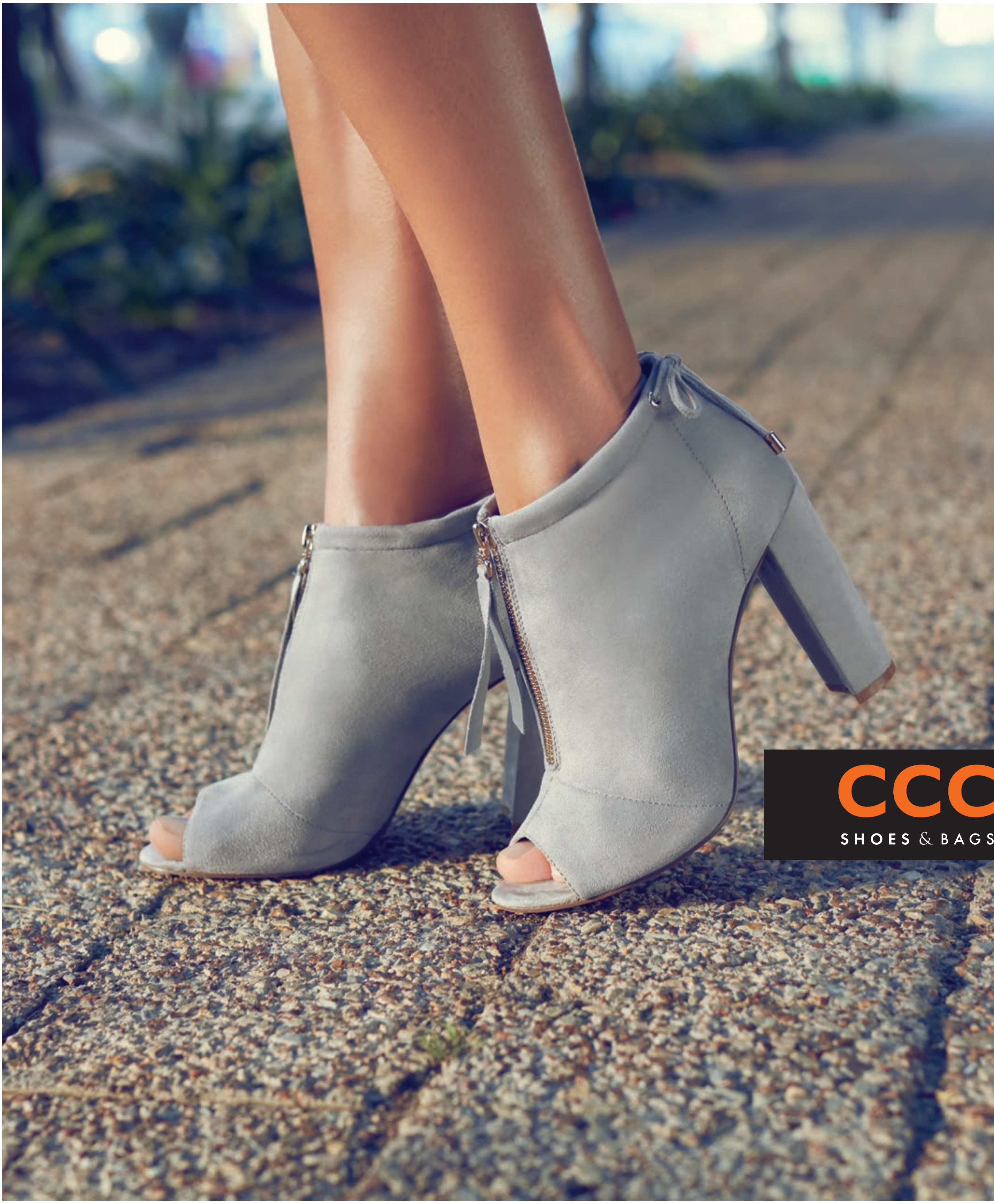
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF CAPITAL GROUP CCC S.A. FOR THE PERIOD 01.01.2017 – 30.06.2017



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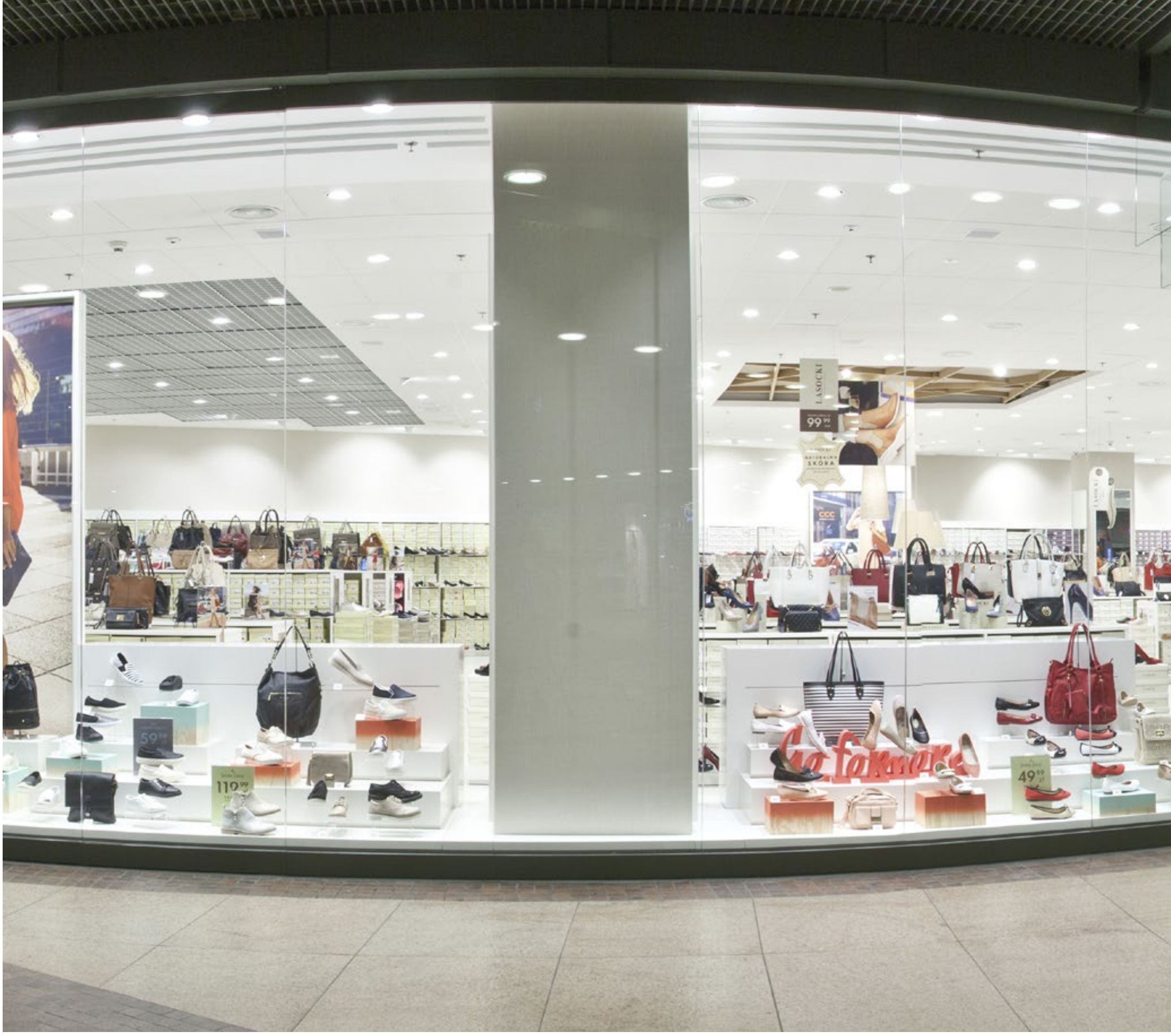
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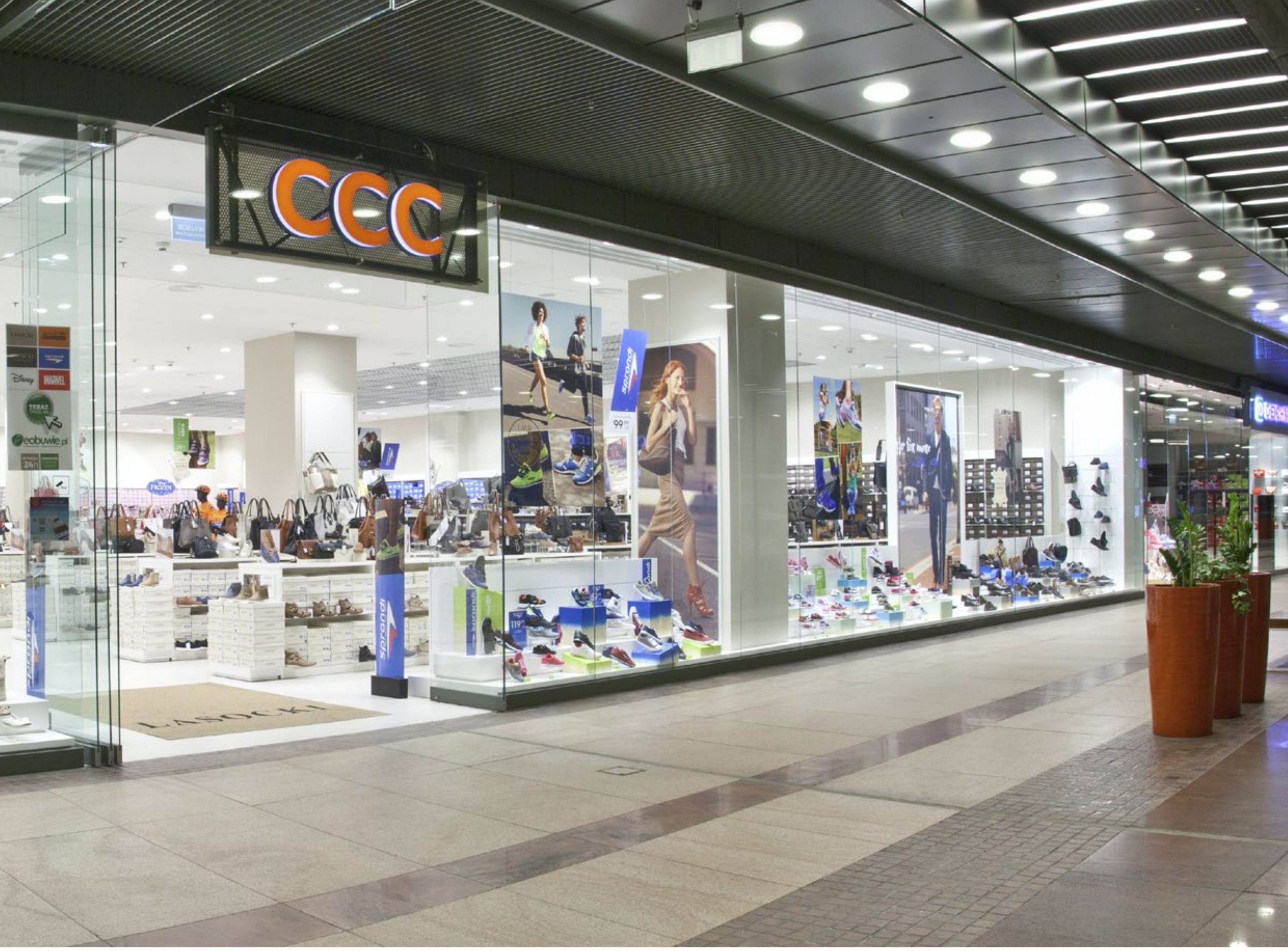

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INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER COMPREHENSIVE INCOME

NOTE		01.2017-06.2017	01.2016-06.2016	04.2017-06.2017 UNAUDITED	04.2016-06-2016 UNAUDITED
2	Sales revenue	1 846,2	1 394,6	1 125,1	864,9
3.1	Cost of goods sold	(907,8)	(660,8)	(541,7)	(397,8)
	Gross profit on sale	938,4	733,8	583,4	467,1
3.1	Cost of operating stores	(538,1)	(426,5)	(280,2)	(222,8)
3.1	Other cost of sale	(195,0)	(138,6)	(107,5)	(81,0)
3.1	Administrative expenses	(44,3)	(53,8)	(17,5)	(36,3)
3.2	Other cost and operating revenue	2,9	15,9	2,5	11,0
	Operating profit	163,9	130,8	180,7	138,0
3.2	Finance revenue	1,5	8,6	4,6	10,6
3.2	Finance cost	(35,6)	(14,1)	(18,0)	(6,2)
	Profit before tax	129,8	125,3	167,3	142,4
3.3	Income tax	(16,7)	(12,0)	(14,4)	(8,4)
	NET PROFIT	113,1	113,3	152,9	134,0
	Attributable to shareholders of the parent company	105,2	109,5	148,1	131,6
	Attributable to non-controlling interests	7,9	3,8	4,8	2,4
	Other comprehensive income				
	Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities	(1,2)	(4,4)	(1,0)	(0,5)
	Total net comprehensive income	(1,2)	(4,4)	(1,0)	(0,5)
	TOTAL COMPREHENSIVE INCOME	111,9	108,9	151,9	133,5
	Attributable to shareholders of the parent company	104,0	105,1	147,1	131,3
	Attributable to non-controlling interests	7,9	3,8	4,8	2,2
	Weighted average number of ordinary shares (mln pcs)	39,2	38,4	39,2	38,4
	Basic earnings per share (in PLN)	2,89	2,95	3,90	3,48
	Diluted earnings per share (in PLN)	2,89	2,91	3,90	2,86

i MORE INFORMATION IN THE SECTION **2.1.1.1**
IN THE STATEMENT ON THE OPERATIONS OF THE GROUP

[in mln PLN unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NOTE		30.06.2017	31.12.2016 CONVERTED DATA
5.1	Intangible assets	189,2	181,2
	Goodwill	106,2	106,2
5.2	Tangible fixed assets – investments in stores	362,1	358,6
5.2	Tangible fixed assets – factory and distribution	300,4	251,9
5.2	Tangible fixed assets – other	74,4	69,1
3.3	Deferred tax assets	55,3	60,1
	Total non-current assets	1 087,6	1 027,1
5.3	Inventories	1 359,9	1 019,7
5.4	Trade receivables	121,9	89,3
	Income tax receivables	27,6	12,1
6.1	Loans granted	11,1	11,1
	Other receivables	140,7	98,2
5.5	Cash and cash equivalents	328,6	143,4
	Total current assets	1 989,8	1 373,8
	TOTAL ASSETS	3 077,4	2 400,9
4.2	Debt liabilities	436,0	366,0
	Deferred tax liabilities	33,4	34,1
5.7	Provisions	7,3	7,2
5.2	Grants received	22,3	23,5
	Obligation to repurchase non-controlling interests	233,3	229,6
	Total non-current liabilities	732,3	660,4
4.2	Debt liabilities	797,3	429,5
5.6	Trade liabilities	291,8	174,3
5.6	Other liabilities	254,2	137,6
3.3	Income tax liabilities	7,1	16,8
5.7	Provisions	8,3	6,8
5.2	Grants received	2,7	4,4
	Total current liabilities	1 361,4	769,4
	TOTAL LIABILITIES	2 093,7	1 429,8
	NET ASSETS	983,7	971,1
	Equity		
4.1.1	Share capital and share premium	125,3	123,1
	Exchange rate differences from the translations	0,6	1,8
	Retained earnings	797,5	793,8
	Equity attributable to shareholders of the parent entity	923,4	918,7
	Non-controlling interests	60,3	52,4
	TOTAL EQUITY	983,7	971,1

i MORE INFORMATION IN THE SECTION 2.1.1.2
IN THE STATEMENT ON THE OPERATIONS OF THE GROUP

[in mln PLN unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

NOTE		01.2017-06.2017	01.2016-06.2016
	Profit before tax	129,8	125,3
3.1	Amortization and depreciation	39,9	29,2
	Profit (loss) on investment activity	1,3	(0,9)
4.2	Cost of borrowings	15,0	9,3
4.4	Other adjustments to profit before tax	4,3	35,1
3.3	Income tax paid	(37,9)	(23,4)
	Cash flow before changes in working capital	152,4	174,6
	Changes in working capital		
5.3	Change in inventory and inventory write-downs	(340,3)	(115,2)
4.4	Change in receivables	(75,1)	(16,4)
4.4	Change in current liabilities, excluding borrowings	115,8	(16,9)
	Net cash flows from operating activities	(147,2)	26,1
	Proceeds from the sale of tangible fixed assets	4,8	4,8
5.4	Repayment of loans granted and interest	—	—
5.2, 5.1	Purchase of intangible and tangible fixed assets	(92,4)	(76,4)
5.4	Loans granted	—	(0,1)
	Purchase of investment in eobuwie S.A.	(5,0)	(222,5)
	Net cash flows from investing activities	(92,6)	(294,2)
4.2	Proceeds from borrowings	437,8	253,4
4.2	Repayment of borrowings	—	(62,3)
4.2	Interest paid	(15,0)	(9,3)
	Proceeds from the issue of shares	2,2	—
	Net cash flows from finance activities	425,0	181,8
	TOTAL CASH FLOWS	185,2	(86,3)
	Net increase/decrease of cash and cash equivalents	185,2	(86,3)
	Exchange rate changes on cash and cash equivalents	—	—
	Cash and cash equivalents at beginning of period	143,4	340,6
	Cash and cash equivalents at the end of period	328,6	254,3

i MORE INFORMATION IN THE SECTION **2.1.1.3**
IN THE STATEMENT ON THE OPERATIONS OF THE GROUP

[in mln PLN unless otherwise stated]

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL AND SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of 31.12.2016 (01.01.2017)	123,1	1 058,8	1,8	52,4	1 236,1
Adjustments of errors		(265,1)			(265,1)
As of 31.12.2016 (01.01.2017) after adjustments	123,1	793,7	1,8	52,4	971,0
Net profit for the period	—	113,1	—	—	113,1
Net profit attributable to non-controlling interests		(7,9)		7,9	—
Exchange rate differences from the translations	—	—	(1,2)	—	(1,2)
Total comprehensive income	—	105,2	(1,2)	7,9	111,9
Approved dividend	—	(101,4)	—	—	(101,4)
Valuation of employee option scheme	—	—	—	—	—
Issue of shares	2,2	—	—	—	2,2
Total transactions with owners	2,2	(101,4)	—	—	(99,2)
As of 30.06.2017 (01.07.2017)	125,3	797,5	0,6	60,3	983,7

	SHARE CAPITAL AND SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	NON-CONTROLLING INTERESTS	TOTAL EQUITY
As of 01.01.2016	78,4	1 047,2	(2,0)	—	1 123,6
Net profit for the period	—	113,3	—	—	113,3
Net profit attributable to non-controlling interests				3,8	3,8
Exchange rate differences from the translations	—	—	(4,4)	—	(4,4)
Total comprehensive income	—	113,3	(4,4)	3,8	112,7
Approved dividend	—	(86,0)	—	—	(86,0)
Valuation of employee option scheme		14,5	—	—	14,5
Issue of shares	—				—
Total transactions with owners	—	(71,5)	—	—	(71,5)
Obligation to purchase of own shares of eobuwie.pl	—	(222,6)	—	—	(222,6)
Non-controlling interests resulting from acquisition of a subsidiary	—	—	—	8,8	8,8
As of 30.06.2016	78,4	866,4	(6,4)	12,6	951,0

[in mln PLN 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,
KRS:	211692
Corporate purpose:	The Company'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.

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"). 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 functional currency and presentation currency of the Group. The financial statements have been prepared in accordance with the historical cost principle.

The interim condensed financial statements of the Group cover the six-month period ended 30 June 2017 and include comparative data for the six months ended 30 June 2016 and as of 31 December 2016. The statements of comprehensive income and notes to the statements of comprehensive income covering the data for the 3-month period ended 30 June 2017 and the comparative data for the 3-month period ended 30 June 2016 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 2016 approved for publication on 28.04.2017.

[in mln PLN unless otherwise stated]

These interim condensed consolidated financial statements for the period of 6 months ended 30 June 2017 have been approved by the Management Board to be published on 31.08.2017

The most important accounting policies applied while preparing the financial statements have been presented in subsequent notes. These principles have been applied continuously throughout the presented years. Below there is a list of the accounting policies and important estimates and judgments for each item of statement of financial result and financial position

NOTE	TITLE	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
2	Sales revenue	Y		18
3.1	Cost of goods sold	Y		19
3.1	Cost of operating stores	Y		19
3.1	Other cost of sales	Y		19
3.1	Administrative expenses	Y		19
3.1	Operating leasing	Y		20
3.2	Other operating and finance costs and revenues	Y		21
3.3	Income tax	Y		22
3.3	Deferred tax assets	Y	Y	22
3.3	Income tax liabilities	Y		22
4.1.1	Equity	Y		27
4.2	Debt liabilities	Y		29
5.1	Intangible assets	Y	Y	32
5.2	Tangible fixed assets	Y		35
5.2	Grants received	Y		34
5.3	Inventories	Y		36
5.4	Loans granted	Y		37
5.4	Trade receivables	Y		37
5.4	Other receivables	Y		37
5.5	Cash and cash equivalents	Y		39
5.6	Trade liabilities	Y		40
5.6	Other liabilities	Y		40
5.7	Provisions	Y		41
6.1	Financial instruments	Y		42
6.4	Cost of incentive program	Y		49

BASIS OF PREPARATION OF THE INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements have been prepared assuming that the Group will continue its business operations in the foreseeable future i.e. at least one year after the balance sheet date. As at the date of publication of the condensed separate financial statements, there are no circumstances indicating the risk of continuing the Group's operations for at least one year from the balance sheet date.

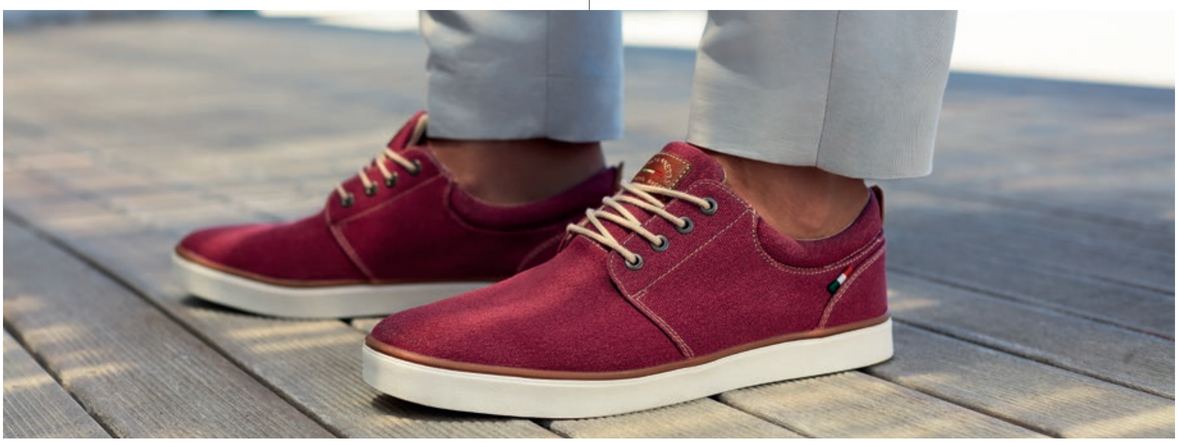
APPLIED NEW AND REVISED ACCOUNTING STANDARDS:

The accounting (policy) rules used to prepare the interim condensed separate financial statements are consistent with those ones used in the preparation of the annual financial statements of the Company for the year that commenced on 1 January 2016.

After January 1, 2016, no new or amended standards and interpretations were in force for annual periods beginning after January 1, 2016. Standards and interpretations that have been issued but are not valid because they have not yet been approved by the European Union or have been approved by the European Union but not previously applied by the Capital Group are presented in the annual financial statements for 2016. In the first half of 2017 only IFRS 17 Insurance Contracts were published. The Company has not opted for early adoption of any standard, interpretation or amendment that has been published but has not yet come into effect in the eyes of European Union legislation.

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

As at the date of approval of these financial statements for publication, the Management Board has not yet finalized the activities on assessing the impact of introducing standards and interpretations on the accounting rules (policies) applied by the Company regarding the Company's operations or its financial performance.



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

Based on the analysis made, in the opinion of the Management Board, IFRS 16 Leasing may have a significant impact on the financial statements of the Group. Within the activity described in the segment of „distribution activities", the Company rents premises, in which it sells its own goods. Rent is now recognized in the financial statements of the Group as operating lease. According to the rules introduced by IFRS 16, the Company will have to recognize assets and liabilities arising from contracts of this type in the statement of financial position. Future minimum payments under operating lease is described in note 2.1. After application of IFRS 16, the Company expects a significant increase in the value of assets and lease liabilities in the statement of financial position of the Group. Future minimum lease payments is a rough estimate of how much the liability would increase, if the standard was adopted at the balance sheet date. Recognized assets and liabilities will be accounted differently from the settlement under the operating lease.

Currently, lease payments are settled linearly. It is expected that the assets of the lease will also be settled linearly, while liabilities will be settled by effective interest rate, which will result in an increase in interest due to interest charges and a reduction in the payment of rent.

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

The Group expects that the only significant impact associated with the implementation of IFRS 9 may be a need to create provisions for a model of expected losses. It is expected that this will have an impact on the opening balance and the balances of write-downs, but this will have little effect on the value of the write-offs recognized. The Management Board plans to conduct appropriate analysis of the impact of this standard on the Group in 2017-2018.

In case of IFRS 15, the majority of the Group's sales is a retail sale (of individual products) and service activities, and therefore the Group does not expect many significant changes. The Management Board plans to conduct appropriate analysis of the impact of this standard on the Group in the second half of 2017.

2. SEGMENTS

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

ACCOUNTING POLICY

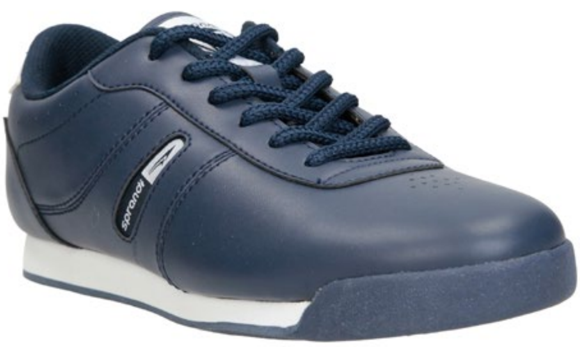
The sales revenues recognize revenues from sales of goods, products and sublease services achieved in the normal course of business.

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

Revenues from sales of goods and products – wholesale

The Group sells footwear, handbags, footwear care accessories, small fashion accessories on the wholesale market, both domestically and abroad. On the domestic market, sales are made on the basis of the franchise agreements.

i FOR FURTHER DETAILS SEE NOTE **5.7**



ACCOUNTING POLICY

Revenues from sales of goods and products – retail sale

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

i FOR FURTHER DETAILS SEE NOTE 5.7

Revenues from sales of goods – e-commerce sale

The Group sells shoes, handbags, shoe care products, clothing fancy goods via shop online running on the local and foreign markets. Revenue from sales is recognized when the invoice (receipt) is issued, or upon receipt of payment – depending on which of the events occurred first. In order to estimate the size of returns and to create a reserve for this a previous experience is applied here. Principles of creating reserves for warranty repairs are presented in Note 5.7

Revenue from premises sublease services

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

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

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

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

The Group identifies the following operating and Statementing segments:

STATEMENTING SEGMENT	DESCRIPTION OF THE STATEMENTING SEGMENT AND USED MEASURES OF THE RESULT	PREMISES OF AGGREGATION OF OPERATING SEGMENTS INTO STATEMENTING 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, Lasocki, BOTI. Distribution activities – retail in the European Union – Central and Eastern Europe (Czech Republic, Slovakia, Hungary, Croatia, Slovenia, Bulgaria) Stores operate exclusively in the CCC network. Distribution activities – retail in the European Union – Western Europe (Austria, Germany) Stores operate exclusively in the chain CCC. Distribution activities – retail in other countries (Russia, Serbia, Turkey) Stores operate exclusively in the chain CCC.	Each own individual store operating in the said country constitutes the operating segment. Stores sell footwear handbags shoe care products, clothing fancy goods in their own facilities, within the chain: CCC, BOTI LASOCKI. Measures of the result is the gross sales profit calculated in relation to the external sales and the segment's operating profit being the difference between the sales, cost of goods sold, direct selling costs relating to the operations of the retail chain (stores operating costs) and the cost of organizational units supporting the sale.	The financial information was aggregated in total for the chain CCC, BOTI, LASOCKI by geographic markets due to: • Similarity of long-term average gross margins, • Similar nature of the goods (such as footwear, handbags, shoe care accessories, clothing accessories), • Similar way of distributing the goods, • Similar categories of customers (sale made in own facilities and directed to retail customers)
Distribution activities – e-commerce	The whole activity is carried out by eobuwie.pl S.A. dealing with the distribution of goods via the Internet. The company sells shoes, handbags, shoe care products, clothing fancy goods, etc. to domestic and foreign retail recipients. Measurement of the result is the gross sales profit calculated in relation to the external sales and the segment's operating result being the difference between the sales, cost of goods sold and direct costs of sales relating to the functioning of the sales channel (such as 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 fancy goods 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 goods sold of products and direct costs of sales.	

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

i MORE INFORMATION IN THE STATEMENT ON THE OPERATIONS OF THE GROUP

[in mln PLN unless otherwise stated]

01.2017-06.2017	DISTRIBUTION ACTIVITY						MANU-FACTURING ACTIVITY	TOTAL
	DETAL				E-COMMERCE	WHOLESALE		
	POLAND	UE – CEE	UE – WESTERN EUROPE	OTHER COUNTRIES				
Total sales revenue	922,9	370,9	180,3	29,2	259,9	1 211,9	171,6	3 146,7
Revenue from sales to other segments	—	—	—	—	—	(1 129,3)	(171,2)	(1 300,5)
Revenue from sales from external customers	922,9	370,9	180,3	29,2	259,9	82,6	0,4	1 846,2
Gross profit on sale	461,7	215,1	104,8	15,8	108,2	32,8	—	938,4
Gross margin (gross profit on sale/revenue from sales from external clients)	50,0%	58,0%	58,1%	54,1%	41,6%	39,7%	na	50,8%
PROFIT OF SEGMENT	151,9	35,7	(54,1)	1,8	44,8	25,2	—	205,3
Assets of segments								
Fixed assets except deferred tax assets	362,9	133,3	84,6	13,9	325,0	24,7	91,8	1 036,2
Deferred tax assets	3,5	—	—	1,1	1,2	6,6	4,7	17,1
Inventories	246,6	152,1	80,5	16,6	132,0	707,6	62,4	1 397,8
Outlays on tangible fixed assets and intangibles	362,9	133,3	84,6	13,9	218,8	24,7	91,8	930,0
Other revenue/costs:								
Amortization and depreciation	(13,5)	(7,5)	(6,3)	(0,9)	(1,1)	(0,4)	(1,3)	(31,0)
Impairment loss of tangible fixed assets and intangibles	—	—	—	—	—	—	—	—

01.2016-06.2016	POLAND	UE – CEE	UE – WESTERN EUROPE	OTHER COUNTRIES	E-COMMERCE	WHOLESALE	MANU-FACTURING ACTIVITY	TOTAL
Total sales revenue	767,1	307,8	129,6	5,2	109,3	894,2	144,4	2 357,6
Revenue from sales to other segments	—	—	—	—	—	(818,9)	(144,1)	(963,0)
Revenue from sales from external customers	767,1	307,8	129,6	5,2	109,3	75,3	0,3	1 394,6
Gross profit on sale	395,6	182,4	81,5	1,4	47,5	25,4	—	733,8
Gross margin (gross profit on sale/revenue from sales from external clients)	51,6%	59,3%	62,9%	26,9%	43,5%	33,7%	nd	52,6%
PROFIT OF SEGMENT	134,8	34,2	(35,9)	(2,3)	21,6	16,3	—	168,7
Assets of segments								
Fixed assets except deferred tax assets	313,3	127,8	75,2	1,0	243,0	11,1	93,0	864,4
Deferred tax assets	5,3	—	—	—	0,7	5,9	7,0	18,9
Inventories	130,6	116,8	59,3	0,5	65,8	432,1	46,5	851,6
Outlays on tangible fixed assets and intangibles	313,3	127,8	75,2	1,0	32,5	11,1	93,0	653,9
Other revenue/costs:								
Amortization and depreciation	(10,7)	(7,3)	(5,1)	(0,2)	—	(0,9)	(0,3)	(24,5)
Impairment loss of tangible fixed assets and intangibles	2,4	—	—	1,0	—	—	—	3,4

[in mln PLN unless otherwise stated]

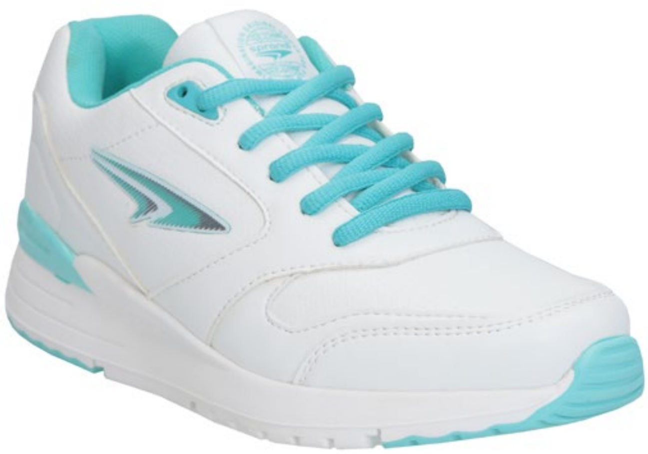
Reconciliation of data relating to the segments of the consolidated financial statements are presented below:

	01.2017-06.2017			01.2016-06.2016		
	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	CONSOLIDATED FINANCIAL STATEMENT
Total sales revenue	3 146,7	(1 300,5)	1 846,2	2 357,6	(963,0)	1 394,6
Sales revenue not allocated to the segment	—	—	—	—	—	—
Sales revenue in the financial statement	—	—	1 846,2	—	—	1 394,6
Cost of goods sold in the financial statement	—	—	(907,8)	—	—	(660,8)
Gross profit on sale	938,4	—	938,4	733,8	—	733,8
Cost of sales relating to the activity of segments	(733,1)	—	(733,1)	(565,1)	—	(565,1)
Performance of segment	205,3	—	205,3	168,7	—	168,7
Not allocated cost of sale	—	—	—	—	—	—
Administrative expenses	—	—	(44,3)	—	—	(53,8)
Other cost and operating revenue	—	—	2,9	—	—	15,9
Finance revenue	—	—	1,5	—	—	8,6
Finance cost	—	—	(35,6)	—	—	(14,1)
Profit before tax	—	—	129,8	168,7	—	125,3
Assets of segments						
Fixed assets except deferred tax assets	1 036,2	(3,9)	1 032,3	864,4	(4,9)	859,5
Deferred tax assets	17,1	38,2	55,3	18,9	293,9	312,8
Inventories	1 397,8	(37,9)	1 359,9	851,6	(9,5)	842,1
Outlays on tangible fixed assets and intangibles	930,0	(3,9)	926,1	653,9	(4,9)	649,0
Other revenue/costs:						
Amortization and depreciation	(31,0)	(11,9)	(42,9)	(24,5)	(3,8)	(28,3)
Impairment loss of tangible fixed assets and intangibles	—	—	—	3,4	—	3,4

[in mln PLN unless otherwise stated]

	SALES REVENUE		FIXED ASSETS (EXCEPT FINANCIAL INSTRUMENTS AND DEFERRED TAX)	
	01.2017-06.2017	01.2016-06.2016	01.2017-06.2017	01.2016-06.2016
Poland	923,3	767,4	475,5	413,6
Czech Republic	131,9	114,5	46,1	47,0
Germany	110,6	85,5	54,9	51,2
Hungary	96,5	77,8	37,3	35,4
Slovakia	77,7	68,2	20,1	18,8
Austria	69,8	44,1	29,7	24,0
Romania	50,3	41,3	—	—
Croatia	33,3	24,7	14,9	15,3
Slovenia	19,8	13,8	7,2	6,1
Other	73,1	48,0	21,6	5,1
e-commerce	259,9	109,3	325,0	243,0
Total	1 846,2	1 394,6	1 032,3	859,5
Deferred tax			55,3	312,8
Total assets			1 087,6	1 172,3

i MORE INFORMATION IN THE SECTION **2.1.1.1** (REVENUES, COGS AND GROSS PROFIT) + **2.1.1.2** (TANGIBLE ASSETS) IN THE STATEMENT OF THE OPERATIONS OF THE GROUP



3. NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER COMPREHENSIVE INCOME

3.1 COSTS BY NATURE

ACCOUNTING POLICY

Cost of goods sold

As the cost of goods sold the Group recognizes:

- purchase value of goods sold
- value of packages expended for sale
- cost of a provision concerning complaints (note 5.7)
- the value of finished goods sold
- impairments for inventories
- cost of sublease services (cost of the fees under operating lease of premises that are the subject of sublease)
- impairment losses of fixed assets and intangible assets used in the production of products or provision of services (depreciation of production machines).

i MORE INFORMATION IN THE SECTION **2.1.1.1** (COSTS OF OPERATING STORES) IN THE STATEMENT ON THE 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:

- cost of the fees in operating lease of premises in which stores are run
- remuneration costs of employees employed in stores
- amortisation of tangible fixed assets (investments in stores)
- cost of external services (inter alia, the costs of the agent's remuneration, costs of media consumption)

Other cost of sale

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

- remuneration costs of employees of organizational units supporting sale
- amortisation of tangible fixed assets
- cost of external services
- other flat costs
- impairment losses on receivables from supplies and services

Administrative expenses

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

Operating lease

Leasing, in which a significant portion of the risks and benefits under the ownership are retained by the lessor, constitutes an operating lease. Operating lease mainly concerns the lease of retail space in which the sale of retail goods is made.
Payments made under operating lease are recognized in the income statement by a linear method over the period of the lease agreement. Discounts received by the lessor are recognized in the financial statement in the same way as an integral part of the total lease payments. These costs are recognized in the statement of comprehensive income in „Costs of operating stores" or „Other cost of sale".

Other income and operating cost

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

Income and financial cost

Financial income and cost resulting from financial activity of the Group include interest, commissions and profit or loss on exchange rates.

i MORE INFORMATION IN NOTE **5.7**

[in mln PLN unless otherwise stated]

NOTE	01.2017-06.2017	COST OF GOODS SOLD	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(759,0)	—	—	—	(759,0)
	Consumption of materials and energy	(125,2)	(20,2)	(10,3)	(2,1)	(157,8)
5.3	Impairment losses on inventories / Provision forwarranty repairs	4,0	—	—	—	4,0
	Remuneration and other employee benefits	(22,3)	(203,9)	(45,3)	(18,3)	(289,8)
6.3	Cost of incentive program	—	—	—	—	—
	Agent services	—	(23,9)	—	—	(23,9)
	Transportation services	(1,2)	(0,2)	(44,7)	—	(46,1)
	Lease costs	—	(226,5)	(3,5)	(1,7)	(231,7)
	Other outsourcing services	(0,5)	(22,5)	(52,0)	(11,5)	(86,5)
5.2	Amortization	(1,3)	(27,9)	(9,1)	(4,6)	(42,9)
	Taxes and charges	(0,6)	(2,5)	(2,0)	(2,3)	(7,4)
	Other flat costs	(0,2)	(10,5)	(28,1)	(3,8)	(42,6)
	Change in products and production in progress	(1,5)	—	—	—	(1,5)
	Total	(907,8)	(538,1)	(195,0)	(44,3)	(1 685,2)

NOTE	01.2016-06.2016	COST OF GOODS SOLD	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(526,5)	—	—	—	(526,5)
	Consumption of materials and energy	(113,4)	(17,5)	(9,8)	(2,2)	(142,9)
5.3	Provision for inventories	—	(1,2)	—	—	(1,2)
	Remuneration and other employee benefits	(18,3)	(161,5)	(33,6)	(15,2)	(228,6)
6.3	Cost of incentive program	—	—	—	(14,6)	(14,6)
	Agent services	—	(21,1)	(0,3)	—	(21,4)
	Transportation services	(0,9)	—	(31,7)	—	(32,6)
	Lease costs	—	(179,8)	(1,0)	(0,3)	(181,1)
	Other outsourcing services	(0,6)	(19,9)	(31,7)	(13,2)	(65,4)
5.2	Amortization	(1,4)	(22,0)	(6,6)	(4,3)	(34,3)
	Taxes and charges	(0,6)	(0,9)	(1,3)	(1,9)	(4,7)
	Other flat costs	(0,2)	(2,6)	(22,6)	(2,1)	(27,5)
	Change in products and production in progress	1,1	—	—	—	1,1
	Total	(660,8)	(426,5)	(138,6)	(53,8)	(1 279,7)

[in mln PLN unless otherwise stated]

OPERATING LEASE

The Group uses the following assets under the contracts that are classified as operating lease: premises, where it operates a commercial activity and other assets.

Expected minimum payments under operating lease contracts with no possibility of early termination as of 30 June 2017 and 31 December 2016 are as follows:

	RENTS	
	30.06.2017	31.12.2016
– up to 1 year	453,0	386,1
– from 1 to 5 years	1 811,8	1 544,6
– over 5 years	905,9	772,3
Total	3 170,7	2 703,0

The Group has the agreements with banks pursuant to which banks issued guarantees to entities renting premises in which the Group conducts commercial activities. The total amount of guarantees utilized at 30 June 2017 amounted to PLN 89.1 million (PLN 88.8 million at 31 December 2016).

The Group is also a party to sublease agreements on the basis of operating lease. Revenues from sub-leasing fees on the basis of operating lease for the period of 6 months in 2017 amounted to PLN 8.1 million (for the period of 12 months in 2016 amounted to PLN 14.3 million).

[in mln PLN unless otherwise stated]

3.2 OTHER INCOME AND OPERATING AND FINANCIAL COSTS

NOTE		01.2017-06.2017	01.2016-06.2016
	Other costs		
	Loss on disposal of tangible fixed assets	(1,3)	(0,4)
	Stocktaking net losses	(0,6)	(1,4)
5.7	Provision establishment	—	(1,9)
	Other net operating cost	(0,8)	0,4
	Loss on exchange rate differences on items other than debt	(6,5)	(0,9)
	Total other costs	(9,2)	(4,2)
	Other income		
	Profit on disposal of tangible fixed assets	—	(0,3)
	Profit from exchange rate differences on items other than debt	—	12,0
	Compensations	0,8	0,7
	Subsidy of SFRDP remuneration	1,5	1,4
	Other net operating income	9,8	6,3
	Total other income	12,1	20,1
	Total other operating costs and income	2,9	15,9

NOTE		01.2017-06.2017	01.2016-06.2016
	Finance costs		
4.2	Interest on borrowings (recognised in costs)	(13,2)	(8,7)
	Result on exchange rates	(16,7)	(0,3)
	Commissions paid	(0,8)	(0,4)
	Other finance cost	(4,9)	(4,7)
	Total finance costs	(35,6)	(14,1)
	Total finance revenue		
	Received dividends	—	—
	Interest from current account and other	0,8	0,6
	Result on exchange rates	—	7,7
	Other finance revenue	0,7	0,3
	Total finance revenue	1,5	8,6

[in mln PLN unless otherwise stated]

3.3 TAXATION

ACCOUNTING POLICY

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

Current tax burden is calculated on the basis of the tax result in a given Statementing 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 Group 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 acquisition transactions and internal reorganization in the group. In case of acquisitions of external bodies, temporary differences arise as a result of the valuation of assets and liabilities to their fair values without affecting the tax bases of these assets and liabilities – liabilities or assets for deferred income tax resulting from these differences adjusts the value of the company (profit by on occasional acquisition). In the event of an intra-group reorganization, assets or deferred tax liabilities arise as a result of recognition or changes in the value of assets elements or liabilities for tax purposes (e.g. a trademark) without recognizing them at the same time in the balance sheet due to the elimination of result on intragroup transactions – the effects of recognition of the related assets and deferred taxes liabilities are recognized in profit or loss unless the underlying transactions had an impact on other comprehensive income or equity. Positive temporary differences relating to goodwill are excluded from a taxable recognition, however, if the tax value of goodwill of the company arising on the transaction is higher than its carrying amount then the deferred tax asset is recognized on the initial recognition of goodwill if it is probable that the tax income will be generated which will allow for the implementation of the deductible 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 Group, when it has the right to settle current tax in a net amount.

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

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

NOTE		01.2017-06.2017	01.2016-06.2016
	Current tax	(12,7)	(16,6)
5.3.c	Deferred tax	(4,0)	4,6
5.3.b	Income tax recognized in income statement	(16,7)	(12,0)
	Current tax recognized in the result	12,7	16,6
	Balance of liabilities /(receivables) at beginning of period	4,7	(1,4)
	Balance of receivables / (liabilities) at the end of the period	20,5	8,0
	Other changes	—	0,2
	Tax paid recognized in statement of cash flows	(37,9)	23,4

[in mln PLN unless otherwise stated]

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

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

	2017	2016
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	15,47%	14,54%

Income tax of the Group's profit before tax differs in the following way from the theoretical amount that would be achieved, using the weighted average tax rate in force applicable to the profits of consolidated companies:

	01.2017-06.2017	01.2016-06.2016
Profit before tax	129,8	125,3
Weighted average tax rate	15,47%	14,54%
Tax calculated according to weighted average tax rate	(20,1)	(18,2)
Tax effects of the following items:		
• income not allowable for tax income	1,3	0,2
• non-tax-deductible expenses	(1,6)	(4,1)
• recognition of temporary difference for trademarks and goodwill	—	24,7
• tax losses in respect of which deferred tax assets were not recognized	—	(9,1)
• other adjustments	3,7	(5,5)
Charging financial result on income tax	(16,7)	(12,0)

The main item of revenue not constituting tax revenue is the revenue from the settlement of subsidies.

Non-deductible costs mainly include the prime cost regarding other periods.

[in mln PLN unless otherwise stated]

C. BALANCE AND CHANGES OF DEFERRED TAX

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

NOTE		30.06.2017	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2016	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2016
				CONVERTED DATA		
	Assets					
5.1	Goodwill	—	—	—	(247,3)	247,3
5.1	Trademarks	29,7	(2,0)	31,7	(4,1)	35,8
	Inventories – adjustment of margin on intragroup sale	7,2	2,5	4,7	(3,1)	7,8
	Impairment of assets	0,3	(0,5)	0,8	(6,5)	7,3
	Provisions for liabilities	7,0	1,7	5,3	2,2	3,1
	Others	8,3	(6,9)	15,2	(0,3)	14,9
	Tax losses	4,6	0,1	4,5	4,5	—
	Total before offsetting	57,1	(5,1)	62,2	(253,9)	316,2
	Liabilities					
	Accelerated tax depreciation of tangible fixed assets	2,7	1,0	1,8	(1,3)	3,1
	Others	0,6	(1,3)	1,9	(5,1)	7,0
	Acquisition of intangible assets	31,9	(0,8)	32,7	32,7	—
	Total before offsetting	35,2	(1,1)	36,3	26,2	10,1
	Offsetting	(1,8)	(4,0)	2,2	(1,5)	3,7
	Balance of deferred tax in the balance sheet:					
	Assets	55,3	(4,8)	60,1	7,8	312,5
	Liabilities	33,4	(0,7)	34,1	27,7	6,4
	Charging financial result	—	4,0		(19,9)	

[in mln PLN unless otherwise stated]

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

Company CCC.eu purchased in 2014 from a related company NG2 Suisse S.a.r.l trademarks of CCC, at a price equal to their fair value at the acquisition date. In this regard, the tax value of the trademarks increased. The Group recognized deferred tax assets in amount of PLN 40.5 million recognizing the effect in the result in the year 2014.

Implementation and reversal of temporary differences requires from the Management Board significant estimates in relation to expected results subject to taxation in various entities of the Group.

Recognition of deferred tax assets in excess of recognized deferred tax liability means that it is probable that the Group will be able to realize the economic benefits resulting from the settlement of amortization of goodwill and trademarks. The following table shows the periods in which realization of recognized assets and deferred tax liabilities is estimated:

PERIOD OF REALIZATION OF ASSETS AND LIABILITIES DUE TO DEFERRED TAX	30.06.2017		31.12.2016	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
			CONVERTED DATA	
up to 1 year	19,7	0,7	32,3	0,6
1–2 years	4,1	—	4,1	—
2–3 years	10,2	0,5	4,1	0,5
3–5 years	11,0	0,3	8,1	0,3
Over 5 years	10,3	31,9	11,5	32,7
Total	55,3	33,4	60,1	34,1
Unrecognized	22,3	—	23,2	—
• Relating to goodwill	—	—	—	—
• Relating to tax losses	22,3	—	23,2	—

The balance of unrecognized assets due to tax losses consists of tax losses of some companies of the Group operating in Poland.

[in mln PLN unless otherwise stated]

E. ADJUSTMENT OF ERRORS FROM PREVIOUS YEARS

On 25.05.2017, due to the audit and tax audit carried out by the Head of the Lower Silesian Customs and Treasury Office in Wrocław, for the years 2014-2015 regarding corporate income tax and due to the findings of the body included in the control protocol, after legal consultation and tax advice, being guided by the precautionary principle, the Management Board of CCC S.A. made a decision on withdrawing the goodwill amortization commencing from 2017 (CR 28/2017).

During the preparation of the consolidated financial statements for the financial year 2016 as well as at the time of preparation and approval of the summary for publication of the consolidated financial statements for Q1 2017 there was provided the reliable information on:

1. conducting a reorganization within the Group in 2014 which resulted in the disclosure of goodwill in CCC.eu subject to depreciation in accordance with the corporate income tax regulations;
2. entering into force on 15 July 2016 of the GAAR Introductory Act, which introduced a principal nature (general) rule to the Polish legal system, enabling the tax authorities to assess the tax implications of legal actions (set of activities) based on general functional criteria;
3. entering into force as of 1 January 2017 of the provisions of the GAAR Introductory Act, resulting in the limitation of the protective value of individual interpretations issued prior to the date of entry into force of the GAAR Introductory Act, i.e. before 15 July 2016,

and such information, at the time of approval for the publication of the condensed consolidated financial statements for the year 2016, was misrepresented by the Management Board. In addition, at the balance sheet date and at the date of preparation of the consolidated financial statements, the audit proceeding was being carried out that covered the above-mentioned issues. After conducting further consultations, the Management Board concluded that the initial assessment made as of 31 December 2016 on the existence of a material risk of failure to realize deferred tax assets related to goodwill was mistaken. As a result of the above and other results of tax audits carried out in the Companies of CCC Group and the re-made revision of the opening balance data, the Management Board decided to adjust the financial statements for the year 2016 as a result of which the retained earnings were reduced by PLN 265.0 million, and the particular titles are as follows:

Adjustments on the results of tax audit:

- adjustment of goodwill in value PLN - 251,1 million. As at 31.12.2016, the goodwill write-off was made and the tax deferred asset was reduced by this amount.
- in the comparative data the income tax liability from previous years was recognized (tax arrears for the year 2014) in value of PLN -10.6 million (arrears were settled in the first half of the year 2017)
- recognized deferred tax liability for tax losses was adjusted in value of PLN -5.8 million

Other adjustments:

- incorrectly recognized consolidation adjustments in the amount of PLN 2.4 million)

In addition, presentation adjustments were made in the following items of statement of financial position as at 31.12.2016:

ADJUSTMENT DESCRIPTION	ADJUSTED ITEM	VALUE OF ADJUSTMENT
Presentation of advances under deliveries	Inventories	(15,2 mln PLN)
	Other receivables	15,2 mln PLN
Presentation of consolidation exclusion on reversing the valuation of advances	Trade receivables	(2,3 mln PLN)
	Other receivables	(5,6 mln PLN)
	Trade liabilities	(7,9 mln PN)
Presentation of liabilities under remaining taxes	Income tax liabilities	(12 mln PLN)
	Other liabilities	12 mln PLN
Presentation of provisions for holidays and non-invoiced costs	Current provisions	(5,9 mln PLN)
	Other liabilities	5,9 mln PLN

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.

According to the Group's policy, a dividend payment is possible of not less than 33% and no more than 66% of the consolidated net profit of the Capital Group attributable to shareholders of the parent company, assuming that the net debt to EBITDA ratio at the end of the financial year will amount to below 3.0. Detailed information on the dividend policy is contained in the Report on the Group's Activities.-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 Entity is recognized in the value specified in the Articles of Association and entered in the court register,
- capital reserve created from the surplus value from the sale of shares above their nominal value less the issuance costs,
- retained earnings created from the dividing of financial result, undivided financial result and profit (loss) for the period covered by the financial statements,
- other capitals – created based on launched stock option scheme for employees

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

SHARE CAPITAL

As at 30 June 2017, the company's share capital consisted of 39.16 million shares (as at 31 December 2016 the share capital consisted of 39.1 million shares) of PLN 0.1, including 32.51 million ordinary shares and 6.65 million voting preferred shares. In the reporting period 36,100 ordinary shares were issued, with a nominal value of PLN 0.1 each. The issue price of a share amounted to PLN 61.35. The surplus of the issue price over the nominal value of shares was transferred to reserve capital.

The value of share capital as at 30 June 2017 amounted to PLN 3.9 million

All issued shares have been fully paid up.

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

The entity that holds a significant influence on the Company is ULTRO Sp. z o.o., based in Polkowice, holding 28.24% of the share capital and 36.43% of the total number of votes. This entity is dependent on Dariusz Miłek, the President of the Management Board of CCC S.A. Other information about shareholders is included in the report on the Company's activities.

RESERVE CAPITAL FROM THE SALE OF SHARES ABOVE THEIR NOMINAL VALUE

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

As a result of the share issuance in 2017, it increased by PLN 2.2 million.

Value of reserve capital as at 30 June 2017 Amounted to PLN 121.4 million.

RETAINED EARNINGS

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

EARNINGS PER SHARE

In the first half of 2017 ordinary and diluted earnings per share amounted to PLN 2.89 (in the same period of 2016 – respectively PLN 2.95 and PLN 2.91).

DIVIDEND

On 8 June 2017, the General Meeting of CCC S.A. adopted a resolution on the payment of dividend from the net profit for 2016 in the amount of PLN 101.4 million, which corresponds to PLN 2.59 per 1 share (in 2016 it was PLN 86.0 million, corresponding to PLN 2.19 per 1 share). The date of the dividend (D-day) was established on 7 September 2017. The dividend payment date (P-day) was established on 21 September 2017.

[in mln PLN unless otherwise stated]

4.2 DEBT

ACCOUNTING POLICY

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

i MORE INFORMATION IN NOTE **5.2**

NOTE		DEBT LIABILITIES NON-CURRENT	DEBT LIABILITIES CURRENT	DEBT LIABILITIES IN CURRENT ACCOUNT	BONDS PAYABLE	TOTAL
4.2	As of 01.01.2016	86,0	60,0	362,8	210,0	718,8
	Proceeds from debt contracted					
	• financing received	98,9	15,9	—	—	114,8
	• transactional cost	0,1	—	—	—	0,1
	Charging interest	2,9	0,5	10,9	6,8	21,1
	Repayment of debt					
	• repayment of capital	—	(62,0)	—	—	(62,0)
	• interest paid	(2,9)	(0,5)	(10,9)	(6,8)	(21,1)
	Change in current account	—	—	23,8	—	23,8
	Change of presentation from short to long-term	(29,0)	29,0	—	—	—
	Other non-cash changes	—	—	—	—	—
4.2	As of 31.12.2016	156,0	42,9	386,6	210,0	795,5
	Proceeds from debt contracted					
	• financing received	70,0	—	—	—	70,0
	• transactional cost	—	—	—	—	—
	Charging interest	2,9	1,3	7,4	3,4	15,0
	Repayment of debt					
	• repayment of capital	—	—	—	—	—
	• interest paid	(2,9)	(1,3)	(7,4)	(3,4)	(15,0)
	Change in current account	—	—	367,8	—	367,8
	Change of presentation from short to long-term	—	—	—	—	—
	Other non-cash changes	—	—	—	—	—
4.2	As of 30.06.2017	226,0	42,9	754,4	210,0	1 233,3

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

[in mln PLN unless otherwise stated]

Repayment of these liabilities are covered by the following collateral:

	30.06.2017	31.12.2016
		AMOUNT/OR BOOK VALUE OF GUARANTEE
Sureties granted	89,1	88,8
Capped mortgages on property	557,1	1 205,0
Registered pledge on movable assets	490,0	900,0
In blanco bills of exchange	—	51,2
Assignments of insurance policies	27,0	9,8
Bank guarantees	—	—

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 THE SECTION **2.3.1** (BORROWINGS) IN THE STATEMENT ON THE OPERATIONS OF THE GROUP

NOTE	AS OF 30.06.2017	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	601,4	201,9	220,0	—	—	1 023,3	1 023,3
4.2	Bonds	—	6,9	216,2	—	—	223,1	210,0
5.6	Trade liabilities	268,2	23,6	—	—	—	291,8	291,8
	Obligation to repurchase minority interests	—	—	233,3	—	—	233,3	233,3
	Financial liabilities	869,6	323,4	669,5	—	—	1 771,6	1 758,4

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

[in mln PLN unless otherwise stated]

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

NOTE		RECEIVABLES	LIABILITIES
	As of 31.12.2016	198,6	312,1
	As of 30.06.2017	273,7	546,1
	Change in the statement of financial position	(75,1)	234,0
	Difference arising from:		
5.4	Loans granted	—	—
	Change in investment liabilities	—	(21,9)
	Other	—	5,0
	Declared dividend	—	(101,4)
	Change recognized in the statement of cash flows	(75,1)	115,8
	As of 31.12.2015	133,8	178,5
	As of 30.06.2016	146,7	498,1
	Change in the statement of financial position	12,9	319,5
	Difference arising from:		
5.4	Loans granted	12,9	—
	Change in investment liabilities	—	5,4
	Declared dividend	—	(86,0)
	Other		(29,9)
	Obligation to repurchase minority interests	(9,4)	(225,9)
	Change recognized in the statement of cash flows	(16,4)	(16,9)

	01.2017-06.2017	01.2016-06.2016
Other profit adjustments before taxation:		
(Profit) loss on exchange rates differences	(1,2)	(4,4)
Change in provisions	1,6	2,4
Valuation of employee option scheme	—	14,5
Other	3,9	18,9
	4,3	31,4

	01.2017-06.2017	01.2016-06.2016
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	42,9	28,3
Change due to re-invoicing of costs	—	—
Other	(3,0)	0,9
	39,9	29,2

[in mln PLN unless otherwise stated]

5. NOTES TO THE STATEMENT 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 5.2.

i MORE INFORMATION IN NOTE **5.2**

	TRADEMARKS, PATENTS AND LICENCES	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2016	12,6	1,9	14,5
Aggregated amortization	(8,6)	—	(8,6)
Net value 01.01.2016	4,0	1,9	5,9
Exchange rate differences from the translations	—	0,1	0,1
Amortization	(2,8)	(0,3)	(3,1)
Purchase	173,6	3,8	177,4
Producing on its own	—	—	—
Liquidation and sale	—	1,7	1,7
Transfer between groups	—	(0,9)	(0,9)
Gross value 31.12.2016 (01.01.2017)	186,2	6,9	193,1
Aggregated amortization	(11,4)	(0,5)	(11,9)
Net value 31.12.2016 (01.01.2017)	174,8	6,4	181,2
Exchange rate differences from the translations	(0,1)	—	(0,1)
Amortization	(2,4)	(0,2)	(2,6)
Purchase	1,4	9,3	10,7
Producing on its own	—	—	—
Liquidation and sale	—	—	—
Transfer between groups	—	—	—
Gross value 30.06.2017	187,5	16,2	203,7
Aggregated amortization	(13,7)	(0,7)	(14,4)
Net value 30.06.2017	173,7	15,5	189,2

[in mln PLN unless otherwise stated]

5.2 TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

Tangible fixed assets include mainly: investments in foreign fixed assets (i.e. outlays in rented premises used for selling retail goods) and land and buildings, machinery and equipment.
Fixed assets are recognized at purchase price or production cost less depreciation write-offs and recognized impairment losses. Lands and fixed assets in progress are not depreciated.

Subsequent outlays are included in the book value of the fixed asset or recognized as a separate fixed asset (where appropriate) only when it is probable that this item will generate economic benefits for the Group, whereas the cost of the item can be measured reliably. Book value of the mentioned item is removed from the balance sheet. All other outlays on repairs and maintenance are recognized in financial result during the financial period in which they are incurred.
Borrowing costs are subject to capitalization and are recognized as an increase in the value of the fixed asset. Depreciation is calculated with linear method by estimating the utility period of a particular asset, which for selected groups refers to:

GROUP OF FIXED ASSETS	DEPRECIATION PERIOD	
Investments 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 are described in note below.

i MORE INFORMATION IN NOTE 5.2

Impairment on non-financial fixed assets

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

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

In order to estimate the impairment loss of non-financial assets, the Group takes into account the following reasons:
1. Store operates at least 24 months.
2. Store suffers a loss at the gross level including the customs tolerances 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 the Group's companies which commence or operate in developed economies there are analyzed additional presumptions related to the acquisition of the market. For those entities, the adaptation period and achievement of the expected profitability may be extended to 5 years.

ACCOUNTING POLICY

Subsidies received

Subsidies 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 subsidy.

Subsidies are recognized as deferred income (position „subsidies received"). Included in deferred income the amounts of subsidies 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. If the rental period was increased/decreased by one year, the level of depreciation expense would decrease/increased by PLN 4.4 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 38.5 million PLN.

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

In the first half of 2017 a grant in the amount of 1.3 million PLN was settled in the statement of comprehensive income (in the same period of 2016 it was also PLN 1.3 million).

[in mln PLN unless otherwise stated]

		FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				
	INVESTMENT IN STORES	LAND, BUILDINGS AND CON-STRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	TOTAL
Gross value 01.01.2016	434,9	175,9	116,5	2,8	295,2	21,1	40,4	48,4	109,9	840,0
Aggregated depreciation	(125,6)	(20,8)	(46,7)	(0,4)	(67,9)	(2,0)	(19,9)	(30,3)	(52,2)	(245,7)
Impairment loss	(2,3)	—	—	—	—	—	—	—	—	(2,3)
Net value 01.01.2016	307,0	155,1	69,8	2,4	227,3	19,0	20,5	18,1	57,6	591,9
Exchange rate differences from the translations	3,1	—	—	(0,7)	(0,7)	—	3,4	4,7	8,2	10,6
Purchase	90,5	31,4	12,3	1,9	45,6	0,5	8,5	10,0	19,0	155,1
Produced on its own	5,1	—	—	1,2	1,2	—	—	—	—	6,4
Depreciation	(43,8)	(5,0)	(12,3)	—	(17,3)	(0,4)	(6,7)	(4,1)	(11,2)	(72,3)
Liquidation and sale	(14,2)	(0,1)	(6,3)	—	(6,4)	(0,1)	(2,8)	(13,6)	(16,5)	(37,1)
Decrease	8,0	—	1,1	—	1,1	—	0,5	9,0	9,5	18,6
Transfers	—	0,6	0,1	(2,3)	(1,7)	(1,4)	1,0	—	(0,4)	(2,1)
Impairment loss	3,1	—	—	—	—	—	—	—	—	3,1
Gross value 31.12.2016	510,2	207,8	125,3	2,5	335,6	20,1	52,8	49,5	122,5	968,3
Aggregated depreciation	(151,5)	(25,8)	(57,9)	—	(83,7)	(2,4)	(31,0)	(19,9)	(53,3)	(288,7)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2016	358,6	182,0	67,4	2,5	251,9	17,7	21,8	29,6	69,1	679,6
Exchange rate differences from the translations	(0,8)	—	—	—	—	—	—	—	—	(0,8)
Purchase	31,6	4,3	9,6	44,3	58,2	8,6	2,1	2,9	13,6	103,4
Produced on its own	—	—	—	0,3	0,3	—	—	—	—	0,3
Depreciation	(24,7)	(2,8)	(6,5)	—	(9,3)	(0,2)	(3,7)	(2,4)	(6,3)	(40,3)
Liquidation and sale	(6,7)	—	(0,7)	—	(0,7)	—	(0,2)	—	(0,2)	(7,6)
Decrease	2,3	—	—	—	—	—	—	—	—	2,3
Transfers	1,8	—	—	—	—	—	—	(1,8)	(1,8)	—
Impairment loss	—	—	—	—	—	—	—	—	—	—
Gross value 30.06.2017	542,8	212,2	134,2	47,1	393,5	28,7	54,3	50,3	133,3	1 069,6
Aggregated depreciation	(180,7)	(28,7)	(64,4)	—	(93,1)	(2,6)	(34,3)	(22,0)	(58,9)	(332,7)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 30.06.2017	362,1	183,5	69,8	47,1	300,4	26,1	20,0	28,3	74,4	736,9

[in mln PLN unless otherwise stated]

5.3 INVENTORIES

ACCOUNTING POLICY

Inventories are recognized at purchase price or production cost or the net selling price, depending which of these amounts is lower. The cost of finished goods and manufacturing in progress covers design costs, raw materials, direct labor, other direct costs and related general manufacturing costs (based on normal production capacity), but it excludes 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 the 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.

MORE INFORMATION IN THE SECTION **2.1.1.2** (FIXED ASSETS) IN THE STATEMENT ON THE OPERATIONS OF THE GROUP

	30.06.2017	31.12.2016
Materials	0,3	3,5
Manufacturing in progress	12,4	12,1
Goods	1 304,4	972,2
Finished goods	50,0	44,4
Total (gross)	1 367,1	1 032,2
Inventory provision	(7,0)	(12,5)
Total (net)	1 359,9	1 019,7

In order to determine the amount of impairment, the Management Board relies on the most appropriate available historical data and expectations for sales. Sales of footwear depends mainly on the changing trends and customer expectations.

To determine the value of impairment on the balance sheet date inventories are taken into account that due to defined collection category are older than 2 years, counting from the collection of the current year. Based on the data relating to sales of footwear conforming to the above conditions, the Company establishes a ratio that is used to estimate the value of impairment of inventories. The value of inventory impairments and changes of the impairments are shown below.

[in mln PLN unless otherwise stated]

CHANGE IN IMPAIRMENT LOSS ON INVENTORIES

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

	30.06.2017	31.12.2016
At the beginning of the period	12,5	6,4
Establishment in cost of sales of goods	—	7,9
Utilisation	—	—
Reversal in cost of sales of goods	(5,5)	(1,8)
At the end of the period	7,0	12,5

The creation of an additional impairment loss of inventory or its release refers to goods. Changes in impairment resulting from the development of the Group's activities and sales policy.

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

5.4 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate less the impairment losses (further policy described in note 6.1).
If the amount payable can be expected within one year, receivables are classified as current assets. Otherwise, it is recognized as fixed assets.

Other receivables

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

Loans granted

Loans granted are valued initially at fair value and valued after initial recognition at amortized cost using the effective interest rate method less impairment loss. (further policy described in note 6.1).

i MORE INFORMATION IN NOTE **6.1**

[in mln PLN unless otherwise stated]

	30.06.2017	31.12.2016
Trade and other receivables	124,0	92,3
Provision for receivables	(2,1)	(3,0)
Total net receivables	121,9	89,3
Short-term loans granted	11,1	11,1
Payments on future supplies of goods	108,6	71,1
Accrued expenses	12,8	14,6
Tax receivables	7,7	7,2
Other	11,6	5,3
Total other receivables	140,7	98,2
Long-term loans granted	—	—

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

Policy for managing these risks and further information on these risks (including assessment of credit quality, the maximum exposure to credit risk, sensitivity analysis on the change rate of the exchange rate) are shown in note 6.1. In relation to these assets there are no overdue receivables.

Loan agreements with related parties have not changed significantly compared to the data published in the separate annual Statement for 2016.

i MORE INFORMATION IN THE SECTION **2.3** (UDZIELONE POŻYCZKI) IN THE STATEMENT ON THE OPERATIONS OF THE GROUP

Loans receivables are subject to credit risk and interest rate risk.

Credit risk	Policy on this risk management is presented in note 6.1. In the opinion of the Management Board, the credit quality of these receivables is good. The loans are unsecured and the maximum amount of exposure to credit risk corresponds to the book value of these receivables. Loans receivables aren't overdue or no impairment loss is confirmed.
Interest rate risk	Policy on this risk management 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 receivables is similar to their book value.

i MORE INFORMATION IN NOTE **6.1**

[in mln PLN unless otherwise stated]

5.5 CASH

ACCOUNTING POLICY

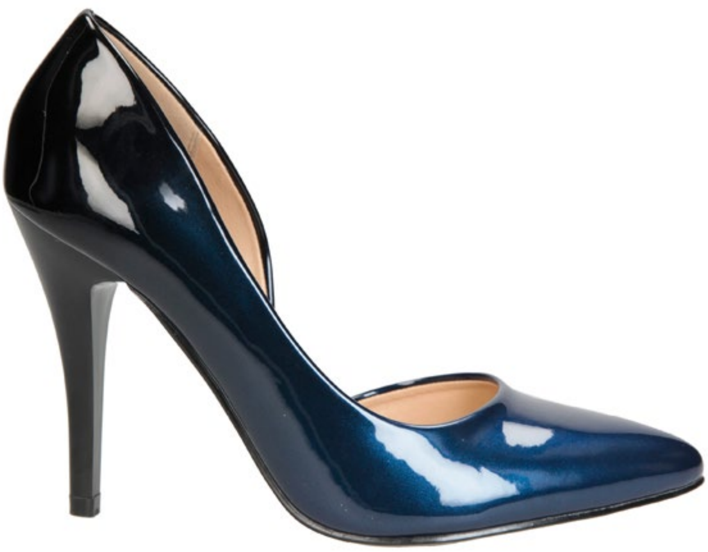
Cash and cash equivalents include cash in hand, bank deposits payable on demand. Overdrafts are presented in the statement of financial position as a component of short-term debt liabilities, but for the purposes of the statement of cash flows statement it decreases cash and cash equivalents.

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

	30.06.2017	31.12.2016
Cash in hand	17,9	23,9
Cash at bank	133,8	103,4
Short-term deposits (up to 3 months)	176,9	12,7
Cash in transit	—	3,5
Total	328,6	143,4

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

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



[in mln PLN unless otherwise stated]

5.6 LIABILITIES TO SUPPLIERS AND OTHER LIABILITIES

ACCOUNTING POLICY

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

	30.06.2017	31.12.2016
Trade liabilities:		
• lease and supply of goods and services	256,3	165,7
• investment	35,6	8,6
Total	291,8	174,3
Liabilities for indirect taxes, duties and other benefits	57,6	42,5
Liabilities to employees	38,6	31,0
Other liabilities	56,5	64,1
Dividend liabilities	101,4	—
Total	254,1	137,6

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

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

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

i MORE INFORMATION IN NOTE 4.3

[in mln PLN unless otherwise stated]

5.7 PROVISIONS

ACCOUNTING POLICY

Provision for warranty repairs and litigations are mainly recognized within the provisions.
The provision for warranty repairs is created as an estimated determination determine of the average level of product returns in respect of the complaints based on historical data.
After making the calculation for several periods and on the basis of gained experience of the Group in order to simplify the estimates made, the average rate of complaints concerning prior periods is calculated. Variable determining the potential returns from sales, upon which the value of the potential claims depends is the amount of revenue from sales in the period.
In subsequent periods some provisions adjustments are made by increasing or releasing depending on the revenue generated from the sale.
Provision for litigations is created in the amount representing the best estimate of the amount required to settle the resulting obligation.

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

Under the terms of the collective labor agreement, a group of employees has the right to receive jubilee awards depending on seniority. Eligible employees receive a lump sum constituting, after 10 years of service, the equivalent of 100% of the base salaries monthly, an amount equivalent to 150% of the base salaries monthly after 15 years of service, after 20 years of service an amount equivalent to 200% of the base salaries monthly and after 25 years of service an amount equivalent to 250% of the base monthly salaries.
The Group recognizes a provision for bonuses payable for the fiscal period and subject to the charging and payment after the end of the fiscal year. The value is determined at the end of the fiscal year.
The Group establishes a provision for future jubilee awards based on actuarial valuation using the projected unit benefits method.

	PROVISION FOR JUBILEE AWARDS AND RETIREMENT BENEFITS	PROVISIONS FOR WARRANTY REPAIRS	PROVISION FOR LITIGATION	OTHER PROVISIONS	TOTAL
As of 31.12.2016	7,9	5,0	—	1,1	14,0
Current	0,9	5,0	—	0,9	6,8
Non-current	7,0	—	—	0,2	7,2
As of 01.01.2017	7,9	5,0	—	1,1	14,0
Establishment	0,1	1,5	—	5,3	6,9
Utilisation	—	(0,3)	—	(4,9)	(5,2)
Release	—	—	—	—	—
Exchange rate differences	—	—	—	(0,1)	(0,1)
As of 30.06.2017	8,0	6,2	—	1,4	15,6
Current	1,0	6,2	—	1,1	8,3
Non-current	7,0	—	—	0,3	7,3

There were changes in the presentation of other provisions, which are provisions for unused holidays and uninvoiced costs.

[in mln PLN unless otherwise stated]

6. OTHER NOTES

6.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Impairment loss for financial assets

For each balance sheet date an assessment is made if a financial asset is impaired. If there is evidence showing impairment of loans and receivables valued at amortized cost, the amount of impairment loss is determined as the difference between the asset's book value and the current value of estimated future cash flows discounted at the original effective interest rate for these assets. An impairment loss is recognized in statement of profit or loss in the item of other operating expenses. Reversal of impairment loss is recognized if in subsequent loss decreases and the decrease can be attributed to events occurring after recognizing the impairment.

	30.06.2017		31.12.2016	
	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES
Financial assets	461,6	—	243,8	—
Loans granted	11,1	—	11,1	—
Trade receivables	121,9	—	89,3	—
Cash and cash equivalents	328,6	—	143,4	—
Financial liabilities	—	1 525,1	—	969,8
Debt liabilities	—	1 233,3	—	795,5
Trade liabilities	—	291,8	—	174,3

FINANCIAL RISK MANAGEMENT

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

[in mln PLN unless otherwise stated]

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 costs of purchasing goods in China and costs of stores rentals.

Key balance sheet items exposed to currency risk are trading liabilities (leases of shops), trade receivables (due to sublease of stores), loans granted and cash.

The Group monitors the exchange rate fluctuations and on regular basis takes steps to minimize the negative impact of currency fluctuations, e.g.: by taking these changes into account in product prices. The Group does not apply hedging instruments.

The following table presents the Company's exposure to exchange currency risk:

30.06.2017	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets	461,6	203,7	45,8	22,5	189,6
Loans granted	11,1	—	—	—	11,1
Trade receivables	121,9	5,3	18,4	19,3	79,0
Cash and cash equivalents	328,6	198,5	27,4	3,3	99,5
Financial liabilities	1 525,1	—	20,4	0,2	1 504,6
Debt liabilities	1 233,3	—	—	—	1 233,3
Trade liabilities	291,8	—	20,4	0,2	271,3

31.12.2016	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets	246,1	14,1	67,2	17,3	149,7
Loans granted	11,1	—	—	—	11,1
Trade receivables	89,3	13,4	32,4	17,3	26,2
Cash and cash equivalents	143,4	0,7	34,8	—	107,9
Financial liabilities	977,8	0,5	9,6	0,3	965,1
Debt liabilities	795,5	—	—	—	795,5
Trade liabilities	174,3	0,5	9,6	0,3	163,9

[in mln PLN unless otherwise stated]

RISK OF INTEREST RATE CHANGES

The Capital 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.

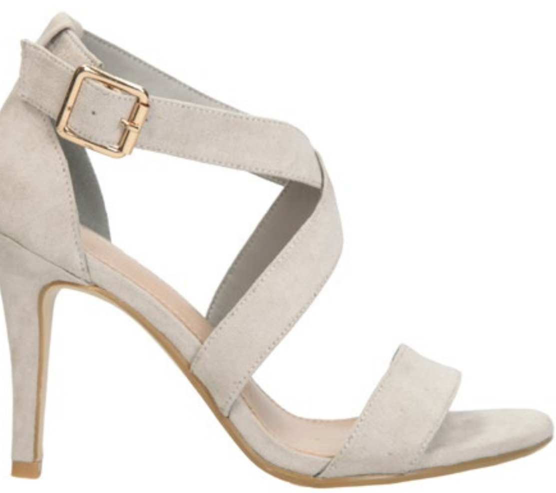
The entire debt bears interest at a variable interest rate based on WIBOR. An increase in interest rates affect the cost of debt servicing, which is partially offset by cash deposits and loans granted with variable interest rates. Loans granted in PLN bear interest using a variable WIBOR rate plus a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

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

If interest rates on debt in the period of 6 months ended 30 June 2017 were 1 p.p. higher/lower, the profit for the period would be about 9.1 million PLN (2016: 6.7 million PLN lower/higher).

The following table presents a sensitivity analysis of the risk of changes in interest rates, which in the opinion of the Group would be reasonably possible at the balance sheet date.

	AMOUNT VULNERABLE TO RISK OF INTEREST RATE CHANGE %		AS OF 30.06.2017		AS OF 31.12.2016	
	30.06.2017	31.12.2016	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	310,7	116,1	3,1	(3,1)	1,2	(1,2)
Loans granted	11,1	11,1	0,1	(0,1)	0,1	(0,1)
Debt liabilities	(1 233,3)	(795,5)	(12,3)	12,3	(8,0)	8,0
Effect on net result	—	—	(9,1)	9,1	(6,7)	6,7



[in mln PLN unless otherwise stated]

CREDIT RISK

Credit risk it is the risk by the Group 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 (under wholesale), loans granted and cash and cash equivalents in bank accounts.

The maximum exposure to credit risk at balance sheet date (30 June 2017 and 31 December 2016) is presented in the table below:

	30.06.2017	31.12.2016
Loans granted	11,1	11,1
Trade receivables	121,9	89,3
Cash and cash equivalents	328,6	143,4
Total	461,6	246,1

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

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

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

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

[in mln PLN unless otherwise stated]

	30.06.2017	31.12.2016
Banks with a rating of A	2,3	5,4
Banks with a rating of A-	244,4	63,5
Banks with a rating of B+	1,2	0,4
Banks with a rating of BB	0,3	—
Banks with a rating of BAA1	2,8	0,5
Banks with a rating of BAA2	0,9	0,4
Banks with a rating of BAA3	—	—
Banks with a rating of BBB+	4,7	2,6
Banks with a rating of BBB-	53,2	46,6
Banks with a rating of BBB	1,0	0,2
Total cash at banks	310,7	119,6

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

FRAMEWORK AGREEMENTS ON OFFSETTING

The following assets and financial liabilities are covered by enforceable framework agreements and similar agreements for offsetting (as of 30 June 2017 and 31 December 2016).

30.06.2017	GROSS VALUE	VALUE SUBJECT TO OFFSETTING	NET VALUE PRESENTED IN THE BALANCE SHEET
Trade receivables	121,9	—	121,9
Trade liabilities	291,8	—	291,8

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

6.2 ACQUISITION OF EOBUWIE.PL S.A. AND OTHER TRANSACTIONS WITH RELATED ENTITIES

ACQUISITION OF EOBUWIE.PL

On 15 January 2016, CCC S.A. acquired 74.99% of share capital of eobuwie.pl S.A. for the amount of PLN 236.2m and took control of the eobuwie.pl S.A. Group, which deals with selling footwear and fancy goods online, operating in Poland and other European countries.

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

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

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

Liability under minority buyout of shares in eobuwie.pl S.A. is a variable price, calculated based on the company's EBITDA. Due to such a construction of the price, it is highly likely that risks and benefits have not been transferred to CCC S.A. as of the date of the option occurrence, therefore the put option financial liability reduces equity. Valuation of the liability for subsequent balance sheet days will be made based on the amortized cost principle and recognized in the profit and loss statement.

Under the share transfer agreement dated 30.08.2016, CCC S.A. contributed in kind held in subsidiary eobuwie.pl S.A 7,498,999 registered preference shares of F series worth PLN 0.2 each., with a total nominal value of PLN 236.2 million, in exchange for 118,093 shares in CCC Shoes & Bags Sp. z o.o. with a nominal value of PLN 2.0 thousand each, with a total nominal value of PLN 236.2 million.

CCC S.A., on 21 August 21 signed an annex to the agreement obliging the sale of shares of eobuwie.pl S.A. as of 26 August 2015 concluded between CCC S.A., based in Polkowice, as a buyer and shareholders of the Company eobuwie.pl S.A. as a seller. More information can be found in note 6.6 Events after the balance sheet date.

TRANSACTIONS WITH RELATED ENTITIES

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

	30.06.2017	31.12.2016
Entities related to members of key management personnel		
Transactions in the fiscal year:		
Sale	—	—
Purchase	0,2	2,8
Transactions in the fiscal year:		
Receivables	—	—
Liabilities	—	0,2

Transactions with related entities were made on market conditions

6.3 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
30.06.2017				
Members of Management Board	2 284,8	—	—	2 284,8
Supervisory Board	196,6	—	—	196,6
Total	2 481,3	—	—	2 481,3
30.06.2016				
Members of Management Board	1 350,0	11 502,5	—	12 852,5
Supervisory Board	198,1	—	—	198,1
Total	1 548,1	11 502,5	—	13 050,6

6.4 PAYMENTS IN 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 Statement on the financial result, with a corresponding adjustment to equity.
In addition, in certain circumstances, employees can provide services before the date of granting them the stock options. In this case, the fair value of at the date of granting stock options is estimated to recognize costs during the period from commencement of the service by the staff to the actual date of granting them the options.
Upon exercise of the options, an entity issues new shares. The funds obtained after the deduction of any costs that can be directly attributable to the transaction, increase the share capital (nominal value) and the surplus of the issue price of shares over their nominal value.
Social security contributions payable in connection with the granting of stock options are considered an integral part of the benefit granted and the cost is treated as a transaction settled in a form of cash.

The Parent Company launched in December 2012 the incentive scheme based on subscription warrants (Scheme).

Under this scheme, the Supervisory Board granted warrants totalling to 768,000. As part of exercising the right of 768,000 subscription warrants, 94 entitled persons made a statement of taking up shares, resulting in a total of 764,000 series E shares at PLN 61.35 for the amount of PLN 46,871,400.00. With respect to the remaining 4,000 series A subscription warrants that have not been exercised for the conversion into Series E Shares, it is possible to acquire the Shares by 30 June 2018.

Details on the aim and detailed rules for issue and subscribing for shares are described in the Statement on operations of CCC S.A. in section 4.2.4.

On 8 June 2017, the Ordinary General Meeting of Shareholders adopted a resolution on the conditional increase of the Company's share capital and the issue of subscription warrants, thereby as a result, the incentive scheme will be commenced (Scheme), comprising current and future members of the Management Board, current and future members of the management boards of the subsidiaries and management of the subsidiaries.

Under this scheme, the Supervisory Board has the right to grant warrants in the total number of 1,174,920 warrants. As of the date of publication of the report, no warrants have been granted to eligible persons. The Company will make the valuation of the Scheme after approval of the regulations and identification of eligible persons.

6.5 CONSOLIDATION

ACCOUNTING POLICY

Subsidiaries these are all business entities over which the Group exercises control. Subsidiaries are subject to a full consolidation from the date of transfer of control to the Group. Consolidation ceases from the date of cessation of control.
The Group recognizes the business combination using the purchase method. The payment given for the acquisition of the venture it is the fair value of the assets given, liabilities incurred to the previous owners of the acquiree and the equity shares issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured at initial recognition at their fair values at the acquisition date. The Group recognizes at the acquisition date any non-controlling shares in the acquiree either at fair value or according to the proportionate share (corresponding to the share not giving control) in identifiable recognized net assets of the acquiree.
The excess of the cost of acquisition and non-controlling shares over the fair value of net assets acquired is recorded as goodwill.
Transaction costs are recognized in the financial result when incurred.
Intra-group transactions and balances and unrealized gains on transactions between the entities of the group are eliminated.
The table below shows the subsidiaries of CCC S.A.:

SUBSIDIARIES OF CCC S.A.	HEADQUARTERS/COUNTRY	TYPE OF BUSINESS ACTIVITY
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing
CCC Czech s.r.o.	Prague, Czech Republic	commercial
CCC Slovakia s.r.o.	Bratislava, Slovakia	commercial
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial
CCC Austria Ges.M.b.H.	Graz, Austria	commercial
CCC Shoes Ayakkabıcılık Ticaret Limited Sirketi	Istanbul, Turcja	commercial
CCC Obutev d o.o.	Maribor, Slovenia	commercial
CCC Hrvatska d o.o.	Zagreb, Croatia	commercial
CCC Germany GmbH	Frankfurt, Germany	commercial
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial
CCC Isle of Man Ltd.	Isle of Man, Douglas	service
CCC.eu Sp. z o.o.	Polkowice, Poland	purchase and selling
CCC Shoes and Bags Sp. z o.o.	Polkowice, Poland	investment
NG2 Suisse S.a.r.l.	Zug, Switzerland	investment
eobuwie.pl S.A.	Zielona Góra, Poland	commercial
CCC Shoes & Bags d.o.o. Beograd – Novi Beograd	Belgrad, Serbia	commercial
eschuhe.de UG	Frankfurt, Germany	commercial
Traf Logistics Sp. z o.o.	Zielona Góra, Poland	logistics
CCC Russia Sp. z o.o.	Moscow, Russia	commercial

6.4 EVENTS AFTER BALANCE SHEET DATE

On 21 August 2017, CCC S.A. signed an annex to the agreement obliging the sale of shares of eobuwie.pl S.A. as of 26 August 2015 concluded between CCC S.A., based in Polkowice as a buyer and shareholders of the Company eobuwie.pl S.A. as a seller.

According to the annex, the following conditions have changed:

- It was prolonged until 28 February 2023 the right of CCC S.A. to acquire registered shares of the Company from eObuwie.pl S.A., constituting a total of 25.01% of the nominal value of the share capital of eObuwie.pl SA (Call Option) and the right of eObuwie.pl S.A. to sell shares for CCC S.A. or another entity from the CCC S.A. Capital Group (Put option). The price for the Shares was set at 25.01% of the amount of the EBITDA 2021 x 12, whereby, unless there occurs any of the cases specified in the annex meeting the terms of the Significant Unfavourable Change, then the amount may not be less than PLN 100 million (one hundred million zlotys) and under no circumstances it cannot be higher than PLN 1 billion 200 million (one billion two hundred million zlotys) and if a) EBITDA 2021 will be zero or negative and b) sales for year 2021 from core business (sale from an individual customer, excluding wholesale) will be less than PLN 500 million, then the price for all Shares will be equal to the total par value of the Shares. EBITDA ratio may be modified in good faith by the Parties in the case of acquisitions made by the Company. In addition, eobuwie.pl S.A. was granted the right to use the accelerated Put Option in the case of a Change of Control in relation to CCC S.A., then the price of the Shares in this case will be determined on the basis of EBITDA for the last two full half-years prior to the date of using the accelerated Put Option.
- 20% of the net profit of eObuwie.pl S.A. for the fiscal years 2019-2021 will be allocated for dividend for the shareholders of the Company.

The interim condensed financial statements were approved for publication by the Management Board of the Company on 31 August 2017 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS

Edyta Banaś	Chief Accountant	

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

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

Polkowice, 31 August 2017