SEPARATE FINANCIAL STATEMENTS OF THE COMPANY CCC S.A.

FOR THE PERIOD 01.01.2016 – 31.12.2016

CCC
SHOES & BAGS

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

NOTE		2016	2015
2.1	Sales revenue	1 738,5	1 673,9
2.2	Cost of goods sold	(1 193,5)	(1 187,1)
	Gross profit on sale	545,0	486,8
	gross margin	31%	29%
2.2	Cost of operating stores	(439,6)	(385,6)
2.2	Other cost of sale	(15,0)	(19,1)
2.2	Administrative expenses	(36,0)	(37,8)
2.3	Other cost and operating revenue	(4,5)	(4,2)
	Operating profit	49,9	40,1
2.3	Finance revenue	35,8	269,5
2.3	Finance cost	(11,3)	(12,5)
	Profit before tax	74,4	297,1
2.4	Income tax	(15,9)	(8,7)
	NET PROFIT	58,5	288,4
	Other comprehensive income		
	Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities	—	—
	Non-attributable to be reclassified to result – other	—	—
	Total net comprehensive income	—	—
	TOTAL COMPREHENSIVE INCOME	58,5	288,4
	Weighted average number of ordinary shares (mln pcs)	39,2	38,4
	Basic and diluted earnings per share (in PLN)	1,49	7,51

i MORE INFORMATION IN SECTION 3.1.1.1 IN STATEMENT OF OPERATIONS OF THE COMPANY

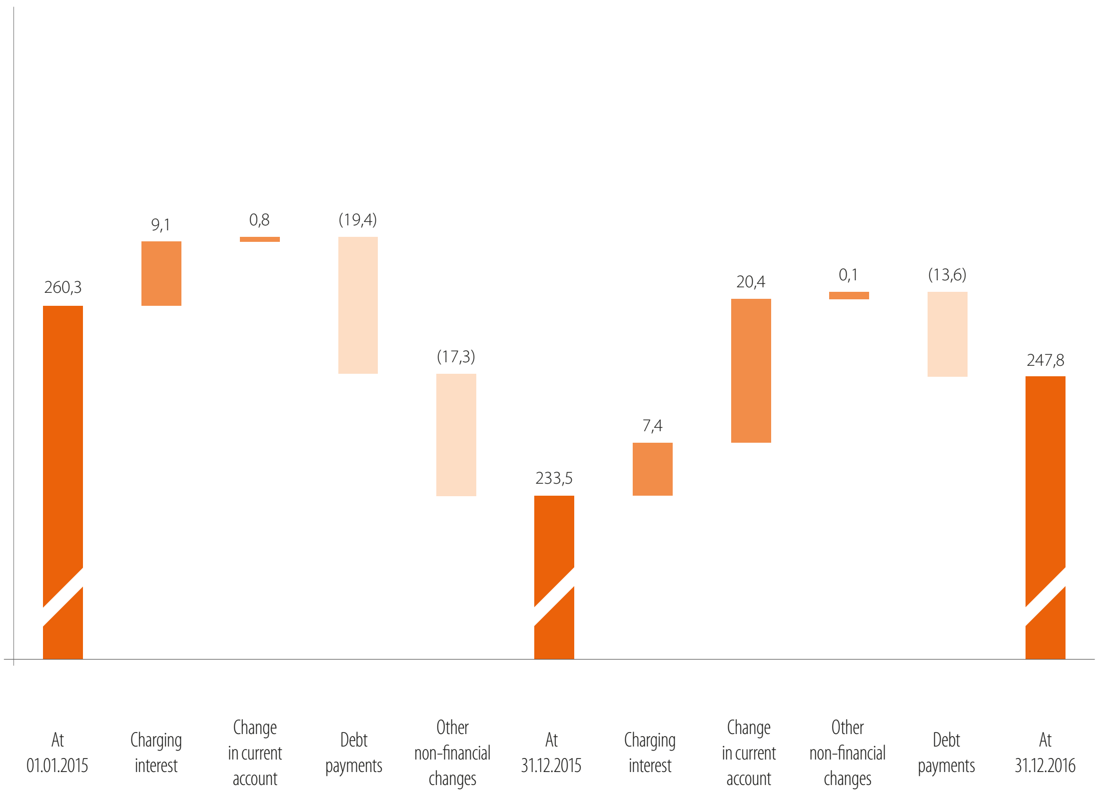
[in mln PLN unless otherwise stated]

STATEMENT OF CASH FLOWS

NOTE		2016	2015
	Profit before tax	74,4	297,1
2.2	Amortization and depreciation	37,7	34,3
	Profit / (loss) on investment activity	9,5	(260,5)
4.2	Cost of borrowings	7,0	9,1
4.4	Other adjustments to profit before tax	(1,2)	7,6
2.4	Income tax paid	(16,9)	(28,6)
	Lowering capital of NG2 Suisse s.a.r.l.	—	209,4
	Interest and share in profits (dividends)	(23,7)	—
	Cash flow before changes in working capital	86,8	268,4
	Changes in working capital		
5.3	Change in inventory and inventory write-downs	(33,4)	112,2
	Change in receivables	55,0	61,9
	Change in current liabilities, excluding borrowings	45,8	(72,7)
	Net cash flows from operating activities	154,2	369,8
	Proceeds from the sale of tangible fixed assets	17,0	9,4
3.2	Repayment of loans granted and interest	86,1	28,8
5.2, 5.1	Purchase of intangible and tangible fixed assets	(48,8)	(69,2)
3.2	Loans granted	(86,2)	(82,3)
	Expenses on capital increase in subsidiaries	(0,2)	(0,9)
	Purchase of investment in eobuwie S.A.	(231,2)	—
	Net cash flows from investing activities	(263,3)	(114,2)
4.2	Proceeds from borrowings	20,8	0,8
4.2	Issue of bonds	—	—
4.1.1	Dividends and other payments to owners	(85,7)	(115,2)
4.2	Repayment of borrowings	(6,4)	(12,0)
4.2	Interest paid	(7,1)	(7,4)
	Increase in equity	44,7	—
	Net cash flows from finance activities	(33,7)	(133,8)
	TOTAL CASH FLOWS	(142,8)	121,8
	Net increase/decrease of cash and cash equivalents	—	—
	Exchange rate changes on cash and cash equivalents	—	—
	Cash and cash equivalents at beginning of period	180,8	59,0
	Cash and cash equivalents at the end of period	38,0	180,8

i MORE INFORMATION IN SECTION **3.1.1.3** IN STATEMENT OF OPERATIONS OF THE COMPANY

CHANGE OF DEBT LEVEL



[in mln PLN unless otherwise stated]

STATEMENT OF FINANCIAL POSITION

NOTE		2016	2015
5.1	Intangible assets	3,1	2,4
5.2	Tangible fixed assets – investments in stores	148,0	137,7
5.2	Tangible fixed assets – factory and distribution	123,3	131,2
5.2	Tangible fixed assets – other	42,8	47,2
2.4	Deferred tax assets	6,7	5,8
3.2	Loans granted	29,4	10,9
3.1	Long-term investments	371,1	124,7
	Total non-current assets	724,4	459,9
5.3	Inventories	149,6	116,2
5.4	Trade receivables	14,5	69,7
	Income tax receivables	7,0	5,9
3.2	Loans granted	172,3	200,2
	Other receivables	23,4	5,4
5.5	Cash and cash equivalents	38,0	180,8
	Total current assets	404,8	578,2
	TOTAL ASSETS	1 129,2	1 038,1
4.2	Debt liabilities	210,0	210,0
	Deferred tax liabilities	—	—
5.7	Provisions	1,6	1,3
5.2	Grants received	23,5	26,1
	Total non-current liabilities	235,1	237,4
4.2	Debt liabilities	37,8	23,5
5.6	Trade liabilities	114,8	87,3
5.6	Other liabilities	49,1	32,0
	Income tax liabilities	2,5	—
5.7	Provisions	0,4	0,4
5.2	Grants received	2,6	2,6
	Total current liabilities	207,2	145,8
	TOTAL LIABILITIES	442,3	383,2
	NET ASSETS	686,9	654,9
	Equity		
4.1.1	Share capital and share premium	123,1	78,4
	Retained earnings	563,8	576,5
	TOTAL EQUITY	686,9	654,9

[in mln PLN unless otherwise stated]

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL AND SHARE PREMIUM	RETAINED EARNINGS	TOTAL EQUITY
As of 01.01.2015	78,4	376,4	454,8
Net profit for the period	—	288,4	288,4
Total comprehensive income	—	288,4	288,4
Dividend payment	—	(115,2)	(115,2)
Valuation of employee option scheme	—	26,9	26,9
Total transactions with owners	—	(88,3)	(88,3)
As of 31.12.2015 (01.01.2016)	78,4	576,5	654,9
Net profit for the period	—	58,5	58,5
Total comprehensive income	—	58,5	58,5
Dividend payment	—	(85,7)	(85,7)
Valuation of employee option scheme	—	14,5	14,5
Issue of shares	44,7	—	44,7
Total transactions with owners	44,7	(71,2)	(26,5)
As of 31.12.2016 (01.01.2017)	123,1	563,8	686,9

The issue of shares regards the implementation of the incentive scheme, as at the balance sheet date the share capital was paid but not registered.

i FOR MORE INFORMATION SEE NOTE **4.1.1**

NOTES

1. GENERAL INFORMATION

Name of the company:	CCC Spółka Akcyjna
Headquarters:	ul. Strefowa 6, 59-101 Polkowice
Registration:	District Court for Wrocław-Fabryczna in Wrocław, IX Commercial Division of the National Court Register
National Court Register (KRS):	0000211692
Corporate purpose:	The 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. has been listed on the Warsaw Stock Exchange S.A. in Warsaw since 2004.

The financial statements of CCC S.A. (The Company) is prepared in accordance with International Financial Reporting Standards as adopted by the European Union („IFRS"). The financial statements is prepared under the method of historical cost.

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

The Company is the parent company of the Capital Group CCC S.A.. The annual consolidated financial statements of the Capital Group is prepared in accordance with IFRS. In order to fully understand the financial position and results of operations of the Company as the parent company of the Capital Group, these financial statements should be read in conjunction with the annual consolidated financial statements for the period ended on 31 December 2016. These reports are available on the Company's website.

[in mln PLN unless otherwise stated]

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

NOTE	TYTUŁ	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
2.1	Sales revenue	T		13
2.2	Cost of sales of goods	T		14
2.2	Cost of operating stores	T		14
2.2	Other cost of sales	T		14
2.2	Administrative expenses	T		14
2.2	Operating leasing	T		14
2.3	Other operating and finance costs and revenues	T		14
2.4	Income tax	T		18
2.4	Deferred tax assets	T	T	18
2.4	Income tax liabilities	T		18
4.1.1	Equity	T	T	27
4.2	Debt liabilities	T		29
5.1	Intangible assets	T		34
5.2	Tangible fixed assets	T	T	35
5.2	Grants received	T		35
5.3	Inventories	T		38
5.4	Loans granted	T		40
5.4	Trade receivables	T		40
5.4	Other receivables	T		40
5.5	Cash and cash equivalents	T		41
5.6	Trade liabilities	T		42
5,6	Other liabilities	T		42
5.7	Provisions	T		43
6.1	Financial instruments	T		44
6.2	Cost of incentive program	T		49

[in mln PLN unless otherwise stated]

APPLIED NEW AND REVISED ACCOUNTING STANDARDS

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

STANDARD	DESCRIPTION OF THE AMENDMENT
IAS 1 „Disclosure Initiative"	Amendments to IAS 1 include explanations of the materiality of the information with particular regard to limiting negligible information in the financial statements.
IAS 16 "Property, Plant and Equipment" and IAS 38 „Intangible Assets"	It explains how to recognize the gross balance sheet value and depreciation using a model based on the revaluation value.
IAS 27 „Separate Financial Statements"	It contains information on the application of the equity right method in the separate financial statements restoring the ability to use the equity method in the separate financial statements.

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

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

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

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

STANDARD	MAIN AMENDMENTS AND THE EFFECTIVE DATE
IFRS 9 „Financial instruments"	The standard introduces one model assuming only two classifications of financial assets: measured at fair value and measured at amortized cost. Classification is made on initial recognition and depends on the entity's approved model of financial instruments management and the contractual cash flow characteristics of these instruments. IFRS 9 introduces a new model for setting impairment losses – a model of expected credit losses. Effective date: 1 January 2018. (not approved by the European Union)
IFRS 15 „Revenue from Contracts with Customers"	The principles set out in IFRS 15 will apply to all contracts resulting in revenues. The fundamental principle of the new standard is to recognize revenue at the time of transferring goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished within the package, should be recognized separately, moreover, any discounts and rebates relating to the transaction prices should in principle be allocated to the individual elements of the package. Effective date: 1 January 2018. (not approved by the European Union)
IFRS 16 „Leases"	The new standard establishes rules for the recognition, measurement, presentation and disclosure regarding the lease. All leasing transactions result in obtaining the lessee's right to use the assets and liabilities arising from the obligation to pay. Thus, IFRS 16 abolishes the classification of operating leases and finance leases in accordance with IAS 17 and introduces a single model for accounting recognition of the lease by the lessee. Effective date: 1 January 2019. (not approved by the European Union)

i FOR MORE INFORMATION SEE NOTE **2.1**

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

On the basis of conducted analysis, in the opinion the Management Board IFRS 16 Leases may have a significant impact on the financial statements of the Company. 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 Company as operating leases. 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. The value of future minimum payments under operating leases 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 Company. The minimum value of the discounted future payments is an approximate estimate of how much liabilities would increase if the standard was adopted at the balance sheet date. Recognized assets and liabilities will be differently accounted from the settlement of operating leases.

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

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

The Company expects that the only significant impact associated with the implementation of IFRS 9 may be the need to create impairments on the based on expected losses model. It is expected that this will have an impact on the opening balance and the balance positions of impairment losses, but this will have a little effect on the size of the recognized impairments. The Management Board plans to conduct appropriate analysis of the impact of this standard on the Company in 2017-2018.

In case of IFRS 15 the majority of the Company's sales it is retail (individual goods) and service activities, therefore the Company does not expect many significant changes. The Management Board plans to conduct appropriate analysis of the impact of this standard on the Company in the years 2017-2018.

1.1 SEGMENTS

The Company is exempt for a disclosure concerning segment results based on IFRS 8 par. 4, therefore the analysis of the activities of the operating segments of the Company is presented in the consolidated financial statements of the Capital Group CCC S.A.

i FOR MORE INFORMATION SEE SECTION **2.**
IN STATEMENT OF OPERATIONS OF THE COMPANY

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

2.1 REVENUE FROM SALE

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 Company. Revenue is shown after the deduction of value-added tax, returns, rebates and discounts.

Revenue from sales of goods and products – retail sale

The Company sells footwear, handbags, shoe care products, small leather goods and clothing through a network of its own stores located throughout the country. Revenue from sales is recognized upon delivery of the goods to the customer in the store. Retail sale is conducted mainly in cash or by payment cards. The Group applies a policy of return of goods by the customer within 7 days from the date of purchase.

Revenue from premises sublease services

The Company 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 Company on the basis of franchise agreements. Therefore, the Company makes re-invoicing of lease costs for a contractor running business in a given location. In the financial statements, the Company 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.

	2016	2015
Revenue from sale of goods	1 684,8	1 601,0
Revenue from other sale	53,7	72,9
Total sale revenue	1 738,5	1 673,9

2.2 COSTS BY NATURE

ACCOUNTING POLICY

Cost of goods sold

As the cost of goods sold the Company recognizes:
- purchase value of goods sold
- value of packages expended for sale
- the value of finished goods sold
- cost of sublease services (cost of the fees under operating lease of premises that are the subject of sublease)
- cost of provided logistic services, accounting services
- impairments for inventories

i MORE INFORMATION IN SECTION 3.1.1.1 (COST OF OPERATING STORES) IN STATEMENT OF OPERATIONS OF THE COMPANY

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 cost
- impairment losses on receivables from supplies and services

Administrative expenses

Administrative expenses include expenses related to managing the general operations of the Company (general-administrative expenses) and general expenses of the Company.
Other income and operating cost
Other operating income and costs include income and costs from non-core operating business activities of the units, for example, profit or loss on disposal of tangible fixed assets, penalties and fines, donations, etc.

Operating lease

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

i FOR MORE INFORMATION SEE SECTION 3.1.1.1 IN STATEMENT OF OPERATIONS OF THE COMPANY

[in mln PLN unless otherwise stated]

NOTE	2016	COST OF GOODS SOLD	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 193,5)	—	—	—	(1 193,5)
	Consumption of materials and energy	—	(13,7)	(0,5)	(2,2)	(16,4)
5.3	Provision for inventories	—	—	—	—	—
	Remuneration	—	(126,5)	(8,5)	(7,7)	(142,7)
6.2	Cost of incentive program	—	—	—	(4,4)	(4,4)
	Other employee benefits	—	(25,0)	(2,9)	(1,4)	(29,3)
	Agent services	—	(46,6)	—	—	(46,6)
	Transportation services	—	—	(0,7)	—	(0,7)
	Lease costs	—	(195,6)	(0,2)	(1,0)	(196,8)
	Other outsourcing services	—	(11,4)	(1,3)	(12,8)	(25,5)
5.2	Amortization	—	(20,6)	(0,2)	(3,1)	(23,9)
	Taxes and charges	—	(0,1)	(0,1)	(1,3)	(1,5)
	Other flat costs	—	(0,1)	(0,6)	(2,1)	(2,8)
	Total	(1 193,5)	(439,6)	(15,0)	(36,0)	(1 684,1)

NOTE	2015	COST OF GOODS SOLD	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 187,1)	—	—	—	(1 187,1)
	Consumption of materials and energy	—	(14,1)	(1,5)	(1,6)	(17,2)
5.3	Provision for inventories	—	—	—	—	—
	Remuneration	—	(107,3)	(6,9)	(7,1)	(121,3)
6.2	Cost of incentive program	—	—	—	(10,4)	(10,4)
	Other employee benefits	—	(21,4)	(2,4)	(1,2)	(25,0)
	Agent services	—	(37,3)	—	—	(37,3)
	Transportation services	—	(0,2)	(3,6)	—	(3,8)
	Lease costs	—	(175,6)	(1,1)	(0,8)	(177,5)
	Other outsourcing services	—	(9,9)	(2,0)	(9,7)	(21,6)
5.2	Amortization	—	(19,1)	(0,4)	(3,8)	(23,3)
	Taxes and charges	—	(0,1)	(0,1)	(1,4)	(1,6)
	Other flat costs	—	(0,6)	(1,1)	(1,8)	(3,5)
	Total	(1 187,1)	(385,6)	(19,1)	(37,8)	(1 629,6)

[in mln PLN unless otherwise stated]

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL

2016 IN ,000 PLN	FIXED REMUNERATION	PROGRAM OF PAYMENTS BASED ON SHARES – FAIR VALUE AT THE MOMENT OF GRANTING	OTHER (BONUSES)	TOTAL
Members of Management Board	2 580,0	—	200,0	2 780,0
Supervisory Board	420,1	—	—	420,1
Total	3 000,1	—	200,0	3 200,1

2015 IN ,000 PLN	FIXED REMUNERATION	PROGRAM OF PAYMENTS BASED ON SHARES – FAIR VALUE AT THE MOMENT OF GRANTING	OTHER (BONUSES)	TOTAL
Members of Management Board	2 040,0	3 134,0	950,0	6 124,0
Supervisory Board	200,0	—	—	200,0
Total	2 240,0	3 134,0	950,0	6 324,0

More information on managerial staff remuneration is disclosed in the Statement on operations in Note 6.4.3. and 6.4.4.

OPERATING LEASE

The Company uses the following assets under agreements that are classified as operating lease: commercial premises and other assets. The costs associated with these agreements are recognized in the income statement under Lease cost.

The anticipated minimum payments under operating lease that are not subject to early termination as at 31 December 2016 and 31 December 2015 are as follows:

	RENTS	
	2016	2015
– up to 1 year	146,9	133,0
– from 1 to 5 years	587,4	532,0
– over 5 years	293,7	266,0
Total	1 028,0	931,0

The Company has the agreements with banks pursuant to which banks issued guarantees to entities renting premises in which the Company conducts commercial activities. The total amount of guarantees utilized at 31 December 2016 amounted to PLN 88.8 million (PLN 68.4 million at 31 December 2015).

The Company 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 12 months in 2016 amounted to PLN 14.3 million (in 2015 PLN 13.1 million). Total future contractual rents in this respect amount to PLN 13.8 million for the entire duration of the agreements on 31 December 2016 (PLN 12.7 million at 31 December 2015).

[in mln PLN unless otherwise stated]

2.3 OTHER INCOME AND OPERATING AND FINANCIAL COSTS

NOTE		2016	2015
	Other costs		
	Loss on disposal of tangible fixed assets	—	(6,8)
	Stocktaking net losses	(1,4)	(1,7)
5.7	Provision establishment	(0,3)	(0,2)
	Other net operating cost	(18,6)	—
	Loss on exchange rate differences on items other than debt	—	(0,9)
	Total Other costs	(20,3)	(9,6)
	Other income		
	Profit on disposal of tangible fixed assets	6,0	—
	Profit from exchange rate differences on items other than debt	0,6	—
	Compensations	0,6	0,2
	Subsidy of SFRDP remuneration	3,0	3,1
	Other net operating income	5,6	2,1
	Total other income	15,8	5,4
	Total other operating costs and income	(4,5)	(4,2)

The item of other net operating cost is a loan relief granted to the subsidiary CCC Shoes Ayakkabibilik Ticaret Limited, Sirketi in the amount of PLN 18.6 million.

NOTE		2016	2015
	Finance cost		
4.2	Interest on borrowings (recognised in costs)	(7,4)	(9,1)
	Result on exchange rates	—	(0,6)
	Commissions paid	—	—
	Other finance cost	(1,4)	(2,8)
	Credit sureties received	(2,5)	—
	Total finance cost	(11,3)	(12,5)
	Finance revenue		
	Received dividends	18,7	260,1
	Interest from current account and other	5,6	5,7
	Result on exchange rates	4,7	—
	Other finance revenue	0,3	3,7
	Credit sureties granted	6,5	—
	Total finance revenue	35,8	269,5

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

[in mln PLN unless otherwise stated]

2.4 TAXATION

ACCOUNTING POLICY

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

Current tax is calculated on the basis of the tax result in a given reporting period. Changes in estimates relating to previous years are recognized as an adjustment to the burden for the current year.

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

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

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

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

		2016	2015
	Current tax	(16,9)	(10,0)
2.4.c	Deferred tax	0,9	1,3
2.4.b	**Income tax recognized in income statement**	(15,9)	(8,7)
	Current tax recognized in the result	(16,9)	(10,0)
	Balance of liabilities /(receivables) at beginning of period	(5,9)	(12,8)
	Balance of receivables / (liabilities) at the end of the period	7,0	(5,8)
	Other changes	(1,1)	—
	Tax paid recognized in statement of cash flows	(16,9)	(28,6)

[in mln PLN unless otherwise stated]

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

Income tax of the Company's profit before tax differs in the following way from the theoretical amount that would be achieved, using the Company's tax rate in force applicable to the taxable income of the Company:

	2016	2015
Profit before tax	74,4	297,1
Weighted average tax rate	19%	19%
Tax calculated according to weighted average tax rate	(14,1)	(56,4)
Tax effects of the following items:		
– income not allowable for tax income	5,5	50,4
– non-tax-deductible expenses	(5,2)	(2,9)
– other adjustments	(2,1)	0,2
Charging financial result on income tax	(15,9)	(8,7)

The main item of income not constituting tax revenues are the dividends received from related entities in total amount of PLN 18.7 million. The item other adjustments include mainly PLN 3.2 million under previous-years tax adjustments for 2014 and 2015.

Non-deductible costs mainly include the cost of debt relief of a subsidiary.

i MORE INFORMATION IN NOTE 2.3

[in mln PLN unless otherwise stated]

C. BALANCE AND AMENDMENTS OF DEFERRED TAX

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

NOTE	31.12.2016	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2015	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2015
Assets					
Impairment of assets	—	(2,4)	2,4	—	2,4
Provisions for liabilities	3,8	2,6	1,2	(0,2)	1,4
Others	5,4	1,3	4,1	2,0	2,1
Total before offsetting	9,2	1,5	7,7	1,8	5,9
Liabilities					
Accelerated tax depreciation of tangible fixed assets	(2,3)	(0,7)	(1,6)	(0,5)	(1,1)
Others	(0,2)	0,1	(0,3)	0,1	(0,4)
Total before offsetting	(2,5)	(0,6)	(1,9)	(0,4)	(1,5)
Offsetting	2,5	0,6	1,9	0,4	1,5
Balance of deferred tax in the balance sheet:					
Assets	6,7	0,9	5,8	1,4	4,4
Liabilities	—	—	—	—	—

[in mln PLN unless otherwise stated]

3. INVESTMENTS IN SUBSIDIARIES, LOANS GRANTED AND TRANSACTIONS WITH RELATED ENTITIES

3.1 INVESTMENTS IN SUBSIDIARIES

ACCOUNTING POLICY

Subsidiaries in the Company's financial statements are those entities over which the Company exercises control. Investments in subsidiaries the Company values according to cost after reducing impairment losses.
Transaction costs related to the acquisition of investments increase the book value of the investment.

The impairment test is carried out when there is evidence for impairment by calculating the recoverable amount as the higher of two amounts: fair value less costs of sale and value in use). Impairment represents the excess of the book value over the recoverable amount.

NOTE	2016	2015
As at 1 January	124,7	107,2
Purchase	236,4	0,9
Sale	—	—
Impairment loss	—	—
Other	10,0	16,6
As at 31 December	371,1	124,7

The amount of PLN 10 million presented in the item Other includes the valuation of the employee scheme in the subsidiaries.

ACQUISITION OF EOBUWIE.PL S.A.

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

The remuneration was determined as follows:

- amount of PLN 130.0 million paid in cash,
- the amount of PLN 100.7 million to be paid in cash, determined as 74.99% of the amount determined as: the product of PLN 12.00 (twelve zloty) for each PLN 1.00 (one zloty) EBITDA of eobuwie.pl SA for the year 2015 over the amount of PLN 15.0 million (fifteen million zlotys) less the amount paid to the Shareholders for the settlement of the Company's profit for the reporting period from 01.01.2015 to 31.12.2015.
- conditional remuneration in the amount of PLN 5.0 million which payment was postponed – within 12 months of conclusion of the sale contract, it was settled on 03.03.2017

The condition for implementation of the aforementioned amount was securing all or part of this amount by CCC S.A. for claims arising from defects in representations and assurances made by Company's shareholders of eobuwie.pl S.A. due to the conclusion of the investment agreement.

[in mln PLN unless otherwise stated]

As a result of the acquisition, the Company will commenced the distribution of its goods in the e-commerce channel.

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

The above put and call options are the symmetric type of a forward. It is a derivative instrument regulated by IAS 39 that deals with financial instruments not quoted in an active market. Due to the fact that the fair value of these options cannot be reliably measured, such options should be recognized at cost which is the price paid/received for these options. Under the agreement, there was no remuneration for the issued/received option, hence the option was presented at the value of zero on the date of initial recognition. Due to the lack of reliable possibility to value the options, it was not measured at fair value in this financial statement.

Under the share transfer agreement dated 30.08.2016, the Company CCC S.A. transferred by a contribution in kind, held at the Subsidiary of eobuwie.pl S.A., 7.498.999 preference shares of F series with the value of 0.2 each with a total nominal value of PLN 236.2 million PLN 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.

i FOR MORE INFORMATION SEE SECTION **3.3.4**
IN STATEMENT OF OPERATIONS OF THE COMPANY

The structure of significant investments broken down by subsidiaries is presented below:

			BOOK VALUE	
NAME OF COMPANY	HEADQUARTERS OF COMPANY	BUSINESS ACTIVITY	2016	2015
CCC Shoes & Bags sp. z o.o.	Polkowice, Poland	investing	280,7	44,5
CCC Czech s.r.o.	Prague, Czech Republic	commercial	40,0	40,0
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing	27,5	18,1
CCC.EU sp. z o.o.	Polkowice, Poland	commercial	10,0	9,3
CCC Hrvatska d.o.o.	Zagreb, Croatia	commercial	3,1	3,1
CCC Germany GmbH	Frankfurt, Germany	commercial	2,5	2,5
CCC Obutev d.o.o.	Maribor, Slovenia	commercial	2,2	2,2
CCC Austria Ges.m.b.H	Graz, Austria	commercial	1,8	1,8
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial	1,3	1,3
NG2 Suisse s.a.r.l.	Zug, Switzerland	in liquidation	0,9	0,9
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial	0,5	0,6
CCC Slovakia, s.r.o.	Bratislava, Slovakia	commercial	0,3	0,3
CCC Shoes Ayakkabycylyk Ticaret Limited Sirketi	Gayrettepe Istanbul, Turkey	commercial	0,1	0,1
CCC Isle of Man Ltd.	Douglas, Isle of Man	commercial	—	—
CCC Shoes & Bags d.o.o. Beograd	Belgrad, Serbia	commercial	0,2	—
Total			371,1	124,7

All subsidiaries are directly or indirectly controlled by the Company (the Company holds a 100% share in each of the above companies and the same number of voting rights).

[in mln PLN unless otherwise stated]

3.2 LOANS GRANTED

ACCOUNTING POLICY

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.

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 periods, the impairment loss decreases and the decrease can be attributed to events occurring after recognizing the impairment.

	2016	2015
As at 1 January	211,0	153,7
Loans granting	86,2	81,8
Accrued interest	5,3	5,4
Repayments	(86,1)	(29,9)
Impairment loss	—	—
Other	(14,7)	0,1
As at 31 December	201,7	211,1
– current	172,3	200,2
– non-current	29,4	10,9

The item Other includes the loan relief granted to the subsidiary CCC Shoes Ayakkabibilik Ticaret Limited Sirketi in the amount of PLN – 18.6 million, the remaining amount is the valuation of loans at the balance sheet date.

The fair value of loans granted does not materially differ from the carrying amount.

As for these assets, the loan relief granted to CCC Shoes Ayakkabibilik Ticaret Limited Sirketi took place, there are no indications of impairment for the other loans. There are no overdue loans as at the balance sheet date.

Loans are mainly granted to subsidiaries of CCC S.A.. The currency in which loans are granted is mainly PLN and EUR. The amounts of loans in other foreign currencies (USD, BGN) are insignificant. Further analysis regarding the currency risk is described in note 6.1.

The interest rate on loans granted is based on the variable WIBOR plus a margin (loans in PLN) or fixed interest rates defined in the agreements (loans in EUR and other currencies). Further analysis regarding the interest rate risk is described in note 6.1.

i FOR FURTHER DETAILS SEE NOTE **6.1**

[in mln PLN unless otherwise stated]

	AMOUNT OF LOAN 2016	AMOUNT OF LOAN 2015
Subsidiaries of CCC S.A.		
CCC.EU Sp. z o.o.	20,7	59,5
CCC Austria Ges.m.bH	52,6	52,8
CCC Germany GmbH	54,8	44,0
CCC Shoes Ayakkabicilik Ticaret Limited Sirketi	—	18,9
CCC Shoes Bulgaria EOOD	4,7	4,7
eobuwie.pl S.A.	47,1	—
CCC Slovakia, s.r.o.	0,9	0,9
CCC OBUTEV d.o.o.	—	0,9
CCC Hrvatska d.o.o.	—	0,9
CCC Shoes & Bags Sp. z o.o.	—	0,3
CCC Shoes & Bags d.o.o. Beograd – Stari Grad	1,3	—
CCC Russia Sp. z o.o.	8,5	—
Total	190,6	182,9
– current	161,2	182,0
– non-current	29,4	0,9
Other subsidiaries		
Adler International sp. z o.o. Sp.k.	11,1	15,1
eobuwie.pl S.A.	—	13,1
Total	11,1	28,2
including:		
– current	11,1	18,2
– non-current	—	10,0

[1] Since 2016 the company eobuwie.pl S.A. has been a related entity to CCC S.A. (Indirectly by CCC Shoes & Bags Sp. z o.o.)

Analysis regarding credit risk described in note 6.1.

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, and 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.

[in mln PLN unless otherwise stated]

3.3 TRANSACTIONS WITH RELATED ENTITIES

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

	2016	2015
SUBSIDIARIES OF THE COMPANY		
Transactions in the financial year		
Sale of finished products/goods	0,5	104,6
Sale of services	72,3	133,9
Interest on loans granted	4,8	4,8
Purchases of finished products/goods	1 118,8	1 091,9
Purchase of services	15,5	13,2
Sale of fixed assets	0,8	1,9
Transactions at the balance sheet date:		
Receivables from customers	20,1	64,4
Loans receivables	190,6	182,8
Liabilities for suppliers	(94,8)	(64,2)
Debt liability toward NG2 Suisse s.a.r.l.	(16,3)	(22,3)
Contingent assets and liabilities as at the balance sheet date		
Contingent assets from guarantees and sureties received	816,0	83,0
Contingent liabilities from collaterals granted	3 115,7	997,0

i FOR MORE INFORMATION SEE NOTE **3.3.3.**
IN STATEMENT OF OPERATIONS OF THE COMPANY

Contingent assets and liabilities include received and granted collateral of loans for subsidiaries of the Capital Group.

Details regarding loans granted to related entities are presented in note 3.2 .

Transactions with related entities were made based on market conditions.

[in mln PLN unless otherwise stated]

4. DEBT, CAPITAL AND LIQUIDITY MANAGEMENT

4.1 CAPITAL MANAGEMENT

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

In accordance with the Company's policy, the dividend is possible in the amount not less than 33% and not higher than 66% of the profit for the period. Detailed information on the dividend policy is described in the Statement on operations of the Company. [Section 5 (dividend policy)]

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

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

i FOR MORE INFORMATION SEE NOTE **3.2.1** IN STATEMENT OF OPERATIONS OF THE COMPANY

NOTE		2016	2015
4.2	Debt liabilities	247,8	233,5
5.5	Cash and cash equivalents	38,0	180,8
	Net debt	209,8	52,7
4.1.1	Total equity	686,9	654,9
	Capital employed (equity and net debt)	896,7	707,6
	Debt ratio	23%	7%

The change of a ratio is consistent with the activities undertaken by the Company, and the ratio is at the level expected by the Management Board of the parent company.

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) is recognized 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 are recognized as a liability in the Company's financial statements in the period in which they are approved by shareholders.

SHARE CAPITAL

As at 31 December 2016, the company's equity capital consisted of 39.2 million shares (as at 31 December 2015 it consisted of 38.4 million shares) with a nominal value of PLN 0.1 each, including 32.45 million ordinary shares and 6.65 million voting preference shares.

All issued shares were paid in full.

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

The entity which has a significant effect on the Company is a company ULTRO Sp. z o.o., based in Polkowice, which holds 28,27% of the share capital and 36.46% of the total number of votes. This entity is dependent on Dariusz Miłek, The President of the Management Board of CCC S.A. Other information on Shareholders is includedin Statement of operations of the Company

During the reporting period, 727,900 ordinary shares were issued with a nominal value of PLN 0.1 each. The issue price of shares is PLN 61.35. The surplus of the issue price over the nominal value of shares was charged to the reserve capital. The issue in full was charged to the share capital in the amount of PLN 44.7 million. At the balance sheet date the capital was paid in full, but not registered. Capital registration took place on February 14, 2017. For more information see note 6.3. Events after the balance sheet date.

i FOR MORE INFORMATION SEE NOTE **6.1**

i FOR MORE INFORMATION SEE SECTION **4.2.1**
IN STATEMENT OF OPERATIONS OF THE COMPANY

OTHER CAPITAL

Other capital mainly include capital from the settlement of employee benefit plans based on shares settled in capital instruments (for further details see note 6.1).

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.

[in mln PLN unless otherwise stated]

EARNINGS PER SHARE

In the fiscal year basic and diluted earnings per share amounted to 1,49 (in 2015 respectively – PLN 7,51 and PLN 7,41).

	31.12.2016	31.12.2015
Weighted average number of shares during the period [pcs.]	39 127 900	38 400 000
Potential number of shares (pcs.)	40 100	768 000
Total [psc.]	39 168 000	39 168 000
Net profit [million PLN]	58,5	288,4
Earnings per share [PLN]	1,49	7,51
Diluted earnings [PLN]	1,49	7,41
Number of warrants [psc.]	40 100	768 000
Price of warrants [PLN]	61,35	61,35
Weighted average price of shares during the period [PLN]	165,89	169,50
Number by a market price [psc.]	14 830	277 975
Number without price [psc.]	25 270	490 025
Number of shares for ordinary earnings per share [psc.]	39 127 900	38 400 000
Number of diluting shares [psc.]	25 270	490 025
Number of shares after adjustment [psc.]	39 153 170	38 890 025
Net profit [million PLN]	58,5	288,4
Diluted earnings per share [PLN]	1,49	7,41

i FOR MORE INFORMATION SEE SECTION 5.
IN STATEMENT OF OPERATIONS OF THE COMPANY

DIVIDEND PAYED

In the current year a dividend in the amount of PLN 85,7 million was paid, which corresponds to PLN 2.19 per 1 share (in 2015 it was PLN 115,2 million corresponding to PLN 3,00 per 1 share). Detailed information on the dividend policy is contained in the Statement of operations of the Company.

[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 FOR MORE INFORMATION SEE NOTE 5.2

NOTE		ZOBOWIĄZANIA Z TYTUŁU KREDYTÓW			ZOBOWIĄZANIA Z TYTUŁU OBLIGACJI	TOTAL ZADŁUŻENIE
		DŁUGOTERMINOWE	KRÓTKOTERMINOWE	W RACHUNKU BIEŻĄCYM		
4.2	As of 01.01.2015	6,0	44,3	—	210,0	260,3
	Proceeds from debt contracted	—	—	—	—	—
	– financing received	—	—	—	—	—
	– transactional cost	—	—	—	—	—
	Charging interest	0,2	1,7	0,1	7,1	9,1
	Repayment of debt	—	—	—	—	—
	– repayment of capital	(6,0)	(6,0)	—	—	(12,0)
	– interest paid	(0,2)	—	(0,1)	(7,1)	(7,4)
	Change in current account	—	—	0,8	—	0,8
	Change of presentation from short to long-term	—	—	—	—	—
	Other non-cash changes	—	(17,3)	—	—	(17,3)
4.2	As of 31.12.2015 (01.01.2016)	—	22,7	0,8	210,0	233,5
	Proceeds from debt contracted	—	—	—	—	—
	– financing received	—	—	—	—	—
	– transactional cost	—	—	—	—	—
	Charging interest	—	0,4	0,2	6,8	7,4
	Repayment of debt	—	—	—	—	—
	– repayment of capital	—	(6,4)	—	—	(6,4)
	– interest paid	—	(0,1)	(0,2)	(6,8)	(7,1)
	Change in current account	—	—	20,3	—	20,3
	Change of presentation from short to long-term	—	—	—	—	—
	Other non-cash changes	—	0,1	—	—	0,1
4.2	As of 31.12.2016	—	16,7	21,1	210,0	247,8

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]

Under the terms of loan agreements and incurred liabilities with respect to bonds of which the balance of the debt on the balance sheet date is 247.8 mln (2015: 233.5 mln) The Company is required to comply with the following covenants:

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

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

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

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

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

b. Interest

The above ratios (EBITDA, net financial debt) are not indicators resulting from accounting standards and they are not defined by IFRS and may be calculated differently by other entities.

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

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

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

Selected data from the consolidated statement of financial position:

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

[in mln PLN unless otherwise stated]

On 31 December 2016 the value of Ratio 1 was 1.5 (1.2 at 31 December 2015), whereas the value of Ratio 2 amounted to 21.2 (18.6 at 31 December 2015).

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

Repayment of these liabilities are covered by the following collateral:

	VALUE / OR CARRYING AMOUNT OF COLLATERAL	
	2016	2015
Sureties granted	1 127,6	997,0
Capped mortgages on property	487,5	187,5
Registered pledge on movable assets	900,0	97,5
In blanco bills of exchange	600,6	—
Assignments of insurance policies	9,8	8,0
Bank guarantees	88,8	—

i FOR MORE INFORMATION SEE SECTION **3.2.1.** IN STATEMENT OF OPERATIONS OF THE COMPANY

[in mln PLN unless otherwise stated]

4.3 CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES AND LIQUIDITY MANAGEMENT POLICY

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

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

i MORE INFORMATION IN SECTION **3.3.1** IN STATEMENT OF OPERATIONS OF THE COMPANY

NOTE	AS OF 31.12.2016	CONTRACTUAL MATURITIES FROM THE END OF 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	34,3	3,5	—	—	—	37,8	37,8
4.2	Bonds	—	6,8	219,6	—	—	226,4	210,0
5.6	Liabilities to suppliers	113,2	1,6	—	—	—	114,8	114,8
	Contingent liabilities arising from guarantees	—	1 127,6	—	—	—	1 127,6	—
	Financial liabilities	147,5	1 139,5	219,6	—	—	1 506,6	362,6

NOTE	AS OF 31.12.2015	CONTRACTUAL MATURITIES FROM THE END OF 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	12,6	10,9	—	—	—	23,5	23,5
4.2	Bonds	—	6,8	6,8	219,6	—	233,2	210,0
5.6	Liabilities to suppliers	87,3	—	—	—	—	87,3	87,3
	Contingent liabilities arising from guarantees	—	997,0	—	—	—	997,0	—
	Financial liabilities	99,9	1 014,7	6,8	219,6	—	1 341,0	320,8

Financial guarantees provided within the CCC Capital Group are presented in Note 3.3. Transactions with related entities.

Guarantees granted to the Company are secured by overdrafts.

[in mln PLN unless otherwise stated]

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

NOTE		RECEIVABLES	LIABILITIES
	As of 31.12.2015	287,0	119,3
	As of 31.12.2016	217,2	163,9
	Change in the statement of financial position	(69,8)	44,6
	Difference arising from:		
5.4	Loans granted	(9,3)	—
	Change in investment liabilities	—	(3,7)
	Other	(5,5)	2,5
	Change recognized in the statement of cash flows	(55,0)	45,8
	As of 31.12.2014	275,2	204,7
	As of 31.12.2015	287,0	119,3
	Change in the statement of financial position	11,8	(85,4)
	Difference arising from:		
5.4	Loans granted	(57,4)	—
	Change in investment liabilities	—	(4,9)
	Declared dividend	—	—
	Other	7,3	(8,0)
	Change recognized in the statement of cash flows	61,9	(72,5)

	2016	2015
Other profit adjustments before taxation:		
(Profit) loss on exchange rates differences	—	—
Change in provisions	0,2	(2,8)
Valuation of employee option scheme	4,4	10,4
Other	(5,8)	—
	(1,2)	7,6

	2016	2015
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	23,9	23,3
Change due to re-invoicing of costs	12,3	10,6
Other	1,5	0,4
	37,7	34,3

[in mln PLN unless otherwise stated]

5. NOTES TO STATEMENTS OF FINANCIAL POSITION

5.1 INTANGIBLE ASSETS

ACCOUNTING POLICY

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

In case when there were events or changes in circumstances indicating that the book value of intangible assets may not be recoverable, they undergo verification for impairment in accordance with the policy described in note 5.2.

i MORE INFORMATION IN NOTE 5.2

	TRADEMARKS, PATENTS AND LICENCES	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2015	6,0	3,4	9,4
Aggregated amortization	(3,7)	—	(3,7)
Net value 01.01.2015	2,3	3,4	5,7
Amortization	(1,8)	—	(1,8)
Purchase	1,0	—	1,0
Producing on its own	—	—	—
Liquidation and sale	—	(2,5)	(2,5)
Transfer between groups	—	—	—
Gross value 31.12.2015 (01.01.2016)	7,0	0,9	7,9
Aggregated amortization	(5,5)	—	(5,5)
Net value 31.12.2015 (01.01.2016)	1,5	0,9	2,4
Amortization	(2,0)	—	(2,0)
Purchase	1,9	—	1,9
Producing on its own	—	—	—
Liquidation and sale	—	1,7	1,7
Transfer between groups	—	(0,9)	(0,9)
Gross value 31.12.2016	8,9	1,7	10,6
Aggregated amortization	(7,5)	—	(7,5)
Net value 31.12.2016	1,4	1,7	3,1

The item Disposal and liquidation includes reversal of the liquidation of implementation of the financial and accounting system in the amount of PLN 1.7million made in the year 2015.

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 Company, 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
Investment in stores	Depreciation period is determined by two factors and accept lesser of values: – utility period of outlays (typically 10 years) – duration of the lease store in which the fixed asset is placed (usually 10 years)
Buildings	– from 10 to 40 years
Machines and equipment	– from 3 to 15 years
Means of transport	– from 5 to 10 years
Other tangible fixed assets	– from 5 to 10 years

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

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 Company 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 Company 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 Company performs an impairment loss in the amount of surplus of investment outlays over the recoverable amount. Write-down is recognized in cost of sales of goods.

Grants received

Grants for the purchase or production of tangible fixed assets the Company recognizes in the books of the Company 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 Company will meet the conditions necessary to receive a grant. Grants are recognized as deferred income (position „grants received"). Included in deferred income the amounts of grants gradually adjust the depreciation in other operating income, in parallel to depreciation write-offs or tangible fixed assets impairment financed from these sources.

SIGNIFICANT ESTIMATE

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

In 2015 impairment loss of non-financial assets in the amount of PLN 3.1 million was made, in total relating to outlays in stores.

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

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

In the event that the rental period has been increased/decreased by one year, the level of depreciation expense would be increased/decreased by PLN 2.6 million. Fixed assets in progress mainly include investment outlays incurred in the factory and distribution.

As at the balance sheet date, the value of outlays amounted to PLN 1.3 million (PLN 1.7 million – 31.12.2015)

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

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

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

In 2016, a total of PLN 2.6 million was settled to the comprehensive income statement (PLN 2.6 million in 2015), which was recognized in other operating income.

[in mln PLN unless otherwise stated]

	INVESTMENT IN STORES	FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				TOTAL
		LAND, BUILDINGS AND CON-STRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	
Gross value 01.01.2015	204,2	72,6	77,9	0,8	151,3	20,1	18,7	40,3	79,1	434,6
Aggregated depreciation	(74,4)	(9,1)	(25,3)	—	(34,4)	(1,7)	(13,0)	(16,1)	(30,8)	(139,6)
Impairment loss	(6,2)	—	—	—	—	—	—	—	—	(6,2)
Net value 01.01.2015	123,5	63,4	52,6	0,8	116,8	18,4	5,7	24,2	48,3	288,6
Purchase	42,2	6,5	16,6	0,9	24,0	1,0	3,9	1,6	6,5	72,7
Produced on its own	—	—	—	—	—	—	—	—	—	—
Depreciation	(20,9)	(1,9)	(7,9)	—	(9,8)	(0,4)	(1,7)	(3,2)	(5,3)	(36,0)
Liquidation and sale	(19,8)	—	—	—	—	—	(3,4)	(0,3)	(3,7)	(23,5)
Decrease	9,6	—	—	—	—	—	1,1	0,3	1,4	11,0
Transfers	—	—	—	—	—	—	—	—	—	—
Impairment loss	3,1	—	—	—	—	—	—	—	—	3,1
Gross value 31.12.2015 (01.01.2016)	226,6	79,1	94,5	1,7	175,3	21,1	19,2	41,6	81,9	483,8
Aggregated depreciation	(85,7)	(11,0)	(33,1)	—	(44,1)	(2,0)	(13,7)	(19,0)	(34,7)	(164,5)
Impairment loss	(3,1)	—	—	—	—	—	—	—	—	(3,1)
Net value 31.12.2015 (01.01.2016)	137,7	68,1	61,4	1,7	131,2	19,1	5,5	22,6	47,2	316,1
Purchase	34,6	2,9	1,1	1,3	5,3	0,5	6,0	0,4	6,9	46,8
Produced on its own	—	—	—	—	—	—	—	—	—	—
Depreciation	(23,1)	(2,0)	(9,5)	—	(11,5)	(0,4)	(2,1)	(2,0)	(4,5)	(39,1)
Liquidation and sale	(12,2)	—	—	—	—	(0,1)	(2,7)	(12,9)	(15,7)	(27,9)
Decrease	7,9	—	—	—	—	—	0,6	8,7	9,3	17,2
Transfers	—	—	—	(1,7)	(1,7)	(1,4)	1,0	—	(0,4)	(2,1)
Impairment loss	3,1	—	—	—	—	—	—	—	—	3,1
Gross value 31.12.2016	249,0	82,0	95,6	1,3	178,9	20,1	23,5	29,0	72,7	500,5
Aggregated depreciation	(100,9)	(13,0)	(42,6)	—	(55,6)	(2,4)	(15,2)	(12,2)	(29,9)	(186,4)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2016	148,0	69,0	53,0	1,3	123,3	17,7	8,3	16,8	42,8	314,1

[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. 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.

i MORE INFORMATION IN SECTION **3.1.1.2** (FIXED ASSETS) IN STATEMENT OF OPERATIONS OF THE COMPANY

	2016	2015
Goods	149,6	116,2
Total (gross)	149,6	116,2
Inventory provision	—	—
Total (net)	149,6	116,2

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

To determine the value of impairment on the balance sheet date inventories are taken into account that were purchased at least two years in advance and meet two conditions: (1) the selling price of the goods is lower than the purchase price, and (2) goods taking up stock for more than 24 months. Based on the data relating to sales of footwear conforming to the above conditions over the past 5 years, 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.

i MORE INFORMATION IN NOTE **6.1**

CHANGE IN IMPAIRMENT LOSS ON INVENTORIES

i MORE INFORMATION IN SECTION **3.1.1.2** (CURRENT ASSETS) IN STATEMENT OF OPERATIONS OF THE COMPANY

	2016	2015
At the beginning of the period	—	—
Establishment in cost of goods sold	—	2,1
Utilisation	—	—
Reversal in cost of goods sold	—	(2,1)
At the end of the period	—	—

Due to changes in the business structure of the entire Capital Group CCC S.A., which occurred on 1 October 2014, The Company now owns most of all goods stored in retail outlets. This reduced the value of inventories that meet the conditions for creating an impairment during the year. In 2016, the Company did not identify any circumstances to create an impairment.

[in mln PLN unless otherwise stated]

5.4 TRADE AND OTHER RECEIVABLES

ACCOUNTING POLICY

Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate less the impairment losses (further policy described in note 3.2).
If the amount payable can be expected within one year, receivables are classified as current assets. Otherwise, it is recognized as fixed assets.

Other receivables

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

Loans Granted.

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

	2016	2015
Trade and other receivables	16,7	72,0
Provision for receivables	(2,2)	(2,3)
Total net receivables	14,5	69,7
Short-term loans granted	172,3	200,2
Payments on future supplies of goods	3,9	5,3
Tax receivables	0,5	—
Other	19,0	0,1
Total other receivables and loans granted	195,7	205,6
Long-term loans granted	29,4	10,9

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.

The largest item within the Other receivables is dividend of NG2 Suisse s.a.r.l. in the amount of PLN 18.7 million.

[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 FOR MORE INFORMATION SEE SECTION **3.1.1.2** (CASH) IN STATEMENT OF OPERATIONS OF THE COMPANY

	2016	2015
Cash in hand	17,9	12,6
Cash at bank	16,7	6,4
Short-term deposits (up to 3 months)	3,4	161,8
Total	38,0	180,8

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

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

[in mln PLN unless otherwise stated]

5.6 TRADE AND OTHER LIABILITIES

ACCOUNTING POLICY

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

i FOR MORE INFORMATION SEE NOTE 4.3

	2016	2015
Trade liabilities		
– lease and supply of goods and services	109,0	77,5
– investment	4,9	8,5
– other	0,9	1,3
Total	114,8	87,3
Liabilities for indirect taxes, duties and other benefits	6,9	0,3
Liabilities to employees	18,5	16,8
Other liabilities	23,7	14,9
Dividend liabilities	—	—
Total	49,1	32,0

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

The value of the item Other liabilities includes: contingent liabilities under the acquisition of stake in a subsidiary in the amount of PLN 5.0 million, expenses incurred for the modernization and furnishings of premises in which the stores are located, settled in time for the duration period of operating lease in the amount of PLN 7.0 million and other accruals in the amount of PLN 5.5 million.

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

[in mln PLN unless otherwise stated]

5.7 PROVISIONS

ACCOUNTING POLICY

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

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

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

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

	PROVISION FOR JUBILEE AWARDS AND RETIREMENT BENEFITS	PROVISIONS FOR WARRANTY REPAIRS	PROVISION FOR LITIGATION	OTHER PROVISIONS	TOTAL
As of 01.01.2015	1,5	—	3,0	—	4,5
Establishment	0,2	—	—	—	0,2
Utilisation	—	—	(3,0)	—	(3,0)
Release	—	—	—	—	—
As of 31.12.2015	1,7	—	—	—	1,7
Current	0,4	—	—	—	0,4
Non-current	1,3	—	—	—	1,3
As of 01.01.2016	1,7	—	—	—	1,7
Establishment	0,3	—	—	—	0,3
Utilisation	—	—	—	—	—
Release	—	—	—	—	—
As of 31.12.2016	2,0	—	—	—	2,0
Current	0,4	—	—	—	0,4
Non-current	1,6	—	—	—	1,6

[in mln PLN unless otherwise stated]

6. OTHER NOTES

6.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY IAS 39

POZYCJE BILANSOWE	2016		2015	
	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES
Financial assets	254,2	—	461,6	—
Loans granted	201,7	—	211,1	—
Trade receivables	14,5	—	69,7	—
Cash and cash equivalents	38,0	—	180,8	—
Financial liabilities	—	362,6	—	320,8
Debt liabilities	—	247,8	—	233,5
Trade liabilities	—	114,8	—	87,3

FINANCIAL RISK MANAGEMENT

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

RISK OF CHANGES IN CURRENCY EXCHANGE RATES

CCC S.A. operates internationally and therefore is exposed to the risk of changes in currency exchange rates, in particular EUR in relation to the transaction costs of stores rentals and loans granted.

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 Company 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 Company does not apply hedging instruments.

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

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

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

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

2016	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets	254,2	22,6	147,5	6,0	78,1
Loans granted	201,7	19,0	128,7	4,7	49,3
Trade receivables	14,5	0,3	2,7	1,3	10,2
Cash and cash equivalents	38,0	3,3	16,1	—	18,6
Financial liabilities	362,6	0,5	0,7	0,2	361,2
Debt liabilities	247,8	—	—	—	247,8
Trade liabilities	114,8	0,5	0,7	0,2	113,4

2015	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets	461,6	10,3	133,5	25,3	292,5
Loans granted	211,1	4,7	115,3	23,6	67,5
Trade receivables	69,7	0,2	17,8	1,7	50,0
Cash and cash equivalents	180,8	5,4	0,4	—	175,0
Financial liabilities	320,8	0,5	1,2	15,8	303,3
Debt liabilities	233,5	—	—	15,6	217,9
Trade liabilities	87,3	0,5	1,2	0,2	85,4

[in mln PLN unless otherwise stated]

Sensitivity analysis of exchange rate fluctuations, if exchange rates of assets/financial liabilities provided in foreign currencies movements, in particular for USD and EUR during the period of 12 months ended 31 December 2016 were higher/lower by PLN 0.01, is presented in the table below.

	ITEM VALUE IN CURRENCY USD	INCREASE/DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN CURRENCY EUR	INCREASE/DECREASE OF EXCHANGE RATE EUR	
		+ 0,01	− 0,01		+ 0,01	− 0,01
Financial assets	5,4	0,1	(0,1)	33,3	0,3	(0,3)
Loans granted	4,5	0,1	(0,1)	29,1	0,3	(0,3)
Receivables from customers	0,1	0,0	0,0	0,6	0,0	0,0
Cash and cash equivalents	0,8	0,0	0,0	3,6	0,0	0,0
Financial liabilities	(0,1)	0,0	0,0	(0,2)	0,0	0,0
Debt liabilities	0,0	0,0	0,0	0,0	0,0	0,0
Liabilities for suppliers	(0,1)	0,0	0,0	(0,2)	0,0	0,0
Impact on net result		0,1	(0,1)		0,3	(0,3)

[in mln PLN unless otherwise stated]

RISK OF INTEREST RATE CHANGES

Company 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 items bear interest at variable rates expose the Company to risk of changes in cash flows due to changes in interest rates.

On the other hand, loans in currencies other than PLN are based on defined fixed interest rates. A change in interest rates causes a change in the fair value of interest-bearing positions according to a fixed rate but it is not recognized in the financial statements as these items are measured at amortized cost

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

If interest rates on debt in the 12 months ended 31 December 2016 were 1 p.p. higher/lower, the profit for the period would be about PLN 0.3 million (2015: PLN 0,1 million higher/lower). The following table presents a sensitivity analysis of the risk of changes in interest rates, which in the opinion of the Company would be reasonably possible at the balance sheet date.

	AMOUNT VULNERABLE TO RISK OF INTEREST RATE CHANGE %		AS OF 31.12.2016		AS OF 31.12.2015	
	2016	2015	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	16,7	6,4	0,2	(0,2)	0,1	(0,1)
Loans granted	201,7	211,1	2,0	(2,0)	2,1	(2,1)
Debt liabilities	(247,8)	(233,5)	(2,5)	2,5	(2,3)	2,3
Effect on net result			(0,3)	0,3	(0,1)	0,1

[in mln PLN unless otherwise stated]

CREDIT RISK

Credit risk it is the risk by the Company 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 Company's receivables from customers, loans granted and cash and cash equivalents in bank accounts

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

	2016	2015
Loans granted	201,7	211,1
Trade receivables	14,5	69,7
Cash and cash equivalents	38,0	180,8
Total	254,2	461,6

The lifetime structure of receivables, together with information on impairment of receivables are presented in note 5.4. (receivables from customers) and in note 3.2. (loans granted).

Granted loans are not secured, however, due to the fact that they were granted to the entities over which the Company exercises control or long-term business partners, their repayment in the Company's opinion is not affected by a material credit risk.

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.

	2016	2015
Banks with a rating of A	—	—
Banks with a rating of A-	18,9	157,9
Banks with a rating of B+	—	—
Banks with a rating of BB	—	—
Banks with a rating of BAA1	—	—
Banks with a rating of BAA2	—	—
Banks with a rating of BAA3	—	—
Banks with a rating of BBB+	1,0	8,8
Banks with a rating of BBB-	0,1	0,1
Banks with a rating of BBB	0,1	1,4
Banks with a rating of BB-	—	—
Total cash at banks	20,1	168,2

The Company 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. In 2016 there was no offsetting of assets with liabilities.

6.2 PAYMENTS IN FORM OF SHARES

ACCOUNTING POLICY

The Company 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 Company. 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 Company presents the impact of a possible revision of the original estimates in the report on the financial result, with a corresponding adjustment to equity.
In addition, in certain circumstances, employees can provide services before the date of granting them the stock options. In this case, the fair value of at the date of granting stock options is estimated to recognize costs during the period from commencement of the service by the staff to the actual date of granting them the options.

Upon exercise of the options, an entity issues new shares. The funds obtained after the deduction of any costs that can be directly attributable to the transaction, increase the share capital (nominal value) and the surplus of the issue price of shares over their nominal value. Social security contributions payable in connection with the granting of stock options are considered an integral part of the benefit granted and the cost is treated as a transaction settled in a form of cash.

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

The scheme is based on offering the scheme participants the subscription warrants, which will allow them to subscribe for the shares of the parent Company in the future after meeting specified non-market conditions for acquiring these rights.

Members of the management board of the Parent Company, members of the subsidiaries management board, key employees and associates of the Parent company and subsidiaries are covered by the Scheme – in total 98 employees in 2015, 31 employees in 2014.

The aim of the scheme is to motivate people covered by the scheme to perform the activities providing both long-term growth of the Group's value as well as a stable net profit growth and stabilization of managerial staff.

The incentive scheme is a capital-settled scheme.

Under this scheme, the Supervisory Board is entitled to grant warrants in the total number of 768,000 warrants. Out of this number of warrants, a total number of 652,000 warrants were granted by 31 December 2015 in two tranches (475.000 warrants and 177.000 warrants – described below). In addition, the Group granted 116,000 employee warrants the entitlements to which were acquired on a one-off basis at the time of granting, the total cost was recognized in the profit and loss account for the year 2015, increasing the equity by that amount.

[in mln PLN unless otherwise stated]

At the date of submitting the report, 85 entitled persons exercised their right to acquire Series E Shares for a total number of 727,900 shares. Out of the remaining 40,100 A-series subscription warrants, at the date of submitting the report, 36,100 warrants were entitled to be converted for E-series Shares. For the remaining 4,000 A-series subscription warrants to which no conversion rights were exercised for Series E Shares there is still the possibility to subscribe for Shares by 30 June 2018. The value of the scheme recognized in the cost of financial results in 2016 amounted to 4.4 million PLN, in 2015 it amounted to 10.4 million PLN and in 2014 it amounted to 0.5 million PLN. The scheme valuation of employees employed in related entities was recognized in non-current investments in accordance with the Company's accounting policy.

At the balance sheet date, 727,900 series E shares with a nominal value of PLN 0.1 each were issued. The number of non-issued shares at the balance sheet date amounts to 40,100, the total number of shares amounts to 768,000. Cash from the offering of series E shares in the amount of PLN 44.7million derived from the implementation of the incentive scheme was charged respectively to share capital and reserve capital (surplus of the issue price over the nominal value of shares).

The value of the employee scheme regarding employees employed in subsidiaries is described in the note on investments in related entities.

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

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

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

- achieving the consolidated net profit of the Capital Group for the financial years 2013, 2014, 2015 not less than PLN 620.0 million
- maintaining a business relationship until 31.12.2015.
- positive evaluation of the work performance review of the entitled person

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

Details 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.

6.3. EVENTS AFTER BALANCE SHEET DATE

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

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

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

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

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

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

On March 17, 2017, the Management Board passed a resolution approving the amendments to the dividend policy adopted on April 28, 2015. The Management Board of CCC intends to submit to the General Meeting of Shareholders a proposal for the dividend payment in the amount from 33% to 66% of the consolidated net income of the CCC Capital Group attributable to the shareholders of the parent company, assuming that the net debt to EBITDA ratio at the end of the financial year, which is attributable for profit, shall amount to below 3.0. When recommending the profit distribution the Management Board will take into account the Group's financial and liquidity position, existing and future liabilities (including potential constraints related to credit agreements and debt instruments issues) as well as evaluation of the prospects of CCC Capital Group in certain market and macroeconomic conditions. The amendment enters into force starting from the consolidated net profit of the Group for the financial year ended 31 December 2016 (CR No. 15/2017)

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

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

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

The financial statements were approved for publication by the Management Board of the Company on 28 April 2017 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS

Edyta Banaś	Chief Accountant	

SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS

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

Polkowice, 28 April 2017