INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP CCC S.A. FOR THE PERIOD 01.01.2019–30.06.2019

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[in PLN million unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NOTE		01.2019-06.2019	04.2019-06.2019*	01.2018-06.2018 TRANSFORMED DATA	04.2018-06.2018 TRANSFORMED DATA
		UNAUDITED			
	CONTINUING OPERATIONS				
3.1	Sales revenue	2 680,1	1 641,5	1 929,5	1 270,7
3.2	Cost of sale of goods	(1 347,5)	(801,2)	(939,6)	(592,9)
	Gross profit (loss) on sale	1 332,6	840,3	989,9	677,8
3.2	Cost of operating stores	(755,9)	(390,3)	(535,7)	(291,7)
3.2	Other cost of sale	(459,7)	(260,1)	(272,9)	(167,5)
3.2	Administrative expenses	(133,3)	(60,9)	(78,2)	(41,9)
3.3	Other cost and operating revenue	6,0	9,3	90,6	95,0
	Operating profit (loss)	(10,3)	138,3	193,7	271,7
3.3	Finance revenue	16,3	7,6	16,7	10,2
3.3	Finance cost	(78,0)	(53,4)	(61,0)	(38,9)
6.2	Share of net profit (loss) of associates accounted for using the equity method	(3,9)	6,4	—	—
	Profit (loss) before tax	(75,9)	98,9	149,4	243,0
3.4	Income tax	1,9	(19,1)	(8,7)	(2,4)
	NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	(74,0)	79,8	140,7	240,6
	DISCONTINUED OPERATION				
6.3	NET LOSS FROM DISCONTINUED OPERATION	(46,5)	(33,9)	(50,9)	(6,7)
	NET PROFIT (LOSS)	(120,5)	45,9	89,8	233,9
	Attributable to shareholders of the parent company	(115,6)	37,0	82,5	228,2
	Attributable to non – controlling interests	(4,9)	8,9	7,3	5,7
	Other comprehensive income from continuing operations	—	—	—	—
	Attributable to be reclassified to profit - exchange rate differences upon conversion of reports of foreign entities	(1,5)	0,8	8,3	6,6
	Non-attributable to be reclassified to result - other:	—	—	—	—
	Actuarial profit (losses) related to employee benefits	—	—	—	—
	Other comprehensive income from discontinued operation	—	—	—	—
	Attributable to be reclassified to profit - exchange rate differences upon conversion of reports of foreign entities	(0,3)	—	(0,4)	(0,1)
	Non-attributable to be reclassified to result - other:	—	—	—	—
	Actuarial profit (losses) related to employee benefits	—	—	—	—
	Total net comprehensive income	(1,8)	0,8	7,9	6,5

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME, CD.

NOTE	01.2019-06.2019	04.2019-06.2019*	01.2018-06.2018 TRANSFORMED DATA	04.2018-06.2018 TRANSFORMED DATA
	UNAUDITED			
TOTAL COMPREHENSIVE INCOME	(122,3)	46,7	97,7	240,4
Total comprehensive income attributable to:				
Shareholders of the parent company from:	(117,4)	37,8	90,4	234,7
- countinuing operations	(70,6)	71,7	141,7	241,5
- discontinued operation	(46,8)	(33,9)	(51,3)	(6,8)
Non-controlling interests	(4,9)	8,9	7,3	5,7
Weighted average number of ordinary shares (mln pcs)	41,2	41,2	41,2	41,2
Basic earnings per share from continuing operations (in PLN)	(1,80)	1,94	3,42	5,84
Diluted earnings per share from continuing operations (in PLN)	(1,80)	1,94	3,42	5,84
Basic earnings per share from discontinued operation (in PLN)	(1,13)	(0,82)	(1,24)	(0,16)
Diluted earnings per share from discontinued operation (in PLN)	(1,13)	(0,82)	(1,24)	(0,16)

* Data for Q2 2019 include the accounting impact of material transactions from Q1 2019 such as the provisional settlement of the acquisition of Gino Rossi and HR Group and the fair value restatement of CCC Germany discontinued operations of CCC Germany.

i MORE INFORMATION IN SECTION **2.1.1.1** IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NOTE		30.06.2019 UNAUDITED	31.12.2018
5.1	Intangible assets	314,8	261,7
5.2	Goodwill	226,1	202,5
5.3	Tangible fixed assets - investments in stores	649,5	615,4
5.3	Tangible fixed assets - factory and distribution	532,7	427,2
5.3	Tangible fixed assets - other	101,2	101,7
5.4	Right to use	2 101,3	1 870,1
3.4	Deferred tax assets	107,7	74,8
5.6, 6.2	Loans granted	79,2	—
6.1, 6.2	Other financial assets	103,9	10,1
4.6	Investments accounted for using the equity method	45,1	0,2
6.2	Investment property	4,5	—
	Long-term reciveables	14,3	10,4
5.6	Long-term trade receivables	36,1	—
	Total non-current assets	4 316,4	3 574,1
5.5	Inventories	2 012,1	1 806,1
5.6	Trade receivables	173,3	124,4
3.4	Income tax receivables	1,9	6,8
5.6	Loans granted	—	37,7
5.6	Other receivables	177,2	306,4
5.7	Cash and cash equivalents	512,4	375,8
6.1	Derivative financial instruments	—	1,3
6.3	Assets classified as held for sale	—	503,4
	Total current assets	2 876,9	3 161,9
	TOTAL ASSETS	7 193,3	6 736,0
4.2	Debt liabilities	311,0	210,0
3.4	Deferred tax liabilities	39,3	34,2
5.8	Liabilities to employees	13,1	12,7
5.9	Provisions	12,2	12,1
5.3	Grants received	18,0	19,2
6.2	Obligation to repurchase non-controlling interests	892,9	878,7
5.4	Lease liabilities	1 630,0	1 484,0
	Total non-current liabilities	2 916,5	2 650,9

[in PLN million unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION, CD.

NOTE		30.06.2019 UNAUDITED	31.12.2018
4.2	Debt liabilities	1 125,8	806,8
5.8	Trade and other liabilities	1 132,6	864,2
5.8	Other liabilities	448,4	274,3
3.4	Income tax liabilities	15,4	29,0
5.9	Provisions	17,6	17,2
5.3	Grants received	2,4	2,4
5.4	Lease liabilities	511,3	425,2
6.1	Pochodne instrumenty finansowe	1,3	—
6.3	Liabilities directly associated with assets classified as held for sale	—	518,2
	Total current liabilities	3 254,8	2 937,3
	TOTAL LIABILITIES	6 171,3	5 588,2
	NET ASSETS	1 022,0	1 147,8
	Equity		
4.1	Share capital	4,1	4,1
	Share premium	645,1	645,1
	Exchange rate differences from the translations	1,0	2,9
	Actuarial valuation of employee benefits	(0,3)	(0,3)
	Retained earnings	241,2	369,1
	Equity attributable to the shareholders of the parent entity	891,1	1 020,9
4.1	Non-controlling interests	130,9	126,9
	TOTAL EQUITY	1 022,0	1 147,8
	TOTAL LIABILITIES AND EQUITY	7 193,3	6 736,0

i MORE INFORMATION IN SECTION **2.1.1.2** IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTE		01.2019–06.2019	01.2018–06.2018
	Profit before tax	(121,8)	99,1
3.2	Amortization and depreciation	349,7	279,4
	Impairment on fixed assets	2,2	—
	Loss on investment activity	1,0	(4,4)
	Share in profits (losses) of associated entities	3,9	—
4.2	Cost of borrowings	36,2	30,7
4.4	Other adjustments to profit before tax	61,3	(52,6)
3.4	Income tax paid	(28,4)	(14,0)
	Cash flow before changes in working capital	304,1	338,2
	Changes in working capital		
4.4	Change in inventory and inventory write–downs	(151,7)	(317,2)
4.4	Change in receivables	23,9	(146,8)
4.4	Change in current liabilities, excluding borrowings and bonds	281,1	469,5
	Net cash flows from operating activities	457,4	343,7
	Proceeds from the sale of tangible fixed assets	10,1	28,6
5.6	Repayment of loans granted and interest	—	5,6
	Other inflows from investing activities	11,9	—
5.1, 5.3	Purchase of intangible and tangible fixed assets	(264,1)	(131,8)
5.4, 6.2	Loans granted	(72,2)	(7,6)
6.2	Payment related to purchase of Adler enterprise	(16,5)	—
6.2	Purchase of investment in Karl Voegele AG i Shoe Express S.A.	—	(131,1)
6.2	Payment related to investment in HR Group associate	(118,4)	—
6.2	Other outflows from investing activities	(5,5)	—
	Net cash flows from investing activities	(454,7)	(236,3)
4.2	Proceeds from borrowings	495,2	309,9
4.2	Issue of bonds	—	209,4
4.2	Repayment of borrowings and bonds	(81,9)	(209,3)
	Lease payments	(241,9)	(201,4)
4.2	Interest paid	(35,6)	(29,3)
	Net cash flows from finance activities	135,8	79,3
	TOTAL CASH FLOWS	138,5	186,7
	Net increase/decrease of cash and cash equivalents	136,6	197,6
	Exchange rate changes on cash and cash equivalents	(1,9)	10,9
	Cash and cash equivalents at beginning of period	374,3	514,1
	Cash and cash equivalents at the end of period	512,8	700,7

[in PLN million unless otherwise stated]

Other investment inflows presents the returned value of unused cash from the call to sell shares of Gino Rossi S.A. and the value of cash acquired in connection with the acquisition of Gino Rossi S.A.

Other investment expenditure presents expenses related to the repurchase of bills of exchange by Gino Rossi S.A.

i MORE INFORMATION IN SECTION **2.1.1.3** IN STATEMENTS OF OPERATIONS OF THE GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY					
As of 01.01.2018	4,1	644,9	453,1	(1,3)	(0,3)	67,8	1 168,3
Net profit for the period	—	—	56,7	—	—	—	56,7
Net profit (loss) attributable to non-controlling interests	—	—	2,6	—	—	(2,6)	—
Exchange rate differences from the translations	—	—	—	4,2	—	1,6	5,8
Total comprehensive income	—	—	59,3	4,2	—	(1,0)	62,5
Dividend payment	—	—	(94,7)	—	—	—	(94,7)
Valuation of employee option scheme	—	—	25,4	—	—	—	25,4
Issue of shares	—	0,2	—	—	—	—	0,2
Purchase of shares	—	—	—	—	—	60,1	60,1
Total transactions with owners	—	0,2	(69,3)	—	—	60,1	(9,0)
Obligation to purchase of own shares of subsidiary	—	—	(74,0)	—	—	—	(74,0)
As of 31.12.2018 (01.01.2019)	4,1	645,1	369,1	2,9	(0,3)	126,9	1 147,8

[in PLN million unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY CONT.

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
		ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY					
As of 31.12.2018 (01.01.2019)	4,1	645,1	369,1	2,9	(0,3)	126,9	1 147,8
Net profit (loss) for the period	—	—	(120,5)	—	—	—	(120,5)
Net profit (loss) attributable to non-controlling interests	—	—	4,9	—	—	(4,9)	—
Exchange rate differences from the translations	—	—	—	(1,9)	—	0,1	(1,8)
Total comprehensive income	—	—	(115,6)	(1,9)	—	(4,8)	(122,3)
Dividend resolution	—	—	(23,9)	—	—	—	(23,9)
Valuation of employee option scheme	—	—	11,6	—	—	—	11,6
Purchase of shares	—	—	—	—	—	8,8	8,8
Total transactions with owners	—	—	(12,3)	—	—	8,8	(3,5)
As of 30.06.2019 (01.07.2019)	4,1	645,1	241,2	1,0	(0,3)	130,9	1 022,0

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of 01.01.2018	4,1	644,9	453,1	(1,3)	(0,3)	67,8	1 168,3
Net profit for the period	—	—	89,6	—	—	—	89,6
Actuarial valuation of employee benefits	—	—	—	—	—	—	—
Net profit (loss) attributable to non-controlling interests	—	—	(7,3)	—	—	7,3	—
Exchange rate differences from the translations	—	—	—	7,9	—	—	7,9
Total comprehensive income	—	—	82,5	7,9	—	7,3	97,7
Dividend payment	—	—	(94,7)	—	—	—	(94,7)
Valuation of employee option scheme	—	—	19,1	—	—	—	19,1
Purchase of shares	—	—	—	—	—	53,6	53,6
Total transactions with owners	—	—	(75,6)	—	—	53,6	(22,0)
The effect of recognition of purchase of non-controlling interests of Karl Voegele AG	—	—	(53,9)	—	—	—	(53,9)
As of 30.06.2018	4,1	644,9	406,1	6,6	—	128,7	1 190,1

[in PLN million unless otherwise stated]

NOTES

1. GENERAL INFORMATION

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

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

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 „Interim Financial Reporting" as adopted by the EU („IAS 34").

The financial statements have been prepared in accordance with the historical cost principle or fair value, when historical cost principle is not applicable (in case of investment properties, financial assets measured at fair value).

The interim condensed financial statements of the Group cover the six-month period ended 30 June 2019 and include comparative data for the six months ended 30 June 2019 and as of 31 December 2018. The statements of comprehensive income and notes to the statements of comprehensive income covering the data for the 3-month period ended 30 June 2019 and the comparative data for the 3-month period ended 30 June 2018 were not reviewed or audited by an auditor.

The interim condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34. The interim condensed consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read together with the Group's consolidated financial statements for the year ended 31 December 2018 approved for publication on 14.03.2019.

These interim condensed consolidated financial statements for the 6-month period ended June 30, 2019 were approved by the Management Board for publication on September 3, 2019.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future, i.e. at least one year from the balance sheet date. As at the date of publication of these condensed consolidated financial statements, there are no circumstances indicating a threat to the Group's ability to continue as a going concern for at least one year from the balance sheet date. As at 30.06.2019, the consolidated statement of financial position of the Group shows current assets in the amount of PLN 2,876.9 million, which comprise, among others: inventories in the amount of PLN 2,012.1 million, cash in the amount of PLN 512.4 million, receivables in the amount of PLN 352.4 million and current liabilities in the amount of PLN 3.254,8 million, consisting of, among others: credit debt in the amount of PLN 1,125.8 million, liabilities to suppliers and other liabilities in the amount of PLN 1,617.7 million and leasing liabilities (IFRS 16) in the amount of PLN 511.3 million, which results in the surplus of short-term liabilities over current assets in the amount of PLN 377.9 million. This situation is largely due to the fact that inventories are presented at cost, whereas the value of inventories at selling prices would be higher by approximately PLN 2 billion at the current sales margins of over 50%. Therefore, based on the knowledge available as at the date of this report, in the opinion of the Management Board of the Company, given the growing sales revenues of the Group, both in terms of value and quantity, this situation does not affect the ability to settle liabilities on an ongoing basis.

FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of individual Group entities are valued in the currency of the primary economic environment in which the particular entity operates („functional currency"). The consolidated financial statements are presented in PLN currency, which is the presentation currency of the Group.

[in PLN million unless otherwise stated]

ACCOUNTING PRINCIPLES

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. Accounting principles applied by CCC S.A. Group. have not changed in relation to those used in the financial statements for the financial year from 1 January to 31 December 2018, except for the application of new or changed standards and interpretations applicable to annual periods beginning on 1 January 2019 or later.

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:

NOTE	TITLE	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
3.1	Sales revenue	T		24
3.2	Cost of sales of goods	T		25
3.2	Cost of operating stores	T		25
3.2	Other cost of sales	T		25
3.2	Administrative expenses	T		25
5.4	Leasing	T	T	54
3.3	Other operating and finance costs and revenues	T		25
3.4	Income tax	T	T	31
3.4	Deferred tax assets	T	T	31
3.4	Income tax liabilities	T		31
4.1	Equity	T	T	38
4.2	Debt liabilities	T		43
5.1	Intangible assets	T	T	48
5.3	Tangible fixed assets	T	T	51
5.3	Grants received	T		52
5.5	Inventories	T	T	56
5.6	Loans granted	T		58
5.6	Trade receivables	T		58
5.6	Other receivables	T		58
5.7	Cash and cash equivalents	T		59
5.8	Trade and other liabilities	T		60
5.8	Other liabilities	T		60
5.9	Provisions	T	T	61
6.1	Financial instruments	T	T	62
6.3	Discontinued operations	T	T	78
6.5	Cost of incentive program	T	T	81

APPLIED NEW AND REVISED ACCOUNTING STANDARDS:

A) IFRIC INTERPRETATION 23: UNCERTAINTY RELATED TO INCOME TAX RECOGNITION

The interpretation explains how to recognize and measure income tax in accordance with IAS 12 if there is uncertainty about its recognition. It does not apply to taxes or fees that do not fall within the scope of IAS 12, nor does it cover interest and penalty requirements related to the uncertain recognition of income tax. The interpretation applies in particular to:

- the entity's separate consideration of cases of uncertain tax treatment;
- assumptions made by the entity regarding the control of tax treatment by tax authorities;
- the manner in which the entity determines taxable income (tax loss), the tax base, unused tax losses, unused tax credits and tax rates;
- the manner in which the entity reflects changes in facts and circumstances.

An entity must determine whether it considers each uncertain tax treatment separately or in combination with one or more other uncertain tax treatment. An approach should be followed which better provides for resolution of uncertainty.

The interpretation has no significant impact on the interim condensed consolidated financial statements of the Group.

B) AMENDMENTS TO IFRS 9: EARLY REPAYMENTS WITH NEGATIVE COMPENSATION.

Pursuant to IFRS 9, a debt instrument may be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are only principal repayments and interest on the principal outstanding (SPPI criterion) and the instrument is held under appropriate business model for this classification. Amendments to IFRS 9 specify that the financial asset meets the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination.

The changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

C) AMENDMENTS TO IAS 19: AMENDMENT, RESTRICTION OR SETTLEMENT OF THE PROGRAM.

The amendments to IAS 19 specify that in the event of a change, reduction or settlement of the program during the annual reporting period, the entity is required to determine the current cost of the service for the remainder of the period after the change, reduction or settlement of the program, using actuarial assumptions used to re-measure the liability (an asset) net of defined benefits that reflects the benefits of the plan and plan assets after the event. An entity is also required to determine net interest for the remainder of the period following a change, reduction or settlement of the plan using a defined benefit obligation (asset) reflecting the benefits of the plan and plan assets after that event, and the discount rate used for re-measurement net liability (asset) for defined benefits.

The changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

D) AMENDMENTS TO IAS 28: LONG-TERM INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The amendments specify that the entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method does not apply, but as a rule forms part of the entity's net investment in the associate or joint venture (long-term investment). This explanation is important because it suggests that the expected credit loss model in IFRS 9 applies to such long-term investments.

The amendments also specify that when applying IFRS 9, an entity does not take into account losses of an associate or joint venture or any losses due to impairment of net investment in an associate or joint venture that result from the application of IAS 28 Investments in associates.

The changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

E) CHANGES RESULTING FROM THE REVIEW OF IFRS 2015-2017

- **IFRS 3 Business Combinations**
  The amendments clarify that when an entity take control over an entity that is a joint operation, it applies the requirements for a business combination in stages, including the re-measurement of previously owned interests in the joint operation at fair value. In this way, the acquirer reassesses all previously held interests in the joint operation.
  The changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

- **IFRS 11 Joint Arrangements**
  The amendments specify that a party that participates in a joint operation but does not exercise joint control over it may obtain joint control over the joint operation in which the operation of the joint operation is a business as defined in IFRS 3. In such cases, previously held interests in the joint operation are not subject to revaluation.
  The changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

- **IAS 12 Income tax**
  The amendments specify that the tax consequences of dividend payments are more directly related to past transactions or events that led to distributable profits than to payments to owners. Therefore, the entity recognizes the tax consequences of dividend payments in profit or loss, other comprehensive income or equity, depending on where the entity recognized these past transactions or events.
  The changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

- **IAS 23 Borrowing costs**
  The amendments specify that the entity treats all loans originally contracted to produce a qualifying asset as part of general loans when, in principle, all the activities necessary to prepare the asset for its intended use or sale are completed.
  The changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

The Group has not decided to early apply any standard, interpretation or amendment that has been published but has not yet entered into force in the light of European Union legislation.

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

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

- IFRS 14 Regulatory accruals (published on 30 January 2014) - in accordance with the decision of the European Commission, the process of approving the standard in the initial version will not be initiated before the final version of the standard appears - until the date of approval of these financial statements, not approved by the EU - applicable for annual periods beginning on or after 1 January 2016;

- Amendments to IFRS 10 and IAS 28 Sale or contribution transactions between an investor and its associate or joint venture (published on September 11, 2014) - work leading to the approval of these amendments has been postponed by the EU for an indefinite period - the date of entry into force has been postponed by IASB for an indefinite period;

- IFRS 17 Insurance Agreements (published on May 18, 2017) - up to the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on January 1, 2021 or later;

- Amendments to the Conceptual Framework References in the International Financial Reporting Standards (published on March 29, 2018) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2020;

- Amendment to IFRS 3 Business Combinations (published on October 22, 2018) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on or after January 1, 2020;

- Amendments to IAS 1 and IAS 8: Definition of materiality (published on October 31, 2018) - up to the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after January 1, 2020.

The dates of entry into force are the dates resulting from the content of the standards announced by the International Financial Reporting Council. The dates of application of standards in the European Union may differ from the dates of application resulting from the content of the standards and are announced at the time of approval for use by the European Union.

2. SEGMENT REPORTING

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

ACCOUNTING POLICY

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

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

Revenue from sales of goods and products - wholesale

The Group sells footwear handbags, shoe care products, small leather goods and clothing in the wholesale domestic market and foreign market. 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 5.9.

Revenue from sales of goods and products - retail sales

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

Revenue from the sales of goods - e-commerce sales

The group sells footwear, bags, shoe care accessories, small leather finery via the online stores operating on local and foreign markets. 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

Operating segments are presented in a manner consistent with internal reporting provided to the main operational decision-maker, on the basis of which he assesses the results and decides on the allocation of resources. The Parent's Management Board is the main operational decision maker.

The Management Board analyzes the Group's operations from a geographical and product perspective:

- From a geographical perspective, the Management Board analyzes activities in Poland, the European Union and other countries;
- From a product perspective, the Management Board analyzes retail, e-commerce and wholesale activities in these particular geographical areas.

The Group identifies the following operating and reporting segments:

REPORTING SEGMENT	DESCRIPTION OF THE REPORTING SEGMENT AND USED MEASURES OF THE RESULT	PREMISES OF AGGREGATION OF OPERATING SEGMENTS INTO REPORTING SEGMENTS, INCLUDING ECONOMIC CIRCUMSTANCES TAKEN INTO ACCOUNT IN ASSESSING THE SIMILARITY OF THE ECONOMIC CHARACTERISTICS OF THE OPERATING SEGMENTS
Distribution activities - retail in Poland, the stores operate in the chain CCC, eObuwie and Gino Rossi. Distribution activities - retail in the European Union - Central and Eastern Europe (Czech Republic, Slovakia, Hungary, Croatia, Slovenia, Bulgaria, Romania) Stores operate exclusively in the chain CCC. Distribution activities - retail in the European Union - Western Europe (Austria, Switzerland). Stores operate exclusively in the chain CCC and Voegele. Distribution activities - retail in other countries (Turkey, Russia, Serbia) Stores operate exclusively in the chain CCC.	Each own individual store operating in the said country constitutes the cash generating center. Stores sell footwear handbags shoe care products, small leather goods and clothing in their own facilities, within the chain CCC. Measures of the result is the gross sales profit calculated in relation to the external sales and the segment's operating profit being the difference between the sales, cost of goods sold, direct selling costs relating to the operations of the retail chain (stores operating costs) and the cost of organizational units supporting the sales.	The financial information was aggregated in total for the chain CCC geographic markets due to: • Similarity of long-term average gross margins, • Similar nature of the goods (such as footwear, handbags, shoe care accessories, clothing accessories), • Similar way of distributing the goods, • Similar categories of customers (sales made in own facilities and directed to retail customers)
Distribution activities - e-commerce	The whole activity is conducted by the company eobuwie.pl S.A., DeeZee sp. z o.o., Karl Voegele AG, Gino Rossi S.A. oraz CCC S.A. dealing with the distribution of goods via the Internet. The Company sells footwear, handbags, shoe care accessories, small fashion finery, etc. to domestic and foreign retailers. Measures of the result is the gross sales profit calculated in relation to the external sales and the operating result of the segment, which is the difference between the sales, the cost of goods sold and the direct sales costs related to the functioning of the sales channel (e.g. logistics costs).	
Distribution activities – wholesale	The whole activity is carried out by CCC.eu dealing with the distribution of goods to the companies Group. The Company sells footwear, handbags, shoe care products, clothing accessories to domestic and foreign franchisees and other wholesale customers. Measures of result is the gross sales profit calculated in relation to the external sales and the segment's operating profit being the difference between the sales, cost of goods sold and direct selling costs relating to the operation of the distribution network (including logistics costs).	
Manufacturing activities	Manufacturing of leather shoes for women is carried out in Poland. Measures of result is the result of operating segment being the difference between the sales, cost of sales of products and direct costs of sales.	
Discontinued operation	Stores CCC in Germany and Simple sold before 30.06.2019.	

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

i MORE INFORMATION IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

01.2019-06.2019	DISTRIBUTION ACTIVITY						MANUFAC-TURING ACTIVITY	TOTAL	DISCONTINUED OPERATION
	RETAIL				E-COMMERCE	WHOLESALE			
	POLAND	UE - CEE	UE - WESTERN EUROPE	OTHER COUNTRIES					
Total sales revenue	1 065,6	515,6	302,2	64,0	638,3	1 254,5	82,3	3 922,5	15,1
Revenue from sales to other segments	—	—	—	—	—	(1 160,2)	(82,2)	(1 242,4)	—
Revenue from sales from external customers	1 065,6	515,6	302,2	64,0	638,3	94,3	0,1	2 680,1	15,1
Gross profit on sale	541,3	300,6	166,6	33,6	275,1	15,8	(0,4)	1 332,6	5,0
Gross margin	50,8%	58,3%	55,1%	52,5%	43,1%	16,8%	—	49,7%	33,0%
PROFIT OF SEGMENT	130,1	17,1	(66,5)	(7,3)	37,6	6,4	(0,4)	117,0	(18,1)
Assets of segments									
Fixed assets except other financial assets and deferred tax assets and granted loans	1 426,3	895,2	565,2	370,2	483,8	293,9	70,2	4 104,8	—
Deferred tax assets	6,6	0,2	—	—	11,3	41,1	3,7	62,9	—
Inventories	385,2	224,8	192,4	63,1	338,6	815,3	44,7	2 064,1	—
Outlays on tangible fixed assets and intangibles	635,1	275,2	94,6	50,0	359,0	114,2	70,1	1 598,2	—
Other revenue/costs:									
Amortization and depreciation	(131,5)	(94,3)	(71,1)	(17,3)	(5,1)	(0,6)	—	(319,9)	—
Impairment loss of tangible fixed assets and intangibles	—	—	(2,2)	—	—	—	—	(2,2)	—

[in PLN million unless otherwise stated]

01.2018-06.2018	DISTRIBUTION ACTIVITY						MANUFACTURING ACTIVITY	TOTAL	DISCONTINUED OPERATION
	RETAIL				E-COMMERCE	WHOLESALE			
	POLAND	UE - CEE	UE - WESTERN EUROPE	OTHER COUNTRIES					
Total sales revenue	919,2	422,4	82,9	45,7	400,3	1 096,3	131,3	3 098,1	97,0
Revenue from sales to other segments	—	—	—	—	—	(1 037,5)	(131,1)	(1 168,6)	—
Revenue from sales from external customers	919,2	422,4	82,9	45,7	400,3	58,8	0,2	1 929,5	97,0
Gross profit on sale	482,3	249,4	50,2	24,5	165,0	18,7	(0,2)	989,9	58,6
Gross margin	52,5%	59,1%	60,6%	53,6%	41,2%	31,8%	0,0%	51,3%	60,5%
PROFIT OF SEGMENT	130,0	23,8	(35,4)	(0,9)	51,7	12,4	(0,2)	181,4	(44,1)
Assets of segments									
Fixed assets except other financial assets and deferred tax assets and granted loans	1 099,0	820,4	1 368,2	109,8	338,7	55,9	72,7	3 864,7	—
Deferred tax assets	2,5	—	1,9	1,4	5,9	18,1	2,7	32,5	—
Inventories	308,9	204,2	205,0	30,8	274,1	828,0	36,4	1 887,4	—
Outlays on tangible fixed assets and intangibles	454,4	241,4	159,2	32,1	229,6	55,9	72,7	1 245,9	—
Other revenue/costs:									
Amortization and depreciation	(110,0)	(69,8)	(33,2)	(7,4)	(2,1)	(0,4)	(1,2)	(224,1)	(39,0)
Impairment loss of tangible fixed assets and intangibles	—	—	—	—	—	—	—	—	—

[in PLN million unless otherwise stated]

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

	01.2019-06.2019			01.2018-06.2018		
	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT
Total sales revenue	3 922,5	(1 242,4)	2 680,1	3 098,1	(1 168,6)	1 929,5
Sales revenue not allocated to the segment	—	—	—	—	—	—
Sales revenue in the financial statement	—	—	2 680,1	—	—	1 929,5
Cost of goods sold in the financial statement	—	—	(1 347,5)	—	—	(939,6)
Gross profit on sale	1 332,6	—	1 332,6	989,9	—	989,9
Gross margin	(1 215,6)	—	(1 215,6)	(808,6)	—	(808,6)
Performance of segment	117,0	—	117,0	181,3	—	181,3
Not allocated cos of sale	—	—	—	—	—	—
Administrative expenses	—	—	(133,3)	—	—	(78,2)
Other cost and operating revenue	—	—	6,0	—	—	90,6
Finance revenue	—	—	16,3	—	—	16,7
Finance cost	—	—	(78,0)	—	—	(61,0)
Share in profits (losses) of associated entities	—	—	(3,9)	—	—	—
Profit before tax	—	—	(75,9)	—	—	149,4
Assets of segments	—	—	—	—	—	—
Fixed assets except other financial assets and deferred tax assets and granted loans	4 104,8	—	4 104,8	3 864,7	(4,9)	3 859,8
Deferred tax assets	62,9	44,8	107,7	32,5	43,9	76,4
Inventories	2 064,1	(52,0)	2 012,1	1 887,4	(45,4)	1 842,0
Outlays on tangible fixed assets and intangibles	1 598,2	—	1 598,2	1 245,9	(4,9)	1 241,0
Other revenue/costs:	—	—	—	—	—	—
Amortization and depreciation	(319,9)	(29,8)	(349,7)	(224,1)	(17,6)	(241,7)
Impairment loss of tangible fixed assets and intangibles	(2,2)	—	(2,2)	—	—	—

[in PLN million unless otherwise stated]

	SALES REVENUE		FIXED ASSETS (EXCEPT FINANCIAL INSTRUMENTS AND DEFERRED TAX)	
	01.2019-06.2019	01.2018-06.2018	01.2019-06.2019	01.2018-06.2018
CONTINUING OPERATIONS				
Poland	1 065,6	919,2	1 790,4	1 222,7
Switzerland	241,2	19,9	318,8	414,5
Czech Republic	142,5	135,5	209,1	199,4
Hungary	109,3	105,1	193,5	197,3
Slovakia	82,7	75,9	117,7	109,9
Austria	61,0	63,0	246,3	393,7
Romania	107,3	69,7	204,3	181,3
Russia	51,4	37,3	304,5	76,6
Croatia	35,2	32,1	72,6	66,9
Slovenia	23,5	20,8	50,5	30,8
Bulgaria	15,2	12,0	47,5	34,8
Serbia	12,5	8,3	65,8	33,2
Other (wholesale)	94,3	30,3	—	—
e-commerce	638,4	400,3	483,8	338,7
DISCONTINUED OPERATION	—	—	—	—
Germany	11,6	97,0	—	560,0 *
Poland	3,5	—	—	—
Total	2 695,2	2 026,4	4 104,8	3 859,8
Deferred tax			107,7	76,4
Financial instruments			103,9	—
Total assets			4 316,4	3 936,2

* As at 30/06/2018, fixed assets allocated to Germany did not constitute discontinued operation.

The sales revenues of the CCC Capital Group by type of product range are presented below:

SAES REVENUE	01-06.2019	01-06.2018	CHANGE %
Shoes	1 757,9	1 312,8	33,9%
Bags	100,1	94,8	5,6%
Other	89,4	62,5	43,0%
Retail activity	1 947,4	1 470,1	32,5%
E-commerce	638,4	400,3	59,5%
Wholesale	94,3	59,0	59,8%
Total	2 680,1	1 929,4	38,9%

i MORE INFORMATION IN SECTION **2.1.1.1** (REVENUE, COGS AND GROSS PROFIT) + **2.1.1.2** (NON-CURRENT ASSETS) IN STATEMENTS OF OPERATIONS OF THE GROUP

3. NOTES TO STATEMENTS OF COMPREHENSIVE INCOME

3.1 SALES REVENUES

ACCOUNTING POLICY

Sales revenues

IFRS 15 establishes the so-called The Five Steps Model for recognizing revenues resulting from contracts with clients.

In accordance with the above standard, revenues are recognized in the amount of remuneration that the entity is entitled in exchange for transferring the promised goods or services to the client.

The company recognizes revenue at the time of transferring the goods to the customer in a value reflecting the price expected by the entity in exchange for the transfer of these goods and services.

The Management Board of the Company conducted to determine whether a given entity acts as an agent or principal as a comprehensive analysis taking into account the concluded cooperation agreements between the Company and its subsidiary CCC.eu Limited Liability Company („CCC.eu") and the actually operating business model. According to the business model, the CCC.eu company delivers goods to the company CCC S.A., which then sells online stores in Poland.

The elements that may indicate that the Company could be treated as an intermediary are the following conditions resulting from the concluded agreements:

- according to the adopted settlement model, the Company is guaranteed to obtain a fixed operating margin;
- goods that the Company failed to sell in a given season may be returned to CCC.eu, at the same time CCC.eu may request a return of goods from the Company, and the costs of this return shall be covered by CCC.eu;
- CCC.eu defines standards and supports the Company in terms of pricing, promotion and discounts in stores, including recommendations regarding retail prices, rules for discounts and increases, as well as discounts and promotions for customers;
- CCC.eu decides about the ranges and quantities of goods delivered to the Company;
- The company accepts returns from retail customers and deals with after-sales complaints, while the costs of these complaints are fully covered by CCC.eu.

In the opinion of the Management Board of the Company, other circumstances characterizing the cooperation between the Company and CCC.eu are more important and prevail in the assessment of the role of the Company. In the opinion of the Management Board, the Company does not act as an intermediary because it is exposed to significant risks of its operations and achieves benefits resulting from the sale of goods purchased from CCC.eu.The following conditions for mutual cooperation confirm the assessment of the Company's role:

- The Company has the main responsibility for delivering goods to the customer and the Company is responsible for the acceptability of products purchased by the customer, the Company sells goods purchased from CCC.eu on its own behalf and for its own account, the purchase from CCC.eu follows the terms of delivery of CPT (transfer ownership at the time of loading on the means of transport);
- The Company bears the risk related to inventory before and after the order is placed by the client, during deliveries or refunds, and the inventory remaining in the Company is its property and the Company bears the risk related to their possible loss;
- The Company receives only recommendations from CCC.eu regarding pricing, bonus and rebate policy and has full freedom in pricing, directly or indirectly;
- The Company bears credit risk in relation to amounts due from the client;
- The Company bears full reputational / reputational risk related to the quality of goods sold, and potential customers' reservations may translate into the Company's negative situation.

In relation to the above, the Management Board acknowledges that CCC S.A .is the main entity and should not be treated as an intermediary within the meaning of IFRS 15. The Company presents total realized sales revenues.

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include income and expenses on operations that are not the entity's primary operating activity, e.g. gains or losses on disposal of tangible assets, penalties and fines, donations, etc.

FINANCIAL REVENUES AND COSTS

Financial revenues and costs resulting from the Company's financial activities include, but are not limited to: interest, commissions, profits and losses on exchange differences.

3.2 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 sales,
- cost of a provision concerning complaints (note 5.9),
- the value of finished goods sold,
- impairments for inventories,
- impairment losses for fixed assets and intangible assets used in manufacturing of goods or providing services (depreciation of production machines), payroll costs of production workers, other costs related to production.

i MORE INFORMATION IN SECTION **2.1.1.1**
(COSTS OF STORE OPERATIONS)
IN STATEMENTS OF OPERATIONS OF THE GROUP

Cost of operating stores

Cost of operating stores includes the cost of maintenance of stores and other retail outlets. This item includes mainly:
- remuneration costs of employees employed in stores,
- amortization of tangible fixed assets (investments in stores),
- cost of external services (inter alia, the costs of the agent's remuneration, utilities).

Other cost of sales

Other cost of sales includes cost of sales not directly related to the maintenance of stores, relating to organizational units supporting the sales. This item includes mainly:
- remuneration costs of employees of organizational units supporting sales,
- amortization 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.

[in PLN million unless otherwise stated]

ACCOUNTING POLICY

Lease costs

In accordance with IFRS 16, the Group recognizes the right to use the asset together with the relevant leasing liability determined in the amount of discounted future payments during the lease term.

Lease fees previously recognized in the costs of store operations or in other selling costs in the „lease costs" item are now presented in the costs of store operations or in other selling costs as depreciation and in finance costs as interest expenses. The valuation of the lease liability is periodically settled with the lease payments. Assets under the right of use are amortized on a straight-line basis, while liabilities under leasing contracts are settled with the effective interest rate.

As a result of applying IFRS 16, the Group makes a valuation of leasing contracts that meet the criteria of IFRS 16. The Company includes the following items in current costs:

- Depreciation costs of assets due to the right to use
- Interest costs
- Result of exchange differences
- The costs of termination of lease agreements

NOTE	01.2019-06.2019	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 236,1)	—	—	—	(1 236,1)
	including discontinued operation:	*(10,1)*	—	—	—	*(10,1)*
	Consumption of materials and energy	(70,7)	(32,0)	(13,9)	(6,6)	(123,2)
	including discontinued operation:	—	*(0,5)*	—	—	*(0,5)*
5.5	Provision for inventories	(10,2)	—	—	—	(10,2)
	Remuneration and employee benefits	(31,3)	(280,0)	(113,3)	(37,5)	(462,1)
	including discontinued operation:	—	*(7,6)*	*(0,6)*	*(0,5)*	*(8,7)*
	Cost of incentive program	—	—	—	(11,2)	(11,2)
	Agent services	—	(2,7)	—	(0,1)	(2,8)
	Transportation services	(0,9)	(2,5)	(94,5)	(0,1)	(98,0)
	including discontinued operation:	—	*(0,1)*	—	*(0,0)*	*(0,1)*
	Lease costs*	(0,1)	(75,8)	(15,9)	(4,5)	(96,3)
	including discontinued operation:	—	*(10,0)*	*(0,4)*	*(0,7)*	*(11,1)*
	Other outsourcing services	(4,8)	(58,0)	(132,1)	(23,7)	(218,6)
	including discontinued operation:	—	*(0,7)*	*(0,2)*	*(0,2)*	*(1,1)*
	Amortization	(2,2)	(314,7)	(16,1)	(16,7)	(349,7)
	Taxes and charges	(0,6)	(4,2)	(3,0)	(26,4)	(34,2)
	Other flat costs	(0,9)	(7,4)	(72,3)	(8,2)	(88,8)
	including discontinued operation:	—	*(2,5)*	*(0,5)*	*(0,3)*	*(3,3)*
	Change in products and production in progress	0,2	—	(0,3)	—	(0,1)
	Total	(1 357,6)	(777,3)	(461,4)	(135,0)	(2 731,3)
	including discontinued operation:	*(10,1)*	*(21,4)*	*(1,7)*	*(1,7)*	*(34,9)*

* utilities and other variable fees.

[in PLN million unless otherwise stated]

The decrease in the cost of agency services results from the acquisition of Adler.

The increase in other external services results from increased marketing expenditure. The increase in other flat costs results from increased expenditure on sponsorship.

The increase in depreciation in general and administrative expenses is associated with the commencement of depreciation of expenses capitalized on PLN 5.5 million and the recognition of depreciation of the subsidiary Karl Voegele AG PLN 4.4 million.

The increase in management expenses in the item taxes and fees applies decisions of the tax office regarding the tax assessment civil law transactions. More information in note 6.7.

NOTE	01.2018-06.2018	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(857,3)	—	—	—	(857,3)
	including discontinued operation:	*(38,3)*	—	—	—	*(38,3)*
	Consumption of materials and energy	(92,4)	(29,4)	(13,0)	(3,4)	(138,2)
	including discontinued operation:	—	*(2,8)*	*(0,2)*	—	*(3,0)*
5.5	Provision for inventories	(0,7)	(4,0)	—	—	(4,7)
	including discontinued operation:	—	*(1,8)*	—	—	*(1,8)*
	Remuneration and employee benefits	(24,0)	(223,5)	(69,0)	(22,0)	(338,5)
	including discontinued operation:	—	*(34,9)*	*(3,8)*	*(1,6)*	*(40,3)*
	Cost of incentive program	—	—	—	(19,1)	(19,1)
	Agent services	—	(20,6)	—	(0,2)	(20,8)
	Transportation services	(0,7)	(0,7)	(59,8)	(0,1)	(61,3)
	Lease costs	—	(42,5)	(12,5)	(3,1)	(58,1)
	including discontinued operation:	—	*(5,0)*	*(2,9)*	*(0,7)*	*(8,6)*
	Other outsourcing services	(0,6)	(35,0)	(86,0)	(21,7)	(143,3)
	including discontinued operation:	—	*(2,0)*	*(1,3)*	*(0,9)*	*(4,2)*
	Amortization	(1,2)	(263,2)	(10,5)	(5,9)	(280,8)
	including discontinued operation:	—	*(42,6)*	*(0,1)*	*(0,2)*	*(42,9)*
	Taxes and charges	(0,5)	(3,4)	(1,6)	(3,3)	(8,8)
	including discontinued operation:	—	*(0,1)*	—	—	*(0,1)*
	Other flat costs	—	(7,1)	(29,5)	(3,0)	(39,6)
	including discontinued operation:	—	*(4,5)*	*(0,7)*	*(0,2)*	*(5,4)*
	Change in products and production in progress	(0,5)	—	—	—	(0,5)
	Total	(977,9)	(629,4)	(281,9)	(81,8)	(1 971,0)
	including discontinued operation:	*(38,3)*	*(93,7)*	*(9,0)*	*(3,6)*	*(144,6)*

[in PLN million unless otherwise stated]

3.3 OTHER INCOME AND OPERATING AND FINANCIAL COSTS

NOTE	01.2019-06.2019	01.2018-06.2018
Total other costs		
Loss on disposal of tangible fixed assets	(1,1)	—
including discontinued operation:	*(5,7)*	—
Stocktaking net losses	(3,5)	(1,8)
Impairment on fixed assets and intangible assets	(2,2)	—
Provision establishment	(31,6)	—
including discontinued operation:	*(31,6)*	—
Other operating cost	(10,7)	—
including discontinued operation:	*(2,4)*	—
Loss on exchange rate differences on items other than debt	—	(23,2)
Total other operating costs	(49,1)	(25,0)
including discontinued operation:	*(39,7)*	—
Total other income		
Profit on disposal of tangible fixed assets	—	3,4
Profit from exchange rate differences on items other than debt	2,1	—
Compensations	3,2	0,7
Subsidy of SFRDP remuneration	2,1	1,8
Gain on bargain purchase of Karl Voegele AG	—	104,3
Gain on sale of Simple	13,7	—
including discontinued operation:	*13,7*	—
Other operating income	8,0	6,2
including discontinued operation:	*0,1*	*0,8*
Total other operating income	29,1	116,4
including discontinued operation:	*13,8*	*0,8*
Total other operating costs and income	(20,0)	91,4
including continuing operations:	*6,0*	*90,6*
including discontinued operation:	*(26,0)*	*0,8*

The item of recognized provisions presents an estimate of the negative fair value of CCC Germany.

[in PLN million unless otherwise stated]

NOTE	01.2019-06.2019	01.2018-06.2018
Finance cost		
Interest on borrowings and bonds	(18,0)	(12,4)
Interest on leasing	(19,1)	(14,7)
including discontinued operation:	*(0,2)*	*(3,4)*
Result on exchange rates	(0,4)	(19,8)
Commissions paid	(1,6)	(3,1)
Valuation of non-realized put option of non-controlling interests	(14,3)	(12,6)
Valuation of HRG option	(23,1)	—
Other finance cost	(1,7)	(1,8)
Total finance cost	(78,2)	(64,4)
including discontinued operation:	*(0,2)*	*(3,4)*
Finance revenue		
Interest from current account and other	1,9	1,2
Result on exchange rates	13,1	—
including discontinued operation:	*0,1*	—
Other finance revenue	1,4	0,5
Valuation of financial instruments	—	15,0
Total finance revenue	16,4	16,7
including discontinued operation:	*0,1*	—

i MORE INFORMATION IN SECTION **2.1.1.1** (FINANCIAL REVENUES AND COSTS) IN STATEMENTS OF OPERATIONS OF THE GROUP

3.4 TAXATION

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

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

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

As of 15.07.2016, amendments to the Tax Code were introduced to take into account the provisions of the General Fraud Prevention Clause (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an activity carried out primarily to obtain a tax advantage that is contrary to the circumstances under consideration with the subject and purpose of the tax act. According to GAAR, such an activity does not result in a tax advantage if the method of operation was artificial.

Any occurrence of (i) unjustified dividing of operations, (ii) engaging intermediary entities in the absence of economic or economic justification, (iii) mutually eliminating or compensating elements, and (iv) other activities with a similar effect to those previously mentioned may be treated as a prerequisite for the existence of artificial activities subject to GAAR regulations .The new regulations shall require much greater judgment in assessing the tax consequences of individual transactions.

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

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

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

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 up to the amount in which it is probable that tax income will be achieved which will allow realization of negative temporary differences and tax losses, or when simultaneous realization of positive temporary differences is expected. Amounts above this amount are only disclosed.

[in PLN million unless otherwise stated]

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

NOTE		01.2019-06.2019	01.2018-06.2018
	Current tax	(23,4)	(19,5)
	including discontinued operation:	—	*(0,6)*
5.3.c	Deferred tax	25,3	10,2
	including discontinued operation:	*(0,6)*	—
5.3.b	Income tax recognized in income statement	1,9	(9,3)
	including discontinued operation:	*(0,6)*	*(0,6)*
	Current tax recognized in the result	23,4	19,5
	including discontinued operation:	—	*0,6*
	Balance of liabilities /(receivables) at beginning of period	22,2	0,8
	Balance of receivables / (liabilities) at the end of the period	(13,5)	(6,2)
	Other changes	(3,7)	(0,1)
	Tax paid recognized in statement of cash flows	28,4	14,0
	Including discontinued operation	—	*0,6*

INFORMATION ON APPLIED TAX RATES AND RECONCILIATION FOR BURDENS OF 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:

	2019	2018
Poland	19%	19%
Czech Republic	19%	19%
Hungary	10%	10%
Slovakia	22%	22%
Other countries	8,47% – 25%	8,47% – 25%
Weighted average income tax rate	18,61%	18,90%

[in PLN million unless otherwise stated]

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

	01.2019-06.2019	01.2018-06.2018
Profit before tax	(121,8)	99,1
including from continuing operations	(75,9)	149,4
including from discontinued operation	(45,9)	(50,3)
Weighted average tax rate	18,6%	18,9%
Tax calculated according to weighted average tax rate	22,7	(18,7)
Tax effects of the following items:		
• income not allowable for tax income	—	0,2
• non-tax-deductible expenses	(6,3)	(6,0)
• gain on bargain purchase Karl Voegele AG	—	19,8
• gain on disposal od Simple	2,6	—
• tax losses in respect of which deferred tax assets were not recognized	(19,6)	(4,4)
• other adjustments	1,9	(0,2)
Charging financial result on income tax	1,3	(9,3)
including from continuing operations	1,9	(8,7)
including from discontinued operation	(0,6)	(0,6)

Costs that are not tax-deductible include mainly the cost of the negative fair value of CCC Germany PLN 31.6 million.

[in PLN million unless otherwise stated]

BALANCE AND CHANGES OF DEFERRED TAX

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

NOTE		30.06.2019	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2018	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2018
		UNAUDITED				
	Assets					
5.2	Goodwill	—	—	—	—	—
5.2	Trademarks	21,6	(2,0)	23,6	(4,1)	27,7
	Inventories - adjustment of margin on intragroup sale	9,8	1,3	8,5	1,5	7,0
	Impairment of assets	4,1	0,4	3,7	1,2	2,5
	Provisions for liabilities	25,5	13,1	12,4	4,8	7,6
	Special economical zone relief	2,2	(0,4)	2,6	2,6	—
	Call option on HRG acquisition	4,4	4,4	—	—	—
	Others	7,4	1,5	5,9	(2,4)	8,3
	Tax losses	39,0	10,8	28,2	12,4	15,8
	Leasing valuation	7,6	4,3	3,3	3,3	—
	Total before offsetting	121,6	33,4	88,2	19,3	68,9
	Liabilities					
	Accelerated tax depreciation of tangible fixed assets	10,0	0,4	9,6	5,1	4,5
	Others	4,8	0,2	4,6	1,9	2,7
	Purchase of intangible assets revealed during aquisition of subsidiaries	38,4	5,1	33,3	1,6	31,7
	Total before offsetting	53,2	5,7	47,5	8,6	38,9
	Offsetting	13,9	0,6	13,3	7,6	5,7
	Balance of deferred tax in the balance sheet:					
	Assets	107,7	32,9	74,8	8,3	66,5
	Liabilities	39,3	5,1	34,2	1,0	33,2

[in PLN million unless otherwise stated]

NOTE		30.06.2018	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2017	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2017
	Assets					
5.2	Goodwill	—	—	—	—	—
5.2	Trademarks	25,7	(2,0)	27,7	(4,1)	31,7
	Inventories - adjustment of margin on intragroup sale	8,6	1,6	7,0	2,3	4,7
	Impairment of assets	2,1	(0,4)	2,5	1,7	0,8
	Provisions for liabilities	13,4	5,8	7,6	2,3	5,3
	Special economical zone relief	2,6	2,6	—	—	—
	Others	8,6	0,3	8,3	(6,9)	15,2
	Tax losses	13,3	(2,5)	15,8	11,3	4,5
	The difference between the tax and balance sheet value of the right to use and the lease liabilities	7,5	7,5	—	—	—
	Total before offsetting	81,7	12,8	68,9	6,7	62,3
	Liabilities					
	Accelerated tax depreciation of tangible fixed assets	10,2	5,7	4,5	2,7	1,8
	Others	6,4	3,7	2,7	0,8	1,9
	The temporary difference between the tax and balance sheet value of the trademark and customer relationships disclosed when acquiring eobuwie.pl S.A.	29,8	(1,9)	31,7	(1,0)	32,7
	Total before offsetting	46,5	7,5	38,9	2,6	36,3
	Offsetting	5,8	0,1	5,7	3,4	2,2
	Balance of deferred tax in the balance sheet:					
	Assets	75,9	12,5	63,3	3,2	60,1
	Liabilities	40,7	7,5	33,2	(0,9)	34,1

[in PLN million unless otherwise stated]

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

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

PERIOD OF REALIZATION OF ASSETS AND LIABILITIES DUE TO DEFERRED TAX	30.06.2019		31.12.2018	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
up to 1 year	51,7	9,3	33,0	5,6
1-2 years	36,9	2,0	22,0	2,0
2-3 years	5,2	2,0	6,9	2,0
3-5 years	10,3	5,4	8,4	4,0
Over 5 years	3,6	20,6	4,5	20,6
Total	107,7	39,2	74,8	34,2
Unrecognized	45,3	—	17,9	—
• Relating to goodwill	—	—	—	—
• Relating to tax losses	45,3	—	17,9	—

The amount of unrecognized tax losses include losses recognized by Karl Voegele AG, Gino Rossi S.A. and CCC EU Sp. z o.o.

In connection with the capital expenditure of eobuwie.pl Logistics Sp. z o.o. for the construction of a logistics center located in a special economic zone, eobuwie.pl Logistics Sp. z o.o. will be entitled to a zone discount. Eobuwie.pl Logistics Sp. z o. o. as at 30.06.2019 did not recognize the deferred tax asset in the area of zonal relief, because it did not meet the requirements arising from Decision No. 01.2018 granted to eobuwie.pl Logistics Sp. z o.o. on 15.10.2018, including in terms of minimum investment expenditure. Until the date of publication of the interim condensed consolidated financial statements eobuwie.pl Logistics Sp. z o.o. has not yet commenced operations related to expenditure, the investment process has not been completed, and the Group has no financial plans that allow estimating future tax revenues that will be generated in connection with the activities carried out under this investment. In addition, in the context of individual tax interpretations indicating that the taxpayer may use the permit not from the moment of incurring eligible expenses, but from the moment of obtaining income as part of the ongoing investment, the Management Board of the Group decided not to recognize the deferred tax asset on investment expenses incurred in Special Economic Zone as at June 30, 2019. The value of the unrecognized deferred tax asset would be PLN 33 million.

3.5 ADJUSTMENTS OF ERRORS OF PREVIOUS YEARS

In the reporting period, no adjustment of previous years was made.


CONVERSE
Chuck Taylor
ALL STAR

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% the consolidated net profit of the Group, assigned to the shareholders of the parent entities, assuming that the relation of net debt to EBITDA at the end of the financial year will be below 3.0. Detailed information on the dividend policy is described in the Statements on operations of the Group. [Section 2.2.1 (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.

4.1.1 EQUITY

ACCOUNTING POLICY

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

The types of equity:

- basic capital (share) of the Parent Company is recognized in the value specified in the Articles of Association and entered in the court register,
- capital reserve created from the surplus value from the sales of shares above their nominal value less the issuance costs,
- retained earnings created from the dividing of financial result, undivided financial result and profit (loss) for the period covered by the financial statements and also 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 30 June 2019, the company's equity capital consisted of 41,16 million shares (as at 31 December 2018 it consisted of 41,16 million shares) with a nominal value of PLN 0.1 each, including 34,51 million ordinary shares and 6,65 million voting preference shares.

Shareholders have a pre-emptive right to acquire registered preference shares held for sale.

The entity which has a significant effect on the Company is a company ULTRO Sp.z o.o., based in Luxemburg, which holds 26,87% of the share capital and 34,55% of the total number of votes. This entity is dependent on Dariusz Miłek, The President of the Supervisory Board of CCC S.A. Other information on Shareholders is included in Statements of operations of the Company.

RESERVE CAPITAL FROM THE SALES OF SHARES ABOVE THEIR NOMINAL VALUE

Reserve capital mainly includes capital from share issue and settlement of employee benefit scheme based on shares settled in capital instruments.

The value of reserve capital as at 30 June 2019 amounted to PLN 645,1 million.

RETAINED EARNINGS

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

EARNINGS PER SHARE

In the half year ended on 30.06.2019, earnings per basic and diluted share amounted to PLN -2,93 PLN, including a loss of PLN -1,80 from continuing operations and a loss of – 1.13 from discontinued operations. In the half year ended on 30.06.2018, earnings per basic and diluted share amounted to PLN 2.18, including PLN 3.42 from continu¬ing operations and a loss from – 1.24 from discontinued operations. The existence of series A subscription warrants granted as part of the incentive scheme has no significant effect on the calculation of diluted earnings per share.

DIVIDEND

On June 18, 2019, the General Meeting of Shareholders of CCC S.A. adopted a resolution regarding the allocation of a part of reserved capital in the amount of PLN 19,760,640.00 (in words: nineteen million seven hundred sixty thousand six hundred and forty zlotys) for distribution to shareholders through dividend payment.

The Annual General Meeting designated September 18, 2019 as the day on which the list of shareholders entitled to dividend for the financial year 2018 (dividend day) is determined, while October 1, 2019 as the dividend payment date.

As of the date of the resolution on one share of CCC S.A. dividend is PLN 0.48, number of shares in CCC S.A. entitled to dividend is 41,168,000.

On May 30, 2019, the General Meeting of Shareholders of eobuwie.pl S.A. adopted a resolution regarding the allocation of part of the supplementary capital in the amount of PLN 16,800,000.00 (in words sixteen million eight hundred thousand zlotys) for distribution among shareholders by payment of dividend. The dividend payment day was set for July 5, 2019.

On June 22, 2018, the General Meeting of Shareholders of CCC S.A. adopted a resolution regarding the allocation of part of the supplementary capital in the amount of PLN 94 677 200 (in words: ninety four million six hundred seventy seven thousand two hundred zlotys) for distribution to shareholders by dividend payment.

The Ordinary General Meeting designated September 19, 2018 as the day on which the list of shareholders entitled to dividend for the financial year 2018 (dividend day) is determined, while October 1, 2018 as the dividend payment date.

As of the date of the resolution on one share of CCC S.A. PLN 2.30 due to dividend, number of CCC S.A. shares entitled to dividend is 41,164,000.

[in PLN million unless otherwise stated]

SUBSIDIARIES WHERE NON-CONTROLLING INTERESTS ARE RELEVANT

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

Proportion of ownership interests held by non-controlling interests:

COMPANY	COUNTRY	30 CZERWCA 2019	31 GRUDNIA 2018
CCC Russia sp. z o.o.	Russia	25,00%	25,00%
Grupa eobuwie.pl	Poland	25,01%	25,01%
DeeZee Sp. z o.o.	Poland	49,00%	49,00%
Karl Voegele AG	Switzerland	30,00%	30,00%
Gino Rossi S.A.	Poland	9,98%	nd

THE CONDENSED FINANCIAL INFORMATION ABOUT SUBSIDIARIES IS AS FOLLOWS

PROFIT AND LOSS ACCOUNT IN PLN MILLION

	CCC RUSSIA SP. Z O.O		EOBUWIE.PL GROUP		DEEZEE SP. Z O.O.		KARL VOEGELE AG		GINO ROSSI S.A.	
	06.2019	06.2018	06.2019	06.2018	06.2019	06.2018	06.2019	06.2018	06.2019	06.2018
Sales revenue	51,4	37,3	637,1	409,3	18,4	nd	251,0	20,3	48,2	nd
Cost of sale of goods	(25,9)	(17,4)	(363,4)	(244,6)	(10,4)	nd	(119,3)	(8,6)	(34,0)	nd
Gross profit (loss) on sale	25,6	19,9	273,6	164,7	8,0	nd	131,7	11,7	14,2	nd
Cost of operating stores	(29,3)	(17,3)	(12,9)	(4,2)	—	nd	(130,6)	(9,0)	(22,4)	nd
Other cost of sale	—	—	(222,4)	(111,1)	(6,8)	nd	(43,7)	(2,4)	(2,2)	nd
Administrative expenses	(3,4)	(2,6)	(11,9)	(5,9)	(1,8)	nd	(17,8)	(1,0)	(4,8)	nd
Other cost and operating revenue	(0,9)	(0,1)	(0,7)	(1,3)	(1,0)	nd	1,0	10,4	47,0	nd
Operating profit (loss)	(7,9)	(0,0)	25,8	42,1	(1,5)	nd	(59,5)	9,7	31,8	nd
Finance revenue	8,8	1,8	(0,2)	0,0	0,0	nd	0,2	0,0	0,0	nd
Finance cost	(1,4)	(7,3)	(2,1)	(0,9)	—	nd	(0,8)	(0,1)	(1,7)	nd
Profit (loss) before tax	(0,5)	(5,5)	23,5	41,3	(1,5)	nd	(60,0)	9,6	30,1	nd
Income tax	(0,1)	1,1	(2,8)	(6,8)	—	nd	(0,3)	—	(3,0)	nd
Net profit (loss)	(0,6)	(4,4)	20,7	34,5	(1,5)	nd	(60,4)	9,6	27,1	nd
Total comprehensive income	(2,0)	(4,4)	20,7	34,5	(1,5)	nd	(60,6)	9,6	27,1	nd
Attributable to non-controlling interest	(0,1)	—	5,2	—	(0,7)	nd	(18,1)	nd	2,7	nd
Dividends paid to non-controlling interest	—	—	—	—	—	—	—	—	—	—

The loss of -60.4 million in Karl Vogele AG is caused by sales below the Group's expectations, which were affected by weather conditions and delayed deliveries in Q1.

INTERIM CONDENSED FINANCIAL STATEMENT IN PLN MLN

	CCC RUSSIA SP. Z O.O		EOBUWIE.PL GROUP		DEEZEE SP. Z O.O.		KARL VOEGELE AG		GINO ROSSI S.A.	
	06.2019	12.2018	06.2019	12.2018	06.2019	12.2018	06.2019	12.2018	06.2019	12.2018
Fixed assets	32,8	28,6	214,5	76,3	8,3	9,0	100,7	75,2	37,9	nd
Current assets	74,3	28,9	425,3	335,1	15,2	10,0	214,3	192,9	106,2	nd
Non-current liabilities	(0,3)	—	(35,2)	(31,0)	—	—	(161,4)	(120,1)	(0,4)	nd
Current liabilities	(123,1)	(55,1)	(414,7)	(217,6)	(13,2)	7,2	(166,6)	(80,9)	(148,9)	nd
Equity	16,4	(2,4)	(190,0)	(162,7)	(10,4)	11,9	12,9	(67,0)	5,2	nd
Attributabe to parent undertaking	12,3	(1,8)	(142,5)	(122,0)	(5,3)	6,1	9,0	(67,0)	4,7	nd
Attributable to non-controlling interest	4,1	(0,6)	(47,5)	(40,7)	(5,1)	5,8	3,9	(20,1)	0,5	nd

INVESTMENTS IN ASSOCIATED ENTITIES

Associates are companies over which the Group has significant influence, but does not exercise control over them.

Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognized at cost, and the carrying amount is adjusted for the investor's share of profit after acquisition or losses of the associate and payments received from the associate. If the Group's share of losses in associate is equal to or greater than its investment in associate, the Group does not recognize further losses, unless it has incurred obligations to that end or made payments on behalf of associate. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity.

ASSOCIATES	HR GROUP HOLDING S.A.R.L.	PRONOS SP. Z O.O.
2019-01-01	—	0,2
Exchange rate differences from the translations	(0,2)	—
Purchase of investment in subsidiaries	49,4	—
Share of profit (loss)	(4,6)	0,4
Dividends and interest received	—	—
Other	—	—
2019-06-30	44,6	0,6

[in PLN million unless otherwise stated]

4.2 DEBT

ACCOUNTING POLICY

Debt liabilities include mainly bank loans and issued bonds. Debt liabilities are recognized initially at fair value less transaction costs associated with obtaining financing.

After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate. Financial costs are recognized in the financial result in financial costs except for costs that relate to the financing of production of fixed assets (according to the policy in note 5.3).

DEBT LIABILITIES

NOTE	DEBT LIABILITIES			BONDS PAYABLE	TOTAL
	NON-CURRENT	CURRENT	IN CURRENT ACCOUNT		
As of 01.01.2018	226,0	—	481,1	210,0	917,1
Proceeds from debt contracted	—	—	—	—	—
– financing received	—	—	—	210,0	210,0
– transactional cost	—	0,7	1,6	—	2,3
Charging interest	—	4,5	14,4	6,8	25,7
Repayment of debt	—	—	—	—	—
– repayment of capital	—	(50,0)	—	(203,2)	(253,2)
– interest paid	—	(5,2)	(16,0)	(6,8)	(28,0)
Increase due to the the change in overdraft	—	—	277,1	—	277,1
Decrease due to the the change in overdraft	—	—	(157,5)	—	(157,5)
Change of presentation from short to long-term	(226,0)	226,0	—	—	—
Increase due to the acquisition of subsidiary	—	—	27,8	—	27,8
Other non-cash changes	—	—	(4,5)	—	(4,5)
As of 31.12.2018	—	176,0	624,0	216,8	1 016,8

[in PLN million unless otherwise stated]

NOTE	DEBT LIABILITIES			BONDS PAYABLE	TOTAL
	NON-CURRENT	CURRENT	IN CURRENT ACCOUNT		
Proceeds from debt contracted	—	—	—	—	—
– financing received	—	—	—	—	—
– transactional cost	—	—	1,4	—	1,4
Charging interest	1,5	—	12,4	3,3	17,2
Repayment of debt	—	—	—	—	—
– repayment of capital	—	(75,0)	—	(6,8)	(81,8)
– interest paid	(1,5)	—	(13,2)	(3,3)	(18,0)
Increase due to the the change in overdraft	—	—	495,1	—	495,1
Decrease due to the the change in overdraft	—	—	—	—	—
Change of presentation from short to long-term*	101,0	(101,0)	—	—	—
Increase due to the acquisition of subsidiary	—	—	—	—	—
Other non-cash changes**	—	—	6,1	—	6,1
As of 30.06.2019	101,0	—	1 125,8	210,0	1 436,8

* A loan of PLN 101.0 million has a maturity date of 2021. The Management Board has assessed that the loan will not be repaid in less than 12 months.

** Exchange rate differences in CCC Russia

A significant part of the financing was incurred in PLN. Interest on total financing (loans and bonds) is based on variable interest rate (WIBOR rate increased by the bank's margin). The existing debt involves interest rate risk and currency risk.

A description of the exposure to financial risks is provided in Note 6.1.

Repayments of the above liabilities are covered by the following collateral:

	30.06.2019	31.12.2018
	AMOUNT/OR BOOK VALUE OF GUARANTEE	
Bank guarantees	158,2	129,5
Capped mortgages on property	1 474,0	774,0
Registered pledge on movable assets	793,4	795,0
Assignments of insurance policies	329,0	209,0
Declaration of submission to enforcement	4,2	2,1

Information on leasing liabilities is presented in note 5.4.

[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 **2.3.1** (BORROWINGS) IN STATEMENTS OF OPERATIONS OF THE GROUP

NOTE	AS OF 30.06.2019	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	1 126,4	1,6	102,4	—	—	1 230,4	1 226,8
4.2	Bonds	—	6,4	216,4	—	—	222,8	210,0
5.8	Trade liabilities	838,4	294,2	—	—	—	1 132,6	1 132,6
	Obligation to return	23,0	—	—	—	—	23,0	23,0
	Obligation to repurchase non-controlling interests	—	7,0	960,6	16,3	—	983,9	892,9
5.4	Lease liabilities	130,8	372,5	674,5	634,2	467,9	2 279,9	2 141,3
	Dividend liabilities	24,0	—	—	—	—	24,0	24,0
	Obligation to pay to the associate	—	101,4	—	—	—	101,4	101,4
	Total financial liabilities	2 142,6	783,1	1 953,9	650,5	467,9	5 998,0	5 752,0

NOTE	AS OF 31.12.2018	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	735,8	64,2	—	—	—	800,0	800,0
4.2	Bonds	—	19,6	213,2	—	—	232,8	216,8
5.8	Trade liabilities	379,0	485,2	—	—	—	864,2	864,2
	Obligation to return	22,2	—	—	—	—	22,2	22,2
	Obligation to repurchase non-controlling interests	—	7,0	—	965,2	11,7	983,9	878,7
	Lease liabilities	119,1	348,6	831,1	278,3	374,6	1 951,7	1 909,2
	Total financial liabilities	1 256,1	924,6	1 044,3	1 243,5	386,3	4 854,8	4 691,1

[in PLN million unless otherwise stated]

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

NOTE	TRADE AND OTHER RECEIVABLES	TRADE AND OTHER LIABILITIES
As of 31.12.2018	430,8	1 151,2
As of 30.06.2019	350,5	1 581,0
Change in the statement of financial position	80,3	429,8
Difference arising from:		
Change in investment liabilities/receivables	4,9	16,1
Change due to the acquisition of subsidiary	4,3	(58,0)
Receivables related to purchase of financial assets	(27,7)	—
Liabilities related to purchase of organized part of business	—	16,5
Change in non-current receivables	(36,1)	—
Change due to disposal of subsidary	2,1	(1,4)
Obligation to pay to the associate	—	(101,4)
Other	(3,9)	3,4
Declared dividend liabilities	—	(23,9)
Change recognized in the statement of cash flows	23,9	281,1
As of 31.12.2017	251,1	402,4
As of 30.06.2018	438,5	1 064,0
Change in the statement of financial position	(187,4)	661,6
Difference arising from:	—	—
Change in investment liabilities	—	(13,1)
Change due to the acquisition of subsidiary	40,6	(84,3)
Declared dividend liabilities	—	(94,7)
Change recognized in the statement of cash flows	(146,8)	469,5

[in PLN million unless otherwise stated]

	01.2019-06.2019	01.2018-06.2018
Other profit adjustments before taxation:	—	—
Accrued interest and exchange rate differences	(5,0)	36,0
Change in provisions	0,5	—
Change in valuation of CCC Germany negative fair value	31,6	—
Change in provisions related to acquisition of subsidiary	(3,6)	—
Valuation of employee option scheme	11,6	19,0
Liabilities on acquisition of shares of subsidiary	—	12,6
Gain on bargain purchase	—	(104,3)
Valuation of derivative financial instruments	37,4	(15,0)
Other	(13,7)	—
Pozostałe	2,6	(0,9)
	61,4	(52,6)

The financial derivatives instruments valuation line includes the valuation of the option to buy non-controlling interests in the amount of PLN 14.3 million and the valuation of the HRG call option in the amount of PLN 23.1 million.

CHANGE IN VALUATION OF CCC GERMANY NEGATIVE FAIR VALUE	01.2019-06.2019	01.2018-06.2018
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	349,7	280,8
Other	—	(1,4)
Valuation of derivative financial instruments	349,7	279,4

[in PLN million unless otherwise stated]

5. NOTES TO THE STATEMENTS OF FINANCIAL POSITION

5.1 INTANGIBLE ASSETS

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
• other intangible assets – 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 5.1.

	PATENTS AND LICENCES	TRADEMARKS	CUSTOMERS RELATIONS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2018	17,8	161,2	10,6	28,9	218,5
Aggregated amortization	(13,1)	—	(7,9)	—	(21,0)
Net value 01.01.2018	4,7	161,2	2,7	28,9	197,5
Exchange rate differences from the translations	0,2	—	—	—	0,2
Amortization	(5,3)	(0,5)	(2,7)	—	(8,5)
Purchase	2,6	—	—	44,1	46,7
Producing on its own	—	—	—	—	—
Liquidation and sale	(0,2)	—	—	(4,5)	(4,7)
Transfer between groups	0,2	—	—	(0,2)	—
Increase related to acquisition of subsidiary	5,6	16,9	7,9	—	30,4
Gross value 31.12.2018 (01.01.2019)	26,2	178,1	18,5	68,4	291,2
Aggregated amortization	(18,4)	(0,5)	(10,6)	—	(29,5)
Net value 31.12.2018 (01.01.2019)	7,8	177,6	7,9	68,4	261,7

[in PLN million unless otherwise stated]

	PATENTS AND LICENCES	TRADEMARKS	CUSTOMERS RELATIONS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Exchange rate differences from the translations	(0,1)	—	0,3	—	0,2
Amortization	(6,5)	(1,0)	(1,4)	—	(8,9)
Purchase	2,9	—	—	26,7	29,6
Producing on its own	—	—	—	—	—
Liquidation and sale	(0,2)	—	—	—	(0,2)
Aggregated depreciation (liquidation and sale)	3,6	—	—	—	3,6
Transfer between groups	3,3	—	—	(3,3)	—
Transfer between groups - aggregated amortization	1,4	—	(1,4)	—	—
Increase related to acquisition of subsidiary	(1,2)	30,0	—	—	28,8
Gross value 30.06.2019	30,9	208,1	18,8	91,8	349,6
Aggregated amortization	(19,9)	(1,5)	(13,4)	—	(34,8)
Net value 30.06.2019	11,0	206,6	5,4	91,8	314,8

Carrying amount of intangible assets under construction consists of expenditure on IT systems. The largest items relate to the inventory management system and to e-commerce.

[in PLN million unless otherwise stated]

5.2 GOODWILL

ACCOUNTING POLICY

Goodwill on account of the acquisition of an entity is initially recognized at the purchase price, which is the amount of the surplus:

- payment made,
- the amount of any non-controlling interest in the acquiree, and
- in the case of a step-acquisitions, the fair value as of the day of the takeover of the share in the capital of the acquired entity, formerly owned by the acquirer over the net amount determined as at the date of acquisition of the values of identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is reported at cost less any accumulated impairment losses. The impairment test is carried out once a year or more often if there are indications to do so. Goodwill is not subject to amortization.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergy of the combination. Each unit or a group of units to which goodwill has been allocated:

corresponds to the lowest level in the Group, on which goodwill is monitored for internal management needs and is no larger than one operating segment determined in accordance with IFRS 8 Operating Segments.

An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill was allocated.

If the recoverable amount of the cash-generating unit is lower than the carrying amount, an impairment loss is recognized. If goodwill is part of a cash-generating unit and part of the operations within this unit is sold, the goodwill associated with the operations sold is included in its carrying amount when determining profits or losses from the sale of such activities.

In such circumstances, sold value of goodwill is based on the relative value of the operations sold and the value of the part of the cash-generating unit retained.

Goodwill as at 30.06.2018 and 31.12.2018 broken down by acquisitions:

COMPANY	DATE OF PURCHASE	AS OF 31.12.2018 (01.01.2019)	ACQUISITION	EXCHANGE RATE DIFFERENCES FROM THE TRANSLATIONS	AS OF 30.06.2019
eobuwie SA	01.2016	106,2	—	—	106,2
Shoe Express SA	04.2018	41,2	—	(0,4)	40,8
Enterprise Adler International Sp. z o.o. sp. k.	07.2018	48,8	—	—	48,8
DeeZee Sp. z o.o.	10.2018	6,3	—	—	6,3
Gino Rossi SA	02.2019	—	24,0	—	24,0
Goodwill		202,5	24,0	(0,4)	226,1

The Management Board has not identified any triggering event to make a write-off of goodwill as at the balance sheet date.

[in PLN million unless otherwise stated]

5.3 TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

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

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

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

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

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

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

Principles of testing for impairment and accounting write-downs due to impairment of tangible fixed assets is disclosed in Note 5.3.

Impairment on non-financial fixed assets

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

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

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

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

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

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

[in PLN million unless otherwise stated]

ACCOUNTING POLICY

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.

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 17,0 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. As at the balance sheet date, the unsettled subsidy amounts to PLN 20.4 million.

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

		FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				
	INVESTMENT IN STORES	LAND, BUILDINGS AND CONSTRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	TOTAL
Gross value 01.01.2018	590,7	251,1	132,4	37,4	420,9	27,0	60,0	43,5	130,5	1 142,2
Aggregated depreciation	(197,7)	(31,7)	(63,8)	(1,6)	(97,1)	(2,1)	(37,2)	(21,1)	(60,4)	(355,2)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 01.01.2018	393,0	219,5	68,6	35,8	323,8	24,9	22,8	22,4	70,2	787,0

[in PLN million unless otherwise stated]

		FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				
	INVESTMENT IN STORES	LAND, BUILDINGS AND CONSTRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	TOTAL
Exchange rate differences from the translations	3,5	—	—	0,5	0,5	—	0,1	—	0,1	4,1
Purchase	221,3	86,1	54,4	0,2	140,7	18,4	16,0	8,9	43,3	405,3
Produced on its own	—	—	—	—	—	—	—	—	—	—
Depreciation	(83,0)	(6,9)	(17,5)	—	(24,4)	(2,2)	(10,2)	(5,1)	(17,5)	(124,9)
Liquidation and sale	(67,2)	(6,5)	(4,7)	—	(11,2)	(27,7)	(0,9)	(26,9)	(55,5)	(133,9)
Aggregated depreciation (liquidation and sale)	39,1	5,9	1,9	—	7,8	0,2	—	5,7	5,9	52,8
Transfers	(16,7)	12,9	0,9	(23,8)	(10,0)	13,1	(0,2)	13,8	26,7	—
Impairment loss	(62,6)	—	—	—	—	—	—	(1,2)	(1,2)	(63,8)
Increase related to acquisition of subsidiary	188,0	—	—	—	—	24,3	2,2	3,1	29,7	217,7
Gross value 31.12.2018	920,3	343,7	189,4	14,2	547,3	55,1	77,8	42,9	175,8	1 643,4
Of which: gross value of fixed assets of the group intended for sale covered by impairment write-offs	52,90	—	—	—	—	—	—	—	—	52,90
Aggregated depreciation	(242,3)	(32,7)	(85,8)	(1,6)	(120,1)	(4,1)	(47,7)	(21,1)	(72,9)	(435,3)
Impairment loss	(62,6)	—	—	—	—	—	—	(1,2)	(1,2)	(63,8)
Net value 31.12.2018	615,4	311,0	103,6	12,6	427,2	51,0	30,0	20,7	101,7	1 144,3
Exchange rate differences from the translations	(1,0)	—	(0,2)	—	(0,2)	—	(0,2)	—	(0,2)	(1,4)
Purchase	99,0	4,6	29,9	64,4	98,9	3,4	3,2	3,9	10,5	208,4
Produced on its own	3,6	—	—	—	—	—	—	—	—	3,6
Depreciation	(57,4)	(6,5)	(15,4)	(0,7)	(22,6)	(1,2)	(5,1)	(3,0)	(9,3)	(89,3)
Liquidation and sale	(106,3)	—	(0,6)	(0,1)	(0,7)	—	(2,5)	(0,5)	(3,0)	(110,0)
Decrease	39,1	—	0,2	—	0,2	—	1,1	0,4	1,5	40,8
Transfers	(0,4)	—	0,4	—	0,4	—	—	—	—	—
Impairment loss	(2,2)	—	—	—	—	—	—	—	—	(2,2)
Use of an impairment loss in connection with the sale of a subsidiary	52,9	—	—	—	—	—	—	—	—	52,9
The use of an extract from impairment created before the acquisition of a subsidiary	5,3	—	—	—	—	—	—	—	—	5,3
Increase related to acquisition of subsidiary	1,4	12,3	12,1	5,1	29,5	—	—	—	—	30,9
Gross value 30.06.2019	921,4	360,4	230,8	83,5	674,7	58,5	78,1	46,5	183,1	1 779,2
Aggregated depreciation	(265,0)	(39,0)	(100,8)	(2,2)	(142,0)	(5,3)	(51,6)	(23,9)	(80,8)	(487,8)
Impairment loss	(6,9)	—	—	—	—	—	—	(1,1)	(1,1)	(8,0)
Net value 30.06.2019	649,5	321,4	130,0	81,3	532,7	53,2	26,5	21,5	101,2	1 283,4

[in PLN million unless otherwise stated]

5.4 ASSETS DUE TO RIGHT OF USE AND LEASE LIABILITIES

On the start date, the CCC S.A. Capital Group measures the asset due to the right to use at cost.

The cost of an asset for a right of use should include:

- the amount of the initial measurement of the lease liability,
- all lease payments paid on or before the start date, less any incentives received from leasing,
- any initial direct costs incurred by the lessee,
- an estimate of the costs to be borne by the lessee in connection with the dismantling and removal of the underlying asset, the renovation of the location where it was located, or the renovation of the underlying asset to the condition required by the lease terms, unless these costs are incurred in order to inventories.

The table below presents the value of valuated assets due to the right to use as at the balance sheet date:

RIGHT OF USE	SHOPS	STORES	VEHICLES	OTHER	TOTAL
Gross value 01.01.2019	2 254,1	11,5	4,2	0,5	2 270,3
Depreciation	(396,4)	(1,7)	(1,8)	(0,3)	(400,2)
Net value 01.01.2019	1 857,7	9,8	2,4	0,2	1 870,1
Conclusion of new leasing agreements	328,9	3,1	1,7	28,1	361,8
Changes resulting from the modification of contracts	169,9	0,4	0,1	4,2	174,6
Changes resulting from the change of the scope of the contract – shortening the period – gross value	(111,0)	(0,4)	—	—	(111,4)
Increase as a result of the acquisition of a subsidiary	35,9	—	—	8,3	44,2
Gross value 30.06.2019	2 677,8	14,6	6,0	41,1	2 739,5
Depreciation 01.01.2019	(396,4)	(1,7)	(1,8)	(0,3)	(400,2)
Depreciation over the period	(237,5)	(1,8)	(1,4)	(8,8)	(249,5)
Changes resulting from the change of the scope of the contract – shortening the period – depreciation	11,5	—	—	—	11,5
Depreciation 30.06.2019	(622,4)	(3,5)	(3,2)	(9,1)	(638,2)
Net value 30.06.2019	2 055,4	11,1	2,8	32,0	2 101,3

[in PLN million unless otherwise stated]

RIGHT OF USE	SHOPS	STORES	VEHICLES	OTHER	TOTAL
Gross value 01.01.2018	2 063,6	10,1	2,3	0,1	2 076,1
Depreciation	—	—	—	—	—
Net value 01.01.2018	2 063,6	10,1	2,3	0,1	2 076,1
Conclusion of new leasing agreements	677,7	1,2	1,9	0,4	681,2
Changes resulting from the modification of contracts	81,2	0,2	—	—	81,4
Changes resulting from the change of the scope of the contract – shortening the period – gross value	(9,5)	—	—	—	(9,5)
Reclassification to discontinued operations	(558,9)	—	—	—	(558,9)
Gross value 31.12.2018	2 254,1	11,5	4,2	0,5	2 270,3
Depreciation	(460,1)	(1,7)	(1,8)	(0,3)	(463,9)
Reduction in depreciation resulting from reclassification to discontinued operations	63,7	—	—	—	63,7
Net value 31.12.2018	1 857,7	9,8	2,4	0,2	1 870,1

The Other item mainly includes lease agreements for warehouse and office space and servers.

On the date of the commencement, the lessee measures the lease liability in the amount of the current value of lease payments remaining to be paid as at that date. Lease payments are discounted using the interest rate of the lease, if the rate can be easily determined. Otherwise, the lessee applies the marginal interest rate of the lessee. On the date of commencement, the lease payments included in the measurement of lease liabilities include the following fees for the right to use the underlying asset during the leasing period, which are still payable as at that date:

- fixed lease payments (including in principle permanent lease payments specified in paragraph B42 of the standard) less any incentives due,
- variable lease payments that depend on the index or rate, initially measured using this index or this rate according to their value at the start date,
- amounts whose payment by the lessee is expected within the guaranteed residual value,
- the exercise price of the call option, if it can be assumed with sufficient certainty that the lessee shall use this option (assessed taking into account the factors specified in paragraphs B37-B40 of the standard),
- cash penalties for termination of the lease, if the lease terms stipulate that the lessee may use the option to terminate the lease.

Variable lease payments that depend on the index or rate referred to above include, for example, fees linked to the consumer price index, fees associated with a reference interest rate or fees that vary to reflect changes in rent rates on the free market.

For each type of contracts, the Group has estimated the discount rate that will affect the final value of the valuation of these contracts. The type of contract, the duration of the contract, the currency of the contract and the potential margin that it would have to pay to external financial institutions would be taken into account if it wanted to enter into such a transaction on the financial market.

[in PLN million unless otherwise stated]

The table below presents the value of lease liabilities as at the balance sheet date:

Lease liabilities 01.01.2019	1 909,2
Accrued interest	19,1
Payment due to leasing	(262,1)
Exchange rate differences	(13,1)
Adding a new contract	363,3
Modification of the terms of the contract	164,3
Indexation	12,9
Renewal	0,1
Change of scope	(96,7)
Increase as a result of the acquisition of a subsidiary	44,3
Lease liabilities 30.06.2019	2 141,3

5.5 INVENTORIES

ACCOUNTING POLICY

Inventories are recognized at purchase price or production cost or the net selling price, depending which of these amounts is lower. The cost of finished goods and work in progress includes project costs, raw materials, direct labor, other direct costs and related general production costs (based on normal production capacities), but does not include borrowing costs.

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

i MORE INFORMATION IN SECTION **2.1.1.2** (FIXED ASSETS) IN STATEMENTS OF OPERATIONS OF THE GROUP

	30.06.2019	31.12.2018
Materials	48,4	27,6
Manufacturing in progress	86,9	66,4
Goods	1 805,8	1 706,1
Finished goods	108,7	29,8
Advance on delivery of goods	—	3,3
Assets due to returns	13,1	14,4
Total (gross)	2 062,9	1 847,6
Inventory provision	(50,8)	(41,5)
Total (net)	2 012,1	1 806,1

[in PLN million unless otherwise stated]

The increase in materials and finished goods is mainly related to taking control of Gino Rossi S.A.

In order to determine the amount of the write-down, the Management Board uses the most adequate available historical data and expectations as to the sale. The sale of footwear depends mainly on the changing trends and customer expectations.

To determine the value of the write-down as at the balance sheet date, inventories are taken into account, which due to the assigned category of the collection are older than 2 years, counting from the collection of the current year.

Based on the data on the likelihood of selling footwear that meets the above conditions, the Company determines the ratio that it uses to estimate the value of the inventory loss.

The values of impairment losses on inventories and changes in these write-downs are presented below.

CHANGE IN IMPAIRMENT LOSS ON INVENTORIES

i MORE INFORMATION IN SECTION **2.1.1.2** (CURRENT ASSETS) IN STATEMENTS OF OPERATIONS OF THE GROUP

	30.06.2019	31.12.2018
At the beginning of the period	41,5	12,2
Establishment in cost of sales of goods	10,2	5,1
Utilisation	(1,4)	(6,7)
Increase related to acquisition of subsidiary	—	30,9
Exchange rate differences from the translations	0,5	—
At the end of the period	50,8	41,5

Creating an additional write-off the loss of value of inventories or its solution concerns goods. Changes in write-downs result from the development of the Group's operations and the sales policy.

In the value of the write-off as at the balance sheet date, December 31, 2018, a write-down of PLN 30.9 million was presented. Karl Voegele AG has recognized it before acquisition completion and finalization of purchase price allocation, for which value of write-off was measured at fair value.

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

[in PLN million unless otherwise stated]

5.6 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 presented in the 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 presented in the note 6.1).

	30.06.2019	31.12.2018
Trade and other receivables	210,7	125,8
Provision for receivables	(1,3)	(1,4)
Total net receivables	209,4	124,4
Short-term loans granted*	—	37,7
Payments on future supplies of goods	93,2	196,7
Accrued expenses	38,3	16,6
Tax receivables	19,6	20,6
Advance on purchase of shares of Gino Rossi SA	—	27,7
Receivables from fit-outs sale	9,0	3,3
Other	17,1	41,5
Total other receivables and short-term loans granted	177,2	344,1
Long-term loans granted	79,2	—

* As at December 31, 2018, the Group presented a loan granted to Gino Rossi S.A., which was eliminated in the consolidation process at the time of taking control of Gino Rossi S.A.

i MORE INFORMATION IN SECTION 2.3 (LOANS GRANTED) IN STATEMENTS OF OPERATIONS OF THE GROUP

The amount of receivables from customers includes long-term receivables with a value of PLN 36.1 million.

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]

The loan receivable 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.

5.7 CASH

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand, bank deposits payable on demand.

i MORE INFORMATION IN SECTION **2.1.1.2** (CASH) IN STATEMENTS OF OPERATIONS OF THE GROUP

	30.06.2019	31.12.2018
Cash in hand	35,5	36,2
Cash at bank	292,1	289,0
Short-term deposits (up to 3 months)	184,9	50,6
Total	512,4	375,8

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]

5.8 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.

	30.06.2019	31.12.2018
Trade liabilities		
• supply of goods and services	653,4	333,5
• investment	24,5	44,3
• reverse factoring	454,7	486,4
Total	1 132,6	864,2
Liabilities for indirect taxes, duties and other benefits	162,9	111,0
Liabilities to employees	75,3	72,6
Dividend liabilities	24,0	—
Obligation to pay for aquired company	2,5	19,0
Accrued expenses	51,8	25,4
Obligation to return	23,0	22,2
Obligation to pay to the associate	101,4	—
Other liabilities	7,4	24,1
Total	448,4	274,3

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

The liability due to the obligation to pay to the associate is described in detail in Note 6.2.

Liabilities involve liquidity risk (for further information see note 4.3).

The fair value of liabilities to suppliers approximates their book value.

The Group uses the reverse factoring service, under which, after presenting the invoice for the purchases made, the factor bank repays its liabilities to suppliers within 7 business days. The Group repays the liability to the factor bank within the period originally provided for in the invoices, therefore, from the Group perspective, the payment deadlines do not extend in relation to previously used settlements with suppliers. The Group does not bear the costs of earlier repayment of liabilities towards suppliers by the factor.

[in PLN million unless otherwise stated]

5.9 PROVISIONS

ACCOUNTING POLICY

Provision for jubilee awards and retirement benefits and litigations are mainly recognized within the provisions. The provision for warranty repairs is created as an estimated determination determine of the average level of product returns in respect of the complaints based on historical data.

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

In subsequent periods some provisions adjustments are made by increasing or releasing depending on the revenue generated from the sales. Provision for litigations is created in the amount representing the best estimate of the amount required to settle the resulting obligation.

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

Under the terms of the collective labour agreement, a group of employees has the right to receive jubilee awards depending on seniority. Eligible employees receive a lump sum constituting, after 10 years of service, the equivalent of 100% of the base salaries monthly, an amount equivalent to 150% of the base salaries monthly after 15 years of service, after 20 years of service an amount equivalent to 200% of the base salaries monthly and after 25 years of service an amount equivalent to 250% of the base monthly salaries.

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

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

	PROVISION FOR JUBILEE AWARDS AND RETIREMENT BENEFITS	PROVISIONS FOR WARRANTY REPAIRS	OTHER PROVISIONS	TOTAL
As of 31.12.2018	12,5	12,8	4,0	29,3
Current	1,5	12,8	2,9	17,2
Non-current	11,0	—	1,1	12,1
As of 01.01.2019	12,5	12,8	4,0	29,3
Establishment	0,8	3,6	—	4,4
Utilisation	—	(0,4)	(2,4)	(2,8)
Release	—	—	(1,3)	(1,3)
Exchange rate differences	(0,2)	—	(0,1)	(0,3)
Increase related to acquisition of subsidiary	0,5	—	—	0,5
As of 30.06.2019	13,6	16,0	0,2	29,8
Current	1,6	16,0	—	17,6
Non-current	12,0	—	0,2	12,2

[in PLN million unless otherwise stated]

6. OTHER NOTES

6.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Impairment of financial assets

In the case of trade receivables, the Group applies a simplified approach and measures the write-down on expected credit losses in the amount equal to the expected credit losses throughout the life cycle, using the provision matrix. The Group uses its historical data on credit losses, adjusted, if applicable, by the impact of future information.

In the case of other financial assets, the Group makes an allowance for expected credit losses equal to the expected 12-month credit losses. The Group examines receivables for overdue payments, which is the basis for assessing the increase in credit risk. If the credit risk associated with a given financial instrument has increased significantly since initial recognition, the Group measures the write-down on the expected loan loss on the financial instrument in an amount equal to the expected loss of the loan over its entire useful life.

	30.06.2019 UNAUDITED		31.12.2018	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
Financial assets measured at amortised cost	810,0	—	541,2	—
Loans granted	79,2	—	37,7	—
Trade receivables	209,4	—	124,4	—
Cash and cash equivalents	9,0		3,3	
Financial assets measured at fair value through profit or loss	512,4	—	375,8	—
Other financial assets	103,9	—	11,4	—
Other financial assets	103,9	—	10,1	—
Derivative financial instruments	—	—	1,3	—
Financial liabilities measured at amortised cost	—	5 730,5	—	4 710,1
Financial liabilities measured at amortised cost	—	1 436,8	—	1 016,8
Trade and other liabilities	—	1 132,6	—	864,2
Obligation to return	—	23,0		22,2
Lease liabilities	—	2 141,3	—	1 909,2
Obligation to repurchase non-controlling interests	—	892,9	—	878,7
Obligation to pay for aquired company	—	2,5	—	19,0
Obligation to pay to the associate		101,4	—	—
Financial liabilities measured at fair value through profit or loss	—	1,3	—	—
Derivative financial instruments		1,3		—

The Group assesses the option of purchasing non-controlling interests. Their deadline is as follows:

- eobuwie.pl S.A. - value of the option PLN 816.6 million with a maximum maturity of 28/02/2023,
- Karl Voegele AG - valuation value PLN 55.4 million with maturity from 31.05.2022;
- DeeZee sp.z o.o. - the valuation value of the two options is PLN 20.8 million with a maximum maturity date of the first - 23/11/2019 and the second - 30/09/2024.

The group measures options at fair value according to level three of the valuation hierarchy.

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). The company measures forward contracts and call and put options at fair value. At the balance sheet date, the valuation of forward contracts was PLN -1.3m, while the valuation of all call / put options was PLN 93.6m. Details of the option are described in note 6.2 Takeover of HR Group s.a.r.l. For other financial instruments, fair value does not differ from the carrying amount.

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.

[in PLN million unless otherwise stated]

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

30.06.2019	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	INNE	
Financial assets measured at amortised cost	801,0	45,3	274,0	217,8	263,9
Loans granted	79,2	—	79,2	—	—
Trade receivables	209,4	26,2	111,0	38,1	34,1
Cash and cash equivalents	512,4	19,1	83,8	179,7	229,8
Financial assets measured at fair value through profit or loss	103,9	—	103,9	—	—
Other financial assets	103,9	—	103,9	—	—
Financial liabilities measured at amortised cost	5 730,5	581,3	1 716,2	518,7	2 914,4
Debt liabilities	1 436,8	74,6	—	—	1 362,2
Trade and other liabilities	1 132,6	330,9	175,1	55,5	571,1
Obligation to return	23,0	—	—	—	23,0
Obligation to repurchase non-controlling interests	892,9	—	—	55,4	837,5
Lease liabilities	2 141,3	175,8	1 439,7	407,8	118,1
Obligation to pay for aquired company	2,5	—	—	—	2,5
Obligation to pay to the associate	101,4	—	101,4	—	—
Financial liabilities measured at fair value through profit or loss	1,3	—	—	—	1,3
Derivative financial instruments	1,3	—	—	—	1,3

30.06.2018	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	INNE	
Financial assets measured at amortised cost	537,9	54,9	241,5	88,2	153,3
Loans granted	37,7	—	—	—	37,7
Trade receivables	124,4	5,8	45,9	29,5	43,2
Cash and cash equivalents	375,8	49,1	195,6	58,7	72,4
Financial assets measured at fair value through profit or loss	11,4	—	10,1	—	1,3
Pochodne instrumenty finansowe	1,3	—	—	—	1,3
Other financial assets	10,1	—	10,1	—	—
Financial liabilities measured at fair value through profit or loss	4 710,1	389,9	1 558,7	481,0	2 280,5
Debt liabilities	1 016,8	64,1	—	—	952,7
Trade and other liabilities	864,2	317,9	165,4	37,3	343,6
Obligation to return	22,2	—	—	—	22,2
Obligation to pay for aquired company	19,0	—	—	—	19,0
Obligation to repurchase non-controlling interests	878,7	—	—	54,5	824,2
Lease liabilities	1 909,2	7,9	1 393,3	389,2	118,8

[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 6 months ended 30 June 2019 were higher/lower by PLN 0.05, is presented in the table below.

2019	INCREASE/DECREASE OF EXCHANGE RATE USD			INCREASE/DECREASE OF EXCHANGE RATE EUR		
	ITEM VALUE IN CURRENCY USD	0,05	-0,05	ITEM VALUE IN CURRENCY EUR	0,05	-0,05
Financial assets measured at amortised cost	45,3	0,6	(0,6)	274,0	3,2	(3,2)
Loans granted	—	—	—	79,2	0,9	(0,9)
Trade receivables	26,2	0,4	(0,4)	111,0	1,3	(1,3)
Cash and cash equivalents	19,1	0,3	(0,3)	83,8	1,0	(1,0)
Financial assets measured at fair value through profit or loss	—	—	—	103,9	1,2	(1,2)
Other financial assets	—	—	—	103,9	1,2	(1,2)
Financial liabilities measured at amortised cost	(581,3)	7,8	(7,8)	1 716,2	20,2	(20,2)
Debt liabilities	(74,6)	1,0	(1,0)	—	—	—
Trade and other liabilities	(330,9)	4,4	(4,4)	175,1	2,1	(2,1)
Lease liabilities	(175,8)	2,4	(2,4)	1 439,7	16,9	(16,9)
Obligation to pay to the associate	—	—	—	101,4	1,2	(1,2)
Impact on net result		8,4	(8,4)		24,6	(24,6)

2018	INCREASE/DECREASE OF EXCHANGE RATE USD			INCREASE/DECREASE OF EXCHANGE RATE EUR		
	ITEM VALUE IN CURRENCY USD	0,05	-0,05	ITEM VALUE IN CURRENCY EUR	0,05	-0,05
Financial assets measured at amortised cost	54,9	0,7	(0,7)	241,5	2,8	(2,8)
Loans granted	—	—	—	—	—	—
Trade receivables	5,8	0,1	(0,1)	45,9	0,5	(0,5)
Cash and cash equivalents	49,1	0,7	(0,7)	195,6	2,3	(2,3)
Financial assets measured at fair value through profit or loss	—	—	—	10,1	0,1	(0,1)
Other financial assets	—	—	—	10,1	0,1	(0,1)
Financial liabilities measured at amortised cost	389,9	5,2	(5,2)	1 558,7	18,1	(18,1)
Debt liabilities	64,1	0,9	(0,9)	—	—	—
Trade and other liabilities	317,9	4,2	(4,2)	165,4	1,9	(1,9)
Lease liabilities	7,9	0,1	(0,1)	1 393,3	16,2	(16,2)
Impact on net result		5,9	(5,9)		21,1	(21,0)

[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.

	AMOUNT VULNERABLE TO RISK OF INTEREST RATE CHANGE %		AS OF 30.06.2019		AS OF 31.12.2018	
	30.06.2019 UNAUDITED	31.12.2018	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	292,1	339,6	2,9	(2,9)	3,4	(3,4)
Loans granted	79,2	37,7	0,8	(0,8)	0,4	(0,4)
Other financial assets	103,9	10,1	1,0	(1,0)	0,1	(0,1)
Derivative financial instruments	(1,3)	1,3	—	—	—	—
Debt liabilities	(1 436,8)	(1 016,8)	(14,4)	14,4	(10,2)	10,2
Obligation to return	(23,0)	(22,2)	(0,2)	0,2	(0,2)	0,2
Obligation to pay for aquired company	(2,5)	(19,0)	—	—	(0,2)	0,2
Obligation to repurchase non-controlling interests	(892,9)	(878,7)	(8,9)	8,9	(8,8)	8,8
Lease liabilities	(2 141,3)	(1 909,2)	(21,4)	21,4	(19,1)	19,1
Effect on net result	—	—	(40,3)	40,2	(34,6)	34,6

If interest rates on debt in the years ended 6 June 2019 were 1 p.p. higher/lower, the profit for the period would be about PLN 40.2 million (2018: PLN 6.8 million, whereas after recognizing the liability for the obligation to buy non-controlling interests and the position of leasing liabilities, the profit would be PLN 34.6 million lower / higher).

[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 (30 June 2019 and 31 December 2018) is presented in the table below:

	30.06.2019	31.12.2018
Loans granted	79,2	37,7
Trade receivables	209,4	124,4
Cash and cash equivalents	512,4	339,7
Tax receivables	9,0	3,3
Other financial assets	103,9	10,1
Total	913,9	515,2

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 many years of cooperation with its contractors, the Group assesses the credit risk of receivables from these contractors as low.

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.

	30.06.2019	31.12.2018
Banks with a rating of AAA	—	0,4
Banks with a rating of A	—	289,9
Banks with a rating of A-	358,4	—
Banks with a rating of B+	37,3	—
Banks with a rating of BB	—	1,0
Banks with a rating of BAA2	74,9	—
Banks with a rating of BBB	—	15,6
Other banks:	6,5	27,6
Total cash at banks	477,0	334,5

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.

6.2 ACQUISITION OF SUBSIDIARIES AND TRANSACTIONS WITH RELATED ENTITIES

ACCOUNTING POLICY

Consolidation principles

Financial statements of subsidiaries, adjusted for compliance with IFRS, are prepared for the same reporting period as the parent company's financial statements, using consistent accounting principles, based on uniform accounting principles applied to transactions and economic events of similar nature. In order to eliminate any discrepancies in the applied accounting principles, adjustments are made. All significant balances and transactions between the Group's entities, including unrealized profits resulting from transactions within the Group, have been completely eliminated. Unrealized losses are eliminated unless they prove impairment.

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.

Shares and stocks are valued at the purchase price less any impairment losses.

The impairment test is carried out in the event of impairment triggers, by comparing the carrying amount with the higher of the two amounts: the fair value less costs to sell and the value in use.

As at the acquisition date, the Group measures the components of non-controlling interests in the acquiree in:

- fair value,
- the value of the proportional share of current ownership instruments in the amounts of the identifiable net assets of the acquire.

If the Group has not acquired 100% of shares in a subsidiary and there is a possibility of buying non-controlling interests, the purchase option is considered in the context of IFRS 9. If the liability arising from the purchase of a minority of shares in subsidiaries is a variable price calculated on the basis of this company's EBITDA, which due to this pricing structure, it is highly likely that the risks and rewards have not been transferred to the parent company as at the option date, and therefore the put option liability reduces equity.

ACQUISITION OF INVESTMENT IN HR GROUP HOLDING S.A.R.L.

According to the information published in Current Report No. 5/2019 as of 31.01.2019, on 30-31.01.2019, after fulfilling the conditions precedent provided for in the agreements, the transaction of acquisition by CCC S.A. of a non-controlling block of shares in HR Group Holding S.à r.l. seated in Luxembourg ("HR Group" or HRG) and sale of 100% of shares in the subsidiary CCC S.A., CCC Germany GmbH, was closed.

Upon closing of the transaction on January 31, 2019, the remaining transaction agreements entered into force, which the Company reported in Current Report No. 52/2018 of November 24, 2018, i.e. the Operational Contribution Agreement, the Shareholders Agreement and the Option Agreement.

In performance of the operating contribution agreement on 31 January 2019, the Company concluded a loan agreement with HR Group under which the loan granted to HR Group will amount to EUR 41.5 million (the discounted value of the loan as at the acquisition date is EUR 40.94 million) and will bear interest at 8% per annum. HR Group will use these funds to integrate CCC Germany GmbH with HR Group by closing selected unprofitable stores operated by CCC Germany GmbH, to make rebranding of selected stores operated so far under the "CCC" brand by CCC Germany GmbH to the "RENO" brand, which will continue to operate and integrate other activities of CCC Germany GmbH with HR Group. The loan shall be disbursed in instalments in accordance with the conditions laid down by the parties in the operational contribution agreement and the loan agreement.

On the day of the transaction CCC S.A. received a CALL option for the purchase of the remaining (69.45%) shares of HR Group Holding S.a.r.l.l. for EUR 53.6 million in the option with a maturity of 6 months and for EUR 74.6 million in the option with a maturity of 24 months. The Management Board of the Company decided not to exercise the call option with a maturity of 6 months.

Additionally CCC S.A. issued a PUT option to Capiton for 0.32% of preferred shares of HR Group Holding S.a.r.l. with the execution amount of EUR 4.5 million.

The valuation of the provided option CALL 6M and 24M and PUT was prepared taking into account the strategic premises as to the probability of option exercise. In particular, it was assumed that the probability of exercising the CALL 6M option is low (close to zero), due to the fact that the maturity of the 6M option falls within 6 months from the date of the sale of CCC Germany and the acquisition of a block of HRG shares. The basic strategic assumption of this transaction was to give HRG control over the activities of CCC Germany in order to restructure its activities and then integrate it with the HRG business. As at the date of exercising the 6M option, i.e. six months after the transaction, it is not possible to reliably assess the progress of both the restructuring and integration process. Due to the relative attractiveness of the purchase price of shares under the 6M option (strike price lower than under the 24M option), its possible exercise forces the company to take control over HRG, together with the risk of failure in the described restructuring and integration processes. According to the Management Board, the likelihood of exercising the 6M option reflects correctly the low strategic rationale of exercising the 6M option in the context of the perception of the market value of the discussed option by other market participants.

As a result of the transaction, the Company acquired a total of 30.55% of shares in the share capital of HR Group, entitling to a total of 30.55% of the total number of votes at the General Meeting of Shareholders.

The purchase price of 30.55% of HRG shares by CCC was set at EUR 11.5 million, which in PLN terms is PLN 49.4 million as at the acquisition date.

The process of allocating the purchase price to the acquired assets and liabilities under the above-mentioned transactions has not been completed due to the ongoing period of integration and verification of risks and evaluation of the quality of the acquired operating assets. In particular, the process of measurement of tangible fixed assets and intangible assets to fair value (including, among others, the acquired trademark and customer databases taken over) was not completed. The value of acquired tangible fixed assets and intangible assets was disclosed according to their values resulting from measurements (fair value).

Therefore, the fair value of assets and liabilities was measured provisionally in these financial statements.

FORM OF PAYMENT AND INSTRUMENTS PURCHASED

The fair value of the transferred payment amounted to EUR 57.0 million (PLN 244.4 million), which corresponds to the sum of the amounts::

	(IN EUR MILLION)	(IN PLN MILLION)
purchase of ordinary shares of HRG from Flo and Caption	4,7	21,0
the purchase of privileged HRG shares from Flo and Caption	21,2	90,1
providing an operational contribution to execute the restructuring of CCC Germany*.	40,9	175,2
transaction costs	1,7	7,1
sale of 100% of shares in CCC Germany**	(10,1)	(43,2)
disposal of net assets of CCC Germany***	(1,4)	(5,8)
TOTAL	57,0	244,4

* As at 30 June 2019, the CCC Group made payments to HRG in the amount of EUR 17.0 million (PLN 72.7 million). Moreover, in the statement of financial position, the Group presents a commitment to make a contribution in the amount of PLN 101.4 million.

** The fair value of 100% of CCC Germany's net assets was revalued as at 31 January 2019 and changed by EUR 7.6 million (PLN 31.6 million) compared to 31 December 2018. Costs related to revaluation were presented in discontinued operations as other operating expenses.

*** The disposal of CCC Germany's net assets as at 31 January 2019 was recognised as an adjustment to the purchase price of the HR Group.

The fair value of the acquired instruments amounted to EUR 57.0 million (PLN 244.4 million), which corresponds to the sum of the amounts:

	(IN EUR MILLION)	(IN PLN MILLION)
Conversion of preference shares into a claim on HRG*	18,3	78,3
Total call/put option**	21,3	116,7
Share of 30.55% in HR Group Holding S.a.r.l.	11,5	49,4
TOTAL	57,0	244,4

* Discounted value of CCC's receivables from HRG with a nominal value of EUR 21.2 million. CCC S.A. paid EUR 21,20 million for the preference shares in HRG (at the time of the transaction the conversion of these shares into an unconditional receivable of CCC from HRG with a maturity of 30.09.2024 was carried out). The receivable was recognized in the amount of PLN 79.2 million in the balance sheet item „Loans granted", after taking into account the discount reversal.

** The value of the total call/put option as at 30.06.2019 amounted to EUR 21.8 million (PLN 93.6 million) and is presented under the balance sheet item „Other financial assets". The resultant effect of option valuation was presented in financial costs.

FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES

The table below presents provisional fair values of the acquired net assets of the HR Group broken down by major categories.

	FAIR VALUE AS AT 31.01.2019	
	(IN EUR THOUSAND)	(IN PLN THOUSAND)
Assets		
Trade mark 'RENO'.	104 384,8	446 787,8
Relations with wholesale customers	12 053,5	51 591,4
Other intangible assets	7 401,8	31 681,2
Tangible fixed assets	257 444,6	1 101 914,4
Non-current receivables	15,0	64,2
Non-current investments	88,0	376,7
Deferred tax assets	68 626,7	293 736,0
Inventories	111 979,0	479 292,5
Current receivables	13 424,6	57 460,0
Current investments	3 884,7	16 627,3
Other receivables	5 380,7	23 030,5
Total assets	584 683,4	2 502 561,9
Liabilities		
Provisions for liabilities	2 608,7	11 165,8
Deferred tax liabilities	102 384,7	438 227,0
Non-current liabilities	324 855,2	1 390 445,2
Current liabilities	70 626,2	302 294,3
Total liabilities	500 474,8	2 142 132,2
Net assets	84 208,6	360 429,7
Share of CCC	23 747,1	101 642,3

The adjusted net assets after taking the 30.55% share in HRG into account, amounted to EUR 23,747.1 thousand.

The fair value of the acquired receivables does not differ from the book values.

As a result of transaction settlement, the Group recognized an investment of PLN 49.13 million, call options of PLN 116.7 million, long-term loans granted of PLN 79.2 million, and liabilities due to payment obligations towards the associated company of PLN 175.2 million.

Revenues of HR Group Holding S.a.r.l. (as the whole Group) from 31 January 2019 to 30 June 2019 amounted to PLN 915.2 million. The net loss of HR Group Holding S.a.r.l. in the same period amounted to PLN -14.2 million, of which PLN -4.3 million was recognized in the consolidated statement of financial result and other comprehensive income as a 30.55% share in the profits/losses of associated entities.

PROFIT ON A BARGAIN PURCHASE

Due to the fact that on 30.06.2019 the Group did not complete the process of allocation of the purchase price, the Management Board of the Company decided not to recognize the profit from a bargain purchase (surplus of CCC share in net assets of HR Group (PLN 101 million) over the purchase price of 30.55% of shares in HR Group Holding S.a.r.l.). PLN 49.13m) until the final settlement.

The financial year of HRG ends on 30 September and does not coincide with the financial year of the parent company, therefore the associated company prepares additional consolidated financial statements for the needs of the parent company on the same day as the parent company.

ACQUISITION OF GINO ROSSI S.A.

On 25.02.2019 The Management Board of CCC S.A. informed about¬ the completion of the subscription for the sale of shares of the company Gino Rossi S.A. based in Słupsk on 15.02.2019. The Company announced a tender offer for the sale of 50,333,095 ordinary bearer shares, i.e. all shares issued by Gino Rossi S.A., entitling to 100% of the total number of votes at the General Meeting of Shareholders, at a price of PLN 0.55 per share.

As a result of the settlement of the call to purchase the shares on 20 February 2019. CCC S.A. purchased 33,283,510 shares representing in total 66.13% of the share capital of Gino Rossi and entitling to 33,283,510 votes at the General Meeting of Gino Rossi representing 66.13% of the total number of votes at the General Meeting of Gino Rossi.

The purchase price amounted to PLN 0.55 per share, so the payment was PLN 18,311 thousand.

The process of allocating the purchase price to the acquired assets and liabilities under the above-mentioned transactions has not been completed due to the ongoing period of integration and verification of risks and evaluation of the quality of the acquired operating assets. In particular, the process of measurement of tangible fixed assets and intangible assets to fair value (including, among others, the acquired trademark and customer databases taken over) was not completed. Such recognition is provisional and will be changed when the process of allocating the purchase price is completed.

The acquisition of control took place on 20 February 2019 along with the settlement of the tender offer to acquire the company's shares.

The acquisition of non-controlling interests (PLN 8.7m) and goodwill (PLN 24.0m in total) are also of a similar nature. Non-controlling interests were measured at fair value.

The goodwill of PLN 24.0m resulting from the acquisition consists mainly of synergies and economies of scale expected from the merger of CCC and Gino Rossi.

FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES

The table below presents provisional fair values of the acquired net assets of Gino Rossi broken down by main categories.

	FAIR VALUE AS AT 20.02.2019 (IN PLN THOUSAND)
Assets	
Trade mark 'Gino Rossi'	29 998,0
Loyalty customer base	—
Other intangible assets	2 240,0
Rights of use	45 674,0
Tangible fixed assets	30 519,0
Other non-current receivables	601,0
Investment properties	4 495,0
Deferred tax assets	5 053,0
Inventories	54 333,0
Trade receivables	61,0
Other current receivables	2 918,0
Cash and cash equivalents	2 529,0
Total assets	179 121,0
Liabilities	
Provisions	3 570,0
Deferred tax liabilities	7 065,0
Trade liabilities	30 986,0
Current part of interest-bearing loans and borrowings	56 458,0
Bill of exchange liabilities	5 339,0
Leasing liabilities	45 674,0
Other liabilities	27 050,0
Total liabilities	176 142,00
Net assets	2 979,0
Acquisition price paid	18 311,0
Cash and cash equivalents purchased	2 529,0
Cash expenditure on acquisition	15 782,0

If Gino Rossi S.A. was consolidated as of 1 January 2019, the consolidated statement of comprehensive income would show pro-forma revenue of PLN 22.3 million and pro-forma loss of PLN -14.2 million (including discontinued operations, loss of PLN -7.2 million).

The revenues of Gino Rossi S.A. recognised in the consolidated statement of comprehensive income from 20 February 2019 to 30 June 2019 amounted to PLN 48.16 million. In addition, Gino Rossi S.A. reported a net loss of PLN -3.03 million in the same period.

SALE OF SIMPLE 10.05.2019

On 10 May 2019, the Management Board of Gino Rossi S.A. informed about concluding with Closed Investment Fund FORUM 82, with its registered office in Kraków represented by FORUM TFI S.A. with its registered office in Kraków, a conditional agreement for the sale of 100% of shares in the share capital of Simple Creative Products S.A. with its registered office in Warsaw. The sale price of Simple Shares is PLN 1.00. Due to the fact that the intention of the Group at the acquisition of Gino Rossi was the subsequent sale of Simple, for the purpose of accounting for the acquisition of Gino Rossi, Simple net assets was valued at the sales price level. Therefore, for the purpose of accounting for the acquisition, the Group measured the net assets of Gino Rossi S.A. at Simple up to PLN 1.00.

CALCULATION OF GOODWILL

The goodwill was calculated as follows:

	(IN PLN THOUSAND)
Calculation of goodwill	
Payment made	18 311
Non-controlling interests	8 695
Net assets and liabilities of Gino Rossi	(2 979,0)
Goodwill	24 027

PURCHASE OF RECEIVABLES FROM GINO ROSSI S.A.

On 18 December 2018 CCC purchased from PKO BP S.A. bank receivables under loans granted to Gino Rossi in the total amount of PLN 68.5 million for the price of PLN 37.7 million. PLN. In addition, CCC also purchased bank receivables on account of guarantees granted (actual payments made by CCC on account of executed guarantees amounted to PLN 1.8 million). In the process of allocating the purchase price, the difference between the nominal value of receivables and the paid purchase price was recognized as an adjustment of Gino Rossi's liability to fair value. The fair value of Gino Rossi's liabilities towards CCC within the allocation of the purchase price was determined at the level of PLN 37.7 million.

CAPITAL INCREASE OF GINO ROSSI S.A.

On 24 May 2019, CCC concluded with Gino Rossi S.A. an agreement on taking up shares in the increased share capital of Gino Rossi. Under the agreement, CCC accepted an offer to acquire newly created shares in the share capital of Gino Rossi, i.e. ordinary registered shares of series K with a nominal value of PLN 0.50 each and a total nominal value of PLN 60.3 million, at the issue price of PLN 0.50 per share and the total issue price of PLN 60.3 million. The capital increase took place through the conversion of debt of Gino Rossi S.A. toward CCC S.A.

ACQUISITION OF DEEZEE SP. Z O.O.

On 23 October 2018 CCC S.A. Capital Group (through CCC Shoes and Bags Sp. z o.o.) acquired 51% of shares of DeeZee Sp. z o.o. based in Kraków (Poland) ("DeeZee"). The acquired shares constitute 51% of the share capital of DeeZee and represent 51% of votes at the General Meeting of DeeZee. The payment for the shares amounted to PLN 13.0 million payable in cash.

The CCC Group took control of DeeZee Company at the time of acquisition, obtaining the ability to control its operating and financial activities and the exclusive right to change the Members of the Management Board. The CCC Group actively participates in the current activities of the DeeZee Company and in strategic planning.

Additionally, the investment agreement provides for 2 options to purchase the remaining 49% stake in DeeZee by the CCC Group. If the put option (by DeeZee) or the call option (by the CCC Group) is exercised, the CCC Group will be obliged to purchase a 49% stake under two possible scenarios. They provide an option I to acquire 24% of shares in DeeZee's share capital at PLN 7m and option II to acquire the remaining 25% of shares at a price defined as 25% of the amount calculated as twelve times EBITDA for 2021 and 2023 less net debt or, in the event of a breach of an obligation under the investment agreement, 25% of the amount calculated as sixteen times EBITDA for 2021 and 2023 less net debt.

Options shall be exercisable from 1 July 2024 until 30 September 2024 at the latest.

Initiating the exercise of the option by one of the parties will result in the settlement of the option. The settlement price is the same for both parties. The obligation to acquire a non-controlling block of shares resulting from the put option was recognized in the consolidated financial statements at the present value estimated at the time of recognition of remuneration for the remaining shares and recognized in equity (retained earnings) in the amount of PLN 20.5 million.

The liability was estimated based on DeeZee's 25% forecast of the difference between EBITDA multiplied by 12 and net debt for 2021 and 2023.

The nominal value of the liability resulting from the multiplication factor of 25% x (12 x EBITDA - net debt) amounted to PLN 23.2 million as at the acquisition date and PLN 23.1 million as at the balance sheet date.

The nominal amount calculated in the above manner was discounted with an interest rate at the level of the average cost of debt for CCC S.A. The liability value as at the acquisition date was PLN 20.3 million and PLN 20.5 million as at the balance sheet date.

Liabilities due to the non-controlling redemption of shares in DeeZee is a variable price, calculated based on EBITDA and net debt of the company. Due to such a price structure, it is probable that the risks and benefits related to the non-controlling block of shares covered by the option were not transferred to the CCC Group as at the date of option issuance. Therefore, the financial liability under the put option decreases the equity.

DeeZee has been operating on the Polish online footwear market since 2005 and is one of the most recognizable independent online stores in this segment. This transaction is the next stage of e-commerce development, in line with the strategy of the CCC Group - entering one of the most prospective markets, especially in terms of margins and profitability.

The goodwill of PLN 6.3m resulting from the acquisition consists mainly of synergies and economies of scale expected from the merger of CCC and DeeZee as well as the acquired DeeZee customer base.

None of the recognised elements of goodwill will constitute tax deductible expenses.

Due to the ongoing process of integration, identification and valuation of risk, assets and liabilities of the acquired business, the final settlement and allocation of the purchase price has not yet been completed. Therefore, as at 31 December 2018 and 30 June 2019, the settlement was recognized in a provisional version. The Group focuses in particular on confirming the valuation of acquired intangible assets.

Details of the provisionally estimated fair value of the net assets acquired, goodwill and purchase price as at the date of acquisition of control are presented below (in PLN million):

	PRE-MEASURED FAIR VALUE (IN PLN MILLION)
Recognised values of identifiable acquired assets and liabilities	
Tangible fixed assets	0,1
Assets of right of use	1,2
Intangible assets	9,2
Inventories	3,6
Trade receivables and other receivables	1,2
Cash and cash equivalents	0,8
Trade liabilities and other liabilities	(1,7)
Leasing liabilities	(1,2)
Total identifiable net assets	13,2
Determined goodwill	6,3
Non-controlling interests	(6,5)
Total	13,0
Remuneration for acquisition	
Paid in cash	13,0
Acquired funds, including	0,8
- cash with restricted availability	0,8
Cash expenditure on acquisition	12,2

DeeZee's revenues recognized in the consolidated statement of comprehensive income from January 1, 2019 to June 30, 2019 amounted to PLN 18.4m. DeeZee also reported a net loss of PLN 1.51m for the same period.

[in PLN million unless otherwise stated]

TRANSACTIONS WITH RELATED ENTITIES

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

	30.06.2019	31.12.2018
Entities related to members of key management personnel		
Transactions in the fiscal year:		
Sale	2,7	4,6
Purchase	4,5	8,3
Transactions in the fiscal year:		
Receivables	1,1	1,7
Liabilities	1,0	0,8

Transactions with related entities were concluded under market conditions.

[in PLN million unless otherwise stated]

6.3 DISCONTINUED OPERATIONS

ACCOUNTING POLICY

Discontinued operations and assets held for sale

The Group classifies non-current assets as assets held for sale if their carrying amount is recovered through a sale transaction and not through their further use. The condition for including assets in this group is the active search for a buyer by the Group and a high probability of selling these assets within one year from the date of their classification, as well as the availability of these assets for immediate sale. These assets are measured at carrying value or fair value less costs to sell, assuming a lower of these amounts for valuation.

Discontinued operations are part of the Group's operations, which is a separate major line of business or geographic area of operations that is sold or designated for sale or issue, or is a subsidiary acquired exclusively for resale. Classification for discontinued operations is made as a result of disposal or when the activity meets the criteria of classification as intended for sale. If the activity is classified as discontinued, the comparative data to the profit and loss account are converted as if the operation was discontinued at the beginning of the comparative period.

NET PROFIT (LOSS) ON DISCONTINUED OPERATIONS

NOTE	DISCONTINUED OPERATION	1.2019-06.2019	CCC GERMANY GMBH	SIMPLE S.A.	1.2018-06.2018	CCC GERMANY GMBH	SIMPLE S.A.
2	Sales revenue	15,1	11,6	3,5	97,0	97,0	—
3.1	Cost of sale of goods	(10,1)	(6,3)	(3,8)	(38,3)	(38,3)	—
	Gross profit (loss) on sale	5,0	5,3	(0,3)	58,6	58,6	—
3.1	Cost of operating stores	(21,4)	(16,0)	(5,4)	(93,7)	(93,7)	—
3.1	Other cost of sale	(1,7)	(1,7)	—	(9,0)	(9,0)	—
3.1	Administrative expenses	(1,7)	(0,6)	(1,1)	(3,6)	(3,6)	—
3.2	Other cost and operating revenue	(26,0)	(31,6)	5,6	0,8	0,8	—
	Operating profit (loss)	(45,8)	(44,6)	(1,2)	(46,9)	(46,9)	—
3.2	Finance revenue	0,1	—	—	—	—	—
3.2	Finance cost	(0,2)	—	0,1	(3,4)	(3,4)	—
	Profit (loss) before tax	(45,9)	(0,1)	(0,1)	(50,3)	(50,3)	—
3.4	Income tax	(0,6)	(0,6)	—	(0,6)	(0,6)	—
	NET LOSS FROM DISCONTINUED OPERATION	(46,5)	(45,3)	(1,2)	(50,9)	(50,9)	—
	Other comprehensive income from discontinued operation	—	—	—	—	—	—
	Attributable to be reclassified to profit - exchange rate differences upon conversion of reports of foreign entities	(0,3)	(0,3)	—	(0,4)	(0,4)	—
	Total net comprehensive income	(0,3)	(0,3)	—	(0,4)	(0,4)	—
	TOTAL COMPREHENSIVE INCOME FROM DISCONTINUED OPERATION	—	—	—	—	—	—
	Total comprehensive income from discontinued operation attributable to shareholders of the parent company:	(46,8)	(45,6)	(1,2)	(51,3)	(51,3)	—

[in PLN million unless otherwise stated]

ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	30.06.2019	31.12.2018
Right of use assets	—	494,8
Total non-current assets	—	494,8
Long-term reciveables	—	—
Income tax receivables	—	—
Other receivables	—	8,6
Total current assets	—	8,6
Total assets of disposal group held for sale	—	503,4
Lease liabilities	—	415,4
Total non-current liabilities	—	415,4
Trade and other liabilities	—	8,6
Other liabilities	—	—
Provisions	—	11,7
Lease liabilities	—	82,5
Total current liabilities	—	102,8
Total liabilities of disposal group held for sale	—	518,2
NET ASSETS	—	(14,8)

CASH FLOWS OF DISCONTINUED OPERATION	30.06.2019	31.12.2018
Net cash flows from operating activities	(11,4)	(65,2)
Net cash flows from investing activities	—	(7,5)
Net cash flows from finance activities	—	—
TOTAL NET CASH FLOWS FROM DISCONTINUED OPERATION	(11,4)	(72,7)

As at the balance sheet date, the Group has no assets classified as held for sale and has not discontinued any new operations.

[in PLN million unless otherwise stated]

DISPOSAL OF SUBSIDIARY CCC GERMANY GMBH

30-31 January 2019 CCC S.A. has sold 100% shares in CCC Germany GmbH. The Group presented the assets and liabilities of CCC Germany GmbH based in Germany in the statement of financial position under non-current assets held for sale and liabilities related to assets held for sale as at December 31, 2018. The Group held 100% shares in the company. CCC Germany GmbH in previous years conducted commercial activities (retail sale of footwear, bags of accessories for shoe care, small clothing accessories in stores). The sale transaction was associated with the simultaneous acquisition of a minority stake in HR Group Holding sarl based in Luxembourg. As a result of the acquisition of CCC S.A. acquired a total of 30.55% of shares in the share capital of HR Group, entitling to a total of 30.55% of the total number of votes at the General Meeting of Shareholders. The Management Board analyzed and assessed that the day of signing the contract of sale of 100% shares in CCC Germany GmbH, the Group lost control over the company. The company, after the transaction of sale by CCC S A of 100% shares, will continue its activity in the field of retail sale of footwear under the RENO brand.

The table below presents the result of the sale of CCC Germany and Simple:

DISPOSAL OF SIMPLE CREATIVE PRODUCTS S.A

On May 15, 2019, Gino Rossi S.A. has sold 100% of the shares of Simple Creative Products S.A. At the time of the acquisition of the Gino Rossi group by CCC, Simple Creative Products S.A. it was intended for sale and the net asset value was PLN -41.9 million. When acquiring the Gino Rossi group, the Management Board of CCC did not intend to continue the activities carried out by Simple, therefore, for the purposes of accounting for the acquisition of the Gino Rossi group, it was assumed that the fair value of assets and liabilities available for sale equals the sale price, i.e. PLN 1.00.

PROFIT OR LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS	30.06.2019	30.06.2019
	CCC GERMANY GMBH	SIMPLE
Disposal of categories classified as held for sale	(5,8)	(13,7)
Profit on disposal*	5,8	13,7
Price of sale**	—	—

* Profit on the sale of CCC Germany adjusts the investment value to the HR Group.

** The sale price of CCC Germany was EUR 1.00. The Simple sale price was PLN 1.00.

6.4 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
30.06.2019				
Members of Management Board	1 680,8	868,3	750,0	3 299,1
Supervisory Board	195,1	—	34,2	229,2
Total	1 875,9	868,3	784,2	3 528,3
30.06.2018				
Members of Management Board	1 820,0	1 857,6	720,0	4 397,8
Supervisory Board	201,0	—	—	201,0
Total	2 021,0	1 857,6	720,0	4 598,8

All bonuses in the period 2018-2019 are short-term bonuses. No long-term bonuses.

6.5 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.

[in PLN million unless otherwise stated]

On 13 April 2017, the Issuer's Supervisory Board adopted a resolution on giving the positive opinion and conditional approval of the three-year Incentive Scheme presented by the Issuer's Management Board for 2017-2019 ("Scheme"), subject to a positive decision of the Issuer's General Meeting regarding conditional share capital increase of the Issuer and issuance of shares and subscription warrants for the implementation of the Scheme. The main objectives of the scheme are additional, long-term motivation of the CCC Capital Group managers to implement the Group's strategy in 2017-2019 and taking actions and efforts aimed at further development of the Group and its perspectives for 2020 and another years – as a consequence of increasing the value of the Company's shares and the value for shareholders. The Scheme provides for the issuance of no more than 1,174,920 Warrants and no more than 1,174,920 Series F shares. The persons entitled to take it up are the members of the Management Board, members of the management board of subsidiaries, members of the management of the company, members of the management of subsidiaries, however the warrants cannot be offered to the persons directly or indirectly holding at least 10% of the Company's stake. The condition for granting the rights to subscribe for the Warrants is that the persons concerned obtain positive performance review for 2017-2019. The total number of persons entitled under the incentive scheme will not exceed 149 people. The scheme assumes minimum EBITDA thresholds (which condition the launch of the Scheme tranches) at PLN 550, 650 and 800 million for 2017, 2018 and 2019 respectively, that is, a total of not less than PLN 2 billion in this period.

In 2018, the term related to reaching the EBITDA threshold, which was one of the conditions for granting rights. The group adopted the assumption that changes related to the implementation of IFRS 16, which directly affect the level of EBITDA (recognition of amortization) won't impact on conditions for granting rights.

The Group estimates that there are no reasons to believe that the conditions for 2019 will not be met.

THE MAIN TERMS OF THE SCHEME:	2019	2018	2017
Date of conferring rights		26.08.2017	
Number of employees covered by the scheme		149 people	
The value of the scheme by date of conferring rights		93,3 mln PLN	
Number of warrants granted	—	705.960 pcs.	1.097.600 pcs.
The value of a warrant by the date of by date of conferring rights	211,42 PLN	211,42 PLN	211,42 PLN
Cost recognized in the financial result in 2019	11,2 mln PLN		
Cost recognized in the financial result in 2018		25,4 mln PLN	
Cost recognized in the financial result in 2017			8,2 mln PLN
Cumulative amount recognized in equity („retained earnings")	44,8 mln PLN	33,6 mln PLN	8,2 mln PLN
Terms of conferring rights			
Period of conferring rights		from 08.06.2017 until 31.12.2019	
Period of executio3n of warrants to which rights are conferred		until 30.06.2024	

SIGNIFICANT PARAMETERS ADOPTED IN THE VALUATION MODEL WERE:	VALUE OF PARAMETER
Valuation model of warrants	Simulation Monte-Carlo
Number of warrants granted	1.174.920 pcs.
Share price at the grant date	212,56 PLN
The exercise price of the warrant	211,42 PLN
Expected volatility	32,8%
Value of expected dividend	2,60 PLN
The average lifetime of the option	6 year

6.6 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.

Subsidiaries are subject to consolidation in the period from the date of taking control over them by the Group, and cease to be consolidated from the day the control ceases. The controlling entity exercises control when:

- has power over a given entity,
- is exposed to variable returns or has rights to variable returns due to its involvement in a given unit,
- has the ability to use power to shape the level of returns generated.

The Group verifies the fact of exercising control over other entities if there is a situation indicating the change of one or more of the abovementioned control conditions.

In a situation where the Group has less than the majority of voting rights in a given unit, but the voting rights are sufficient to unilaterally direct the relevant activities of that unit, it means that it exercises power over it. When assessing whether the voting rights in a given unit are sufficient to ensure power, the Group analyzes all material circumstances, including:

- the size of the voting rights held in comparison to the size of the shares and the degree of dissipation of voting rights held by other shareholders;
- potential voting rights held by the Group, other shareholders or other parties;
- rights resulting from other contractual arrangements; and
- additional circumstances that may prove that the Group has or does not have the ability to direct significant actions at the time of decision making, including the voting patterns observed at previous shareholders' meetings.

Changes in the ownership interest of the parent company that do not result in the loss of control over a subsidiary are recognized as equity transactions. In such cases, in order to reflect changes in relative shares in a subsidiary, the Group adjusts the carrying amount of controlling shares and non-controlling interests. Any differences between the amount of the adjustment of non-controlling shares and the fair value of the amount paid or received are recognized in equity and attributed to the owners of the parent.

Intra-group transactions and settlements as well as unrealized profits on transactions between group entities are eliminated.

[in PLN million unless otherwise stated]

Related entities from CCC S.A. are presented in the table below:

COMPANY	COUNTRY	TYPE OF BUSINESS ACTIVITY	SHARES AS OF 30.06.2019	SHARES AS OF 31.12.2018
CCC.eu sp. z o.o.*	Poland	purchase and selling	100%	100%
CCC Shoes & Bags sp. z o.o.	Poland	investing	100%	100%
CCC Factory sp. z o.o.	Poland	manufacturing	100%	100%
DeeZee Sp. z o.o.	Poland	commercial	51%	51%
eobuwie.pl S.A.*	Poland	commercial	74,99%	74,99%
eschuhe.de GmbH*	Germany	commercial	74,99%	74,99%
eobuwie.pl Logistics Sp z o.o.*	Poland	commercial	74,99%	74,99%
Gino Rossi S.A.	Poland	commercial	100%	—
GARDA Sp. z o.o.	Poland	investing	100%	100%
Gino Rossi SRO	Czech Republic	commercial	100%	100%
GR Trade Mark Sp. z o.o.	Poland	investing	100%	100%
S Trade Mark Sp. z o.o.	Poland	investing	100%	100%
Gino Rossi sp. z o.o.	Poland	commercial	100%	100%
Gino Rossi Sp. z o.o. sp. komandytowa	Poland	manufacturing	100%	100%
Karl Voegele AG*	Switzerland	commercial	70%	70%
Vögele Verwaltung G.m.b.H*	Austria	services	70%	70%
CCC Czech s.r.o.	Czech Republic	commercial	100%	100%
CCC Slovakia s.r.o.	Slovakia	commercial	100%	100%
CCC Hungary Shoes Kft.	Hungary	commercial	100%	100%
CCC Austria G.m.b.H	Austria	commercial	100%	100%
CCC Germany GmbH	Germany	commercial	—	100%
CCC Obutev d.o.o.	Slovenia	commercial	100%	100%
CCC Hrvatska d.o.o.	Croatia	commercial	100%	100%
CCC Shoes Ayakkabicilik Limited Sirketi	Turkey	commercial	100%	100%
CCC Isle of Man Ltd.	Isle of Man	commercial	100%	100%
CCC Shoes Bulgaria EOOD	Bulgaria	commercial	100%	100%
NG2 Suisse sarl	Switzerland	services	100%	100%
CCC Shoes & Bags d.o.o. Beograd	Serbia	commercial	100%	100%
CCC Russia OOO*	Russia	commercial	75%	75%
Shoe Express S.A.*	Romania	commercial	100%	100%

*Subsidiaries of CCC S.A.
The share in the capital of companies is equal to the share in votes.

Shoe Express S.A. - data consolidated from 25/04/2018
Karl Voegele AG - data consolidated from 18/06/2018
Gino Rossi - data consolidated from 25/02/2019
DeeZee sp. z o.o. - data consolidated from 23/10/2018

[in PLN million unless otherwise stated]

6.7 EVENTS AFTER BALANCE SHEET DATE

On 12 July 2019 there was a settlement of a squeeze-out of shares of Gino Rossi Spółka Akcyjna belonging to all minority shareholders of Gino Rossi announced on 9 July 2019 pursuant to Article 82 (1) of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (Journal of Laws of 2018, item 512, as amended) ("Squeeze-Out"). The subject of the squeeze-out were all shares in Gino Rossi owned by all minority shareholders of Gino Rossi, i.e. 17,049,585 ordinary bearer shares with a nominal value of PLN 0.50 each, representing approx. 9.98% of the share capital of Gino Rossi and entitling to 17,049,585 votes at the general meeting of shareholders of Gino Rossi, which corresponds to 9.98% of the total number of votes in Gino Rossi.All the shares covered by the Squeeze-Out request were purchased by the Issuer.

On 12.06.2019 Eobuwie.pl Logistics sp. z o.o. won the tender organized by the Zielona Góra City Hall for the purchase of plots with a total area of 7.2651 ha for the amount of 7.4 million PLN. These plots are the plots adjacent to the area on which the construction of a new Logistics Centre is currently underway and will constitute an "investment provision" for further development of this Centre. On 02.07.2019 a conditional sale agreement was concluded in order for the City Hall to apply to the State Forests and the Kostrzyń-Słubice Special Economic Zone with motions for waiver of the pre-emptive right of purchase. After receiving these waivers, on 23.08.2019 an agreement on the transfer of ownership of these plots to the Company was concluded. In connection with participation in the tender, a deposit of PLN 0.7m was paid in June 2019, which after winning the tender was counted towards the payment for the plots. The remaining amount of PLN 6.7m was paid in August 2019, a few days prior to the execution of the property transfer agreement.

From April 2019, in CCC.eu sp. z o.o., the Lower Silesian Tax Office in Wrocław conducted a tax proceeding concerning the tax on civil law transactions for 2014. This proceeding was conducted in connection with the acquisition of an organized part of the enterprise, as a result of which CCC.eu recognized in the books, among others, goodwill. The company submitted appropriate declarations and paid the due tax in 2014. On 30 August 2019, CCC.eu sp. z o.o. received a decision on this proceeding, which resulted in an increase in the tax liability for the tax on civil law transactions by PLN 21.1 million. The authority challenged the tax base and thus determined the tax liability referred to above. The Company recognized the value of this liability in the current report in the following manner:

ITEM IN THE FINANCIAL STATEMENTS	DEBIT	CREDIT
Management costs - taxes and fees	PLN 21.1 million	—
Other liabilities	—	PLN 21.1 million
Deferred tax assets	PLN 4,0 million	—
Income tax	—	PLN 4.0 million

CCC.eu sp. z o.o. will exercise its right to appeal against the decision.

The financial statements were approved for publication by the Management Board of the Company on 24 September 2018 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS		
Edyta Banaś	Chief Accountant	
PODPISY WSZYSTKICH CZŁONKÓW ZARZĄDU		
Marcin Czyczerski	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Karol Półtorak	Vice-President of the Management Board	

Polkowice, 3 September 2019 r.