
Banks with a rating of B+	0,4	1,0
Banks with a rating of BB	—	—
Banks with a rating of BAA1	0,5	—
Banks with a rating of BAA2	0,4	1,0
Banks with a rating of BAA3	—	1,0
Banks with a rating of BBB+	2,6	9,0
Banks with a rating of BBB-	46,6	25,0
Banks with a rating of BBB	0,2	16,0
Total cash at banks	119,5	325,5

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).

2016	GROSS	VALUE	NET VALUE
Trade receivables	91,7	—	91,7
Trade liabilities	182,2	—	182,2

2015	GROSS	VALUE	NET VALUE
Trade receivables	51,3	—	51,3
Trade liabilities	78,1	—	78,1

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 PLN 235,7 million and took control over the Group eobuwie.pl S.A. which deals with the online sale of footwear and fancy leather goods, operating in Poland and in other European countries.

The remuneration was determined as follows:

- amount of PLN 130.0 million paid in cash,
- the amount of PLN 100.7 to be paid in cash, determined as 74.99% of the amount determined as: the product of PLN 12.00 (twelve zloty) for each PLN 1.00 (one zloty) EBITDA of eobuwie.pl S.A. for the year 2015 over the amount of PLN 15.0 million (fifteen million zlotys) less the amount paid to the Shareholders for the settlement of the Company's profit for the reporting period from 01.01.2015 to 31.12.2015.

conditional remuneration in the amount of PLN 5.0 million which payment was postponed - within 12 months of conclusion of the sale contract, it was settled on 03.03.2017

Following the acquisition, the Company commenced distributing its goods in the e-commerce channel. As at the balance sheet date, the final settlement of the acquisition price was made and as a result a goodwill in the amount of PLN 106.2m due to the acquisition, which is based on the scale benefits expected from the merger of the Company's operations with the activity of eobuwie.pl S.A., as well as intangible assets in the amount of PLN 172.0 million. The Group recognized a deferred tax liability of PLN 32.7 million under the acquired intangible assets.

No part of presented goodwill shall be deductible for income tax purposes.

The table below details the remuneration paid for eobuwie.pl S.A. and the final settlement in the book value of acquired assets and liabilities disclosed at the acquisition date. As at the balance sheet date, the assets and liabilities assumed were fully identified and valued. Non-controlling shares constituting 25.01% of the share capital of eobuwie.pl S.A. were determined on the basis of proportionate share of net assets acquired.

[in PLN million unless otherwise stated]

	REMUNERATION AT 15 JANUARY 2016.
Cash	231,0
Conditional remuneration	5,0
Total remuneration	236,0
Recognized values of identifiable acquired assets and liabilities	
Cash and cash equivalents	9,0
Tangible fixed assets	12,0
Deferred tax assets	—
Inventory	47,0
Trade and other receivables	9,0
Trade and other liabilities	(25,0)
Post-employment benefits liabilities	—
Borrowings	(17,0)
Provisions for liabilities	(1,0)
Intangible assets (trademarks)	161,0
Intangible assets (customer relationships)	11,0
Provision for deferred income tax on recognized trademarks	(33,0)
Total identified net assets	173,0
Non-controlling shares	(43,0)
Goodwill before allocation of acquisition price	106,0
Total	236,0

At the moment of the acquisition transaction there were transactions between the parties in the form of a loan granted by CCC S.A. to eobuwie.pl S.A. in the amount of PLN 13.0 million (more in note 5.4.) presented above in line „Borrowings". The fair value of the loan at the time of purchase did not differ significantly from the carrying amount.

Arrangements on conditional remuneration require that the Group shall pay, at the latest within 7 days after 12 months passed from the date of the transfer of shares, the amount of PLN 5.0 million plus interest at the rate of 2.5% per annum, unless all or part of this amount is secured by the Company against claims of the Company for defects in claims and assurances made by eobuwie.pl S.A. due to the conclusion of the investment agreement. At the date of signing the statement the liability was settled in full.

The acquisition agreement provides for the option of acquiring the remaining 25.01% of shares in eobuwie.pl S.A. by CCC S.A. When the call option is exercised by eobuwie.pl S.A. or the put option by CCC S.A., CCC S.A. shall be obliged to acquire a block of shares for a price equal to 25.01% of the value of the multiplier: 12 x EBITDA of eobuwie.pl S.A. for the year 2018, and if the company reaches the loss at EBITDA, or EBITDA will amount to zero, the price will be equal to the nominal value of shares (i.e. 500,200 PLN). Options are enforceable until 28 February 2020.

The above put and call options are symmetric - they are settled at the same time and at the same price, so they are considered as symmetric forwards and thus accounted for as a single instrument. This forward (symmetric put and call option) used to acquire the non-controlling shares (minority) was recognized in the consolidated financial statements as a liability to pay the current remuneration for the remaining shares based on IAS 32 par 23 and recognized in equity in the amount of PLN 222.0 million and PLN 7.0 million recognized in the cost of the current period, which makes discounted (using the original effective interest rate) estimated liability.

The liability was estimated based on 25.01% of forecasted EBITDA for eobuwie.pl S.A. for the year 2018 multiplied by factor 12 and discounted at the average cost of debt for CCC S.A.

The liability under the minority shares buyout in eobuwie.pl S.A. is a variable price, calculated on the basis of its EBITDA. Due to such construction of the price, it is highly probable that the risks and benefits were not transferred to CCC S.A. at the date of the option establishment, therefore the financial liability under the put option reduces the equity.

Valuation of the liability for subsequent balance sheet days will be realized based on the amortized cost principle and recognized in the profit and loss account.

Revenue of the Group Eobuwie.pl S.A. included in the consolidated statement of comprehensive income since January 15, 2016 amounted to PLN 265.1 million. Eobuwie.pl Group S.A. additionally generated a profit of PLN 35.3 million in the same period.

If the Group eobuwie.pl S.A. was subject to consolidation since 1 January 2016, the consolidated statement of comprehensive income would show „pro-forma" revenues higher by PLN 11.0 million and pro forma earnings higher by PLN 2.6 million.

As a result of the acquisition of eobuwie.pl S.A., as at the balance sheet date, goodwill in the consolidated financial statements of PLN 106.2 million and unspecified trademarks of PLN 161.0 million were recognized in the consolidated financial statements. In accordance with IAS 36, the Group's Management Board performed the impairment test for these assets as at 31.12.2016.

Goodwill is allocated to one cash-generating unit (operating segment), namely e-commerce sale.

The valuation was based on a 5-year financial projection prepared for the operating segment and the cost of capital adequately capitalized to the risk to the valued entity.

Future cash flows were estimated using the assumptions of the Management Board and are in line with the Group's strategy for the coming years.

[in PLN million unless otherwise stated]

The basic assumptions for the tests are presented in the table below:

Average annual change in EBITDA over the detailed projections period	For the period 2017-2021
Growth rate of cash flows in residual period	2,50%
Detailed projections period	2017—2021
Discount rate	approx 11%

The Management Board of the Capital Group within the test performed did not identify any impairment of goodwill and value of the trademarks recognized within the settlement of the acquisition price.

TRANSACTIONS WITH RELATED ENTITIES

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

	2016	2015
Entities related to members of key management personnel		
Transactions in the fiscal year:		
Sale	—	—
Purchases	2,8	9,2
Balances of transactions recognized as at the balance sheet date:		
Receivables	—	—
Liabilities	0,2	0,5

Transactions with related entities were concluded under market conditions.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL

IN '000 PLN	FIXED REMUNERATION	PROGRAM OF PAYMENTS BASED ON SHARES - FAIR VALUE AT THE MOMENT OF GRANTING	OTHER (BONUSES)	TOTAL
2016				
Members of Management Board	2 850,0	8 815,0	200,0	11 865,0
Supervisory Board	420,1	—	—	420,1
Razem	3 270,1	8 815,0	200,0	12 285,1
2015				
Members of Management Board	2 190,0	3 134,0	950,0	6 274,0
Supervisory Board	200,0	—	—	200,0
Razem	2 390,0	3 134,0	950,0	6 474,0

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 launched in December 2012 the incentive program based on subscription warrants (Scheme).

The scheme is based on offering the participants subscription warrants giving the possibility to acquire in future the shares of the Company after meeting certain non-market conditions of conferring these rights.

The scheme covers the members of the Board of the Unit, members of the Management Board of subsidiaries, key employees and associates of the Unit and subsidiaries - a total of 95.

The aim of the scheme is to motivate the people covered by the scheme to actions ensuring both long-term growth of the Group's value as well as the steady growth in net profit as well as stabilization of the managerial staff.

The incentive program is a program settled by capital.

[in PLN million unless otherwise stated]

Under this scheme, the Supervisory Board granted warrants of a total number 768,000. As at 31 December 2016, 727,900 warrants were issued in three tranches (described below). On June 2, 2016, The Supervisory Board adopted a resolution on the implementation of the terms of the Incentive Scheme and established the final number of 768,000 warrants granted. The total cost of the new tranche of PLN 14.5 million was recognized in the income statement by increasing the amount of equity. On July 22, 2016 CCC S.A. reported that from 19 to 22 July 2016, some of the holders of Series A subscription warrants entitled to subscribe for Series E ordinary bearer shares made a declaration of acquiring the shares. As part of exercising the right of 768,000 subscription warrants, 85 entitled persons made a declaration of subscribing for the shares, resulting in a total of 727,900 series E shares at PLN 61.35 for the amount of PLN 44,656,665.00. On 16.08.2016 the new issue shares were registered with the National Depository for Securities (KDPW) and 19.08.2016 were admitted to exchange trading. Out of the remaining 40,100 A-series subscription warrants, at the date of this report, the entitlement for conversion 36,100 series E warrants for the shares was used. For the remaining 4,000 A-series subscription warrants to which no conversion rights were exercised for Series E Shares, there is a possibility to acquire the Shares by June 30, 2018.

THE MAIN TERMS OF THE SCHEME:	TRANCHE 2012	TRANCHE 2015	TRANSZ 2016
Date of conferring rights	19.12.2012	29.12.2015	02.06.2016
Number of employees covered by the scheme	31	67	23
The value of the scheme by date of conferring rights	14,9 mln PLN	16,4 mln PLN	14,5 mln PLN
Number of warrants granted	475.000	177.000	116.000
The value of a warrant by the date of by date of conferring rights	31,34	92,66	125,00
Cost charged to capital in 2016	—	—	14,5 mln PLN
Cost charged to capital in 2015	10,5 mln PLN	16,4 mln PLN	—
Cost charged to capital in 2014	2,2 mln PLN	—	—
"Cumulative amount recognized in equity as of balance sheet date"	14,9 mln PLN	16,4 mln PLN	45,8 mln PLN
Terms of conferring rights	Non-market conditions relating to employment and the results (described in detail below)		
Period of conferring rights	Finished	Finished	Finished
Period of execution of warrants to which rights are conferred	Until 30.06.2018	Until 30.06.2018	Until 30.06.2018

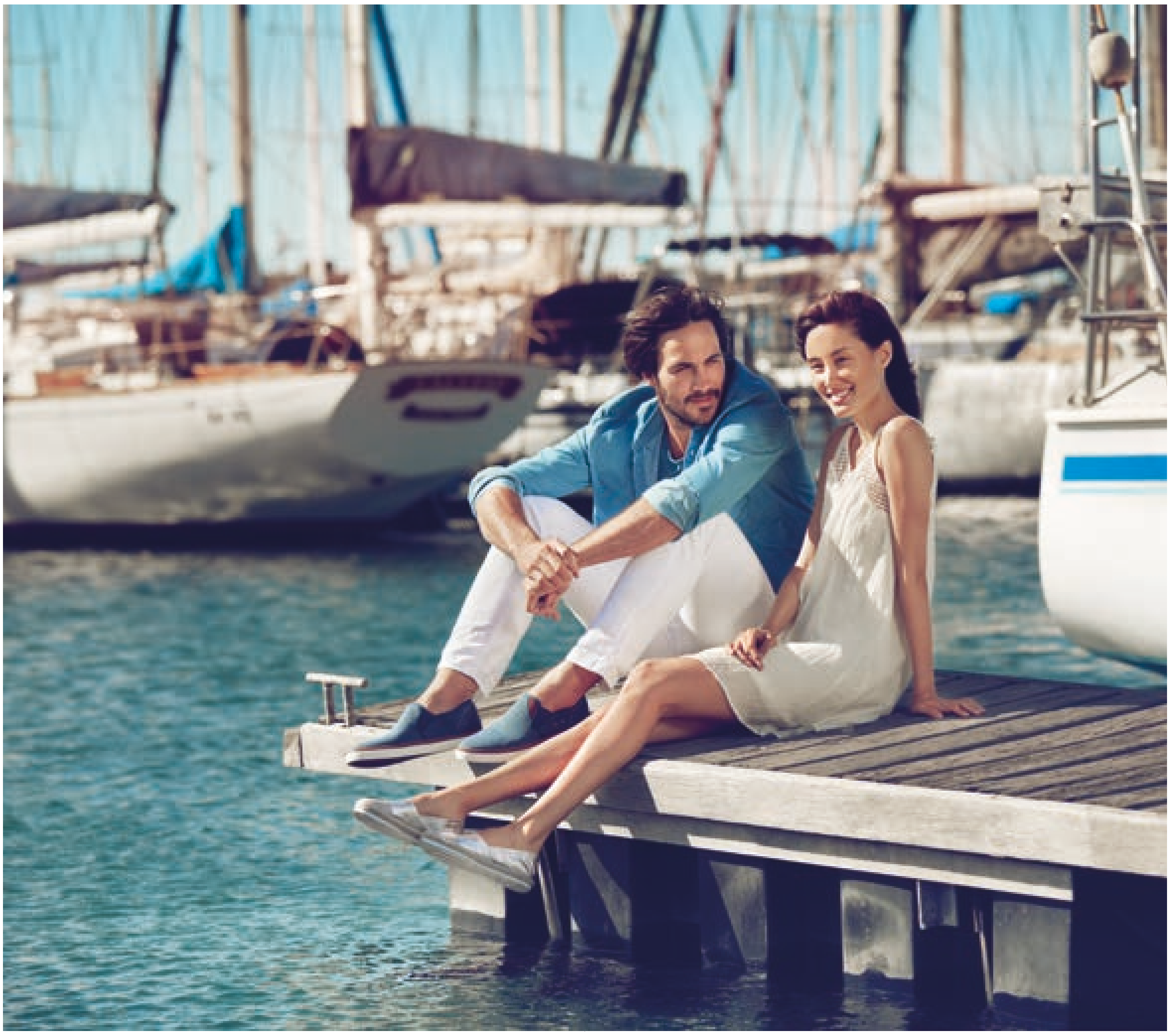
SIGNIFICANT PARAMETERS ADOPTED IN THE VALUATION MODEL WERE:	VALUE OF PARAMETER		
Valuation model of warrants			Symulation Monte-Carlo
Number of warrants granted	475.000	177.000	116.000
Share price at the grant date	73,8	159,0	107,5
The exercise price of the warrant	61,35	61,35	61,35
Expected volatility	0,35	0,33	0,33
Value of expected dividend	1,6	3,33	2,19
The average lifetime of the option	5,9 year	3,5 year	3 years

Under the employees scheme it was necessary to meet the following conditions (for all three tranches):

- achieving the consolidated net profit of the Capital Group for the financial years 2013, 2014, 2015 not less than PLN 620 million
- maintaining a business relationship until 31.12.2015.
- positive evaluation of the work performance review of the entitled person

As of the execution day of the scheme all conditions are met.

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



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:

NAME OF COMPANY	HEADQUARTERS OF COMPANY	BUSINESS ACTIVITY
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing
CCC Czech s.r.o.	Prague, Czech Republic	commercial
CCC Slovakia s.r.o.	Bratislava, Slovakia	commercial
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial
CCC Austria Ges.m.b.H	Graz, Austria	commercial
CCC Obutev d.o.o.	Maribor, Slovenia	commercial
CCC Hrvatska d.o.o.	Zagreb, Croatia	commercial
CCC Germany G.m.b.h.	Frankfurt, Germany	commercial
CCC Shoes Ayakkabycylyk Limited Sirketi	Istanbul, Turkey	commercial
CCC Isle of Man Ltd.	Douglas, Isle of Man	commercial
CCC.eu sp. z o.o.	Polkowice, Poland	purchase and selling
CCC Shoes & Bags sp. z o.o.	Polkowice, Poland	investing
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial
eobuwie S.A.	Zielona Góra, Poland	commercial
NG2 Suisse s.a.r.l.	Zug, Switzerland	in liquidation
CCC Shoes & Bags d.o.o. Beograd - Novi Beograd	Belgrad, Serbia	commercial
eschuhe.de UG	Frankfurt, Germany	commercial
Traf Logistics sp. z o.o.	Zielona Góra, Poland	logistics
CCC Russia sp. z o.o.	Moscow, Russia	commercial

[in PLN million unless otherwise stated]

The table below presents the aggregate financial data of entities that have non-controlling shares that are material to the Group. The values presented in the table do not account for intra-group eliminations.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	AS AT 31.12.2016
Current assets	137,8
Current liabilities	79,9
Net current assets	57,9
Fixed assets	211,0
Non-current liabilities	61,9
Net fixed assets	149,1
Net assets	207,0
Non-controlling shares	52,0

CONSOLIDATED FINANCIAL STATEMENTS FROM FINANCIAL INCOME AND OTHER COMPREHENSIVE INCOME	2016
Sales revenue	291,0
Profit during the period	35,3
Other comprehensive income	—
Total comprehensive income	35,3
Profit attributed to non-controlling shares	9,0
Dividend paid to non-controlling shares	—

AGGREGATED STATEMENT OF CASH FLOWS	2016
Cash flow from operating activities	(2,2)
Cash flow from investing activities	(30,2)
Cash flow from financial activities	29,8
Increase / decrease in cash and cash equivalents	(2,6)

No transactions with non-controlling shares were made in 2016.

The organizational changes that took place in the Group during the fiscal year are described in point. 4.1.2 of the Statements on the operations of the Capital Group CCC S.A.

6.5 EVENTS AFTER BALANCE SHEET DATE

On January 10, 2017, the Extraordinary General Meeting of Shareholders passed a resolution to supplement the composition of the Supervisory Board and to appoint Mr. Piotr Nowjalis as a Member of the Supervisory Board. (CR 4/2017)

On January 24, 2017, the Management Board of CCC S.A. received the information from Mr. Mirosław Stachowicz – a Member of the Supervisory Board on his resignation from being a member of the Supervisory Board, with effect from 31 January 2017. (CR 6/2017)

On February 14, 2017 the change in the share capital was registered. The new disclosed amount of share capital is PLN 3,912,790.00. Registration of the change in the share capital results from the conversion of 727,900 series A subscription warrants into 727,900 series E shares in the share capital of CCC S.A. (CR 10/2017)

• On 17 February 2017, a subsidiary of the Issuer, CCC.eu Sp. z o.o. signed an annex to the agreement of 3 March 2009 on revolving loan and overdraft concluded with Bank Handlowy S.A. The annex to the credit agreement changed the loan amount to PLN 226,000,000.00 (previous value: PLN 156,000,000.00) and the due repayment date until 13 February 2019 (the previous deadline: 14 February 2018.). An annex to the overdraft agreement changed the due repayment date of the loan until 13 February 2019 (the previous deadline: 24 February 2017.). Due to the changes, the additional obligations performance collateral were established under the Loan Agreements in the form of a mortgage up to the amount of PLN 3,600,000.00 on the property in the village of Chróstnik, the property of which is owned by the Issuer. (CR 11/2017)

In February 2017 within the incentive scheme for the years 2013-2015, some of the entitled persons to subscribe for the ordinary bearer shares of the E-series submitted a statement to the Company regarding their subscription. The share subscription statement was made and paid by 8 persons for the total number of 33,100 series E shares at PLN 61.35 for the amount of PLN 2,030,685.00. (CR 12/2017)

On March 8 within the incentive scheme for the years 2013-2015, one of the persons entitled persons to subscribe for the ordinary bearer shares of the E-series submitted a statement to the Company on subscribing for 3,000 E-series shares at PLN 61.35 for the amount of PLN 184,050.00 . (CR 14/2017)

On March 17, 2017, the Management Board passed a resolution approving the amendments to the dividend policy adopted on April 28, 2015. The Management Board of CCC intends to submit to the General Meeting of Shareholders a proposal for the dividend payment in the amount from 33% to 66% of the consolidated net income of the CCC Capital Group attributable to the shareholders of the Parent Company, assuming that the net debt to EBITDA ratio at the end of the financial year, which is attributable for profit, shall amount to below 3.0. When recommending the profit distribution the Management Board will take into account the Group's financial and liquidity position, existing and future liabilities (including potential constraints related to credit agreements and debt instruments issues) as well as evaluation of the prospects of CCC Capital Group in certain market and macroeconomic conditions.

The amendment enters into force starting from the consolidated net profit of the Group for the financial year ended 31 December 2016 (CR No. 15/2017)

On March 23, 2017, the Management Board of the National Depository for Securities (KDPW) S.A. accepted to be deposited at securities deposit 36,100 ordinary bearer E-series shares of CCC S.A. of a nominal value of PLN 0.10 each. Registration shall be made provided that the Company, operating the regulated market, decides to introduce these shares to trading on the same regulated market, provided that the registration of 36,100 series E shares in the securities depository will take place within three days of receiving by the National Depository the documents confirming the making by the Company operating a regulated market the decision to introduce these shares to trading, but not earlier than the date indicated in the decision of introducing those shares to trading on that regulated market. (CR No. 16/2017)

On March 23, 2017, the Management Board of the Warsaw Stock Exchange admitted to trading 36,100 E series ordinary bearer shares of CCC S.A. of a nominal value of PLN 0.10 each. The WSE Management Board resolves to introduce, as of March 27, 2017, by way of an ordinary manner, 36,100 series E shares on the main market, on condition that the National Depository for Securities of S.A. at this day of make the registration of these shares. The decision of the WSE Management Board entered into force on March 27, 2017. (CR no.17/2017)

On 13 April 2017, the Issuer's Supervisory Board adopted a resolution on the giving a positive opinion and conditional approval of the three-year Incentive Scheme for the years 2017-2019 („the Scheme") presented by the Issuer's Management Board, subject to receiving a positive decision of the Issuer's General Meeting regarding the conditional increase of the share capital of the Issuer and the issue of shares and subscription warrants for the implementation of the Scheme. The main objectives of the scheme is to additionally and in long-term motivate CCC Capital Group managers to implement the Group's strategy during the period of years 2017-2019 and to undertake actions and efforts aimed at further development of the Group and its prospects for the years 2020 and further – consequently resulting in increase of the Company's value and for shareholders. The program assumes minimum EBITDA thresholds (conditioning the launch of the Scheme tranches) at the level of PLN 550, 650 and 800 million for 2017, 2018 and 2019 respectively), i.e. not less than PLN 2 billion in this period. (CR No. 19/2017).

The financial statements were approved for publication by the Management Board of the Company on 28 April 2017 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	
Marcin Pałażej	Vice-President of the Management Board	

Polkowice, 28 April 2017