SEPARATE FINANCIAL STATEMENTS OF THE COMPANY CCC S.A. FOR THE PERIOD 01.01.2017 – 31.12.2017

TABLE OF CONTENTS

Statement of profit or loss and other comprehensive income 4

Statement of financial position 5

Statement of cash flows 6

Statement of changes in equity 7

Notes 8

1. General information 8

2. Notes to statement of profit or loss and statement of other comprehensive income 18

3. Investments in subsidiaries, loans granted and transactions with related entities 27

4. Debt, capital and liquidity management 32

5. Notes to statements of financial position 40

6. Other notes 52

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

NOTE		01.2017-12.2017	01.2016-12.2016
2	Sales revenue	2 086,6	1 738,5
2.2	Cost of sale of goods	(1 461,3)	(1 193,5)
	Gross profit (loss) on sale	625,3	545,0
2.2	Cost of operating stores	(526,7)	(439,6)
2.2	Other cost of sale	(17,9)	(15,0)
2.2	Administrative expenses	(30,7)	(36,0)
2.3	Other cost and operating revenue	6,6	(4,5)
	Operating profit (loss)	56,6	49,9
2.3	Finance revenue	15,7	35,8
2.3	Finance cost	(22,9)	(11,3)
	Profit (loss) before tax	49,4	74,4
2.4	Income tax	(12,1)	(15,9)
	NET PROFIT (LOSS)	37,3	58,5
	Other comprehensive income	—	—
	Total net comprehensive income	—	—
	TOTAL COMPREHENSIVE INCOME	37,3	58,5
	Weighted average number of ordinary shares (mln pcs)	41,1	39,2
	Basic earnings per share (in PLN)	0,91	1,49
	Diluted earnings per share (in PLN)	0,91	1,49

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

STATEMENT OF FINANCIAL POSITION

NOTE		31.12.2017	31.12.2016	01.01.2016
			CONVERTED DATA	CONVERTED DATA
5.1	Intangible assets	2,8	3,1	2,4
5.2	Tangible fixed assets – investments in stores	170,9	148,0	137,7
5.2	Tangible fixed assets – factory and distribution	168,8	123,3	131,2
5.2	Tangible fixed assets – other	51,9	42,8	47,2
2.4	Deferred tax assets	1,8	6,7	5,8
3.2	Loans granted	31,0	29,4	10,9
3.1	Long-term investments	379,2	371,1	124,7
	Total non-current assets	806,4	724,4	459,9
5.3	Inventories	249,8	149,6	116,2
5.4	Trade receivables	18,8	14,5	69,7
	Income tax receivables	26,0	7,0	5,9
3.2	Loans granted	169,2	172,3	200,2
	Other receivables	35,4	23,4	5,4
5.5	Cash and cash equivalents	300,4	38,0	180,8
	Total current assets	799,6	404,8	578,2
	TOTAL ASSETS	1 606,0	1 129,2	1 038,1
4.2	Debt liabilities	210,0	210,0	210,0
5.7	Provisions	2,1	1,6	1,3
5.2	Grants received	21,3	23,5	26,1
	Total non-current liabilities	233,4	235,1	237,4
4.2	Debt liabilities	0,7	37,8	23,5
5.6	Trade liabilities	166,8	114,8	87,3
5.6	Other liabilities	50,6	51,6	32,0
2.4	Income tax liabilities	—	5,5	5,5
5.7	Provisions	0,7	0,4	0,4
5.2	Grants received	2,4	2,6	2,6
	Total current liabilities	221,2	212,7	151,3
	TOTAL LIABILITIES	454,6	447,8	388,7
	NET ASSETS	1 151,4	681,4	649,4
	Equity			
4.1	Share capital	4,1	3,9	3,8
4.1	Share premium	644,9	119,2	74,6
	Retained earnings	502,4	558,3	571,0
	TOTAL EQUITY	1 151,4	681,4	649,4

STATEMENT OF CASH FLOWS

NOTE		01.2017-12.2017	01.2016-12.2016
	Profit before tax	49,4	74,4
4.4	Amortization and depreciation	40,6	37,7
	Profit (loss) on investment activity	(0,3)	9,5
4.2	Cost of borrowings	7,5	7,0
4.4	Other adjustments to profit before tax	11,5	(1,2)
3.2	Income tax paid	(31,6)	(16,9)
	Interest and share in profits (dividends)	—	(23,7)
	Cash flow before changes in working capital	77,1	86,8
	Changes in working capital		
5.3	Change in inventory and inventory write-downs	(100,2)	(33,4)
4.4	Change in receivables	(32,4)	55,0
4.4	Change in current liabilities, excluding borrowings	40,8	45,8
	Net cash flows from operating activities	(14,7)	154,2
	Proceeds from the sale of tangible fixed assets	20,0	17,0
5.4	Repayment of loans granted and interest	22,6	86,1
5.2, 5.1	Purchase of intangible and tangible fixed assets	(124,7)	(48,8)
5.4	Loans granted	(28,1)	(86,2)
	Expenses on capital increase in subsidiaries	(3,5)	(0,2)
	Purchase of investment in eobuwie S.A.	(5,0)	(231,2)
	Net cash flows from investing activities	(118,7)	(263,3)
4.2	Proceeds from borrowings	—	20,8
4.1	Dividends and other payments to owners	(101,4)	(85,7)
4.2	Repayment of borrowings	(21,1)	(6,4)
4.2	Interest paid	(7,5)	(7,1)
	Net increase of equity	525,8	44,7
	Net cash flows from finance activities	395,8	(33,7)
	TOTAL CASH FLOWS	262,4	(142,8)
	Net increase/decrease of cash and cash equivalents	262,4	(142,8)
	Exchange rate changes on cash and cash equivalents	—	—
	Cash and cash equivalents at beginning of period	38,0	180,8
	Cash and cash equivalents at the end of period	300,4	38,0

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

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	TOTAL EQUITY
As of 01.01.2016	3,8	576,5	74,6	654,9
Adjustments of errors	—	(5,5)	—	(5,5)
As of 01.01.2016 after adjustments	3,8	571,0	74,6	649,4
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
Total transactions with owners	—	(71,2)	—	(71,2)
Issue of shares	0,1		44,6	44,7
As of 31.12.2016 (01.01.2017)	3,9	558,3	119,2	681,4
Net profit for the period	—	37,4	—	37,4
Total comprehensive income	—	37,4	—	37,4
Dividend payment	—	(101,4)	—	(101,4)
Valuation of employee option scheme	—	8,1	—	8,1
Total transactions with owners	—	(93,3)	—	(93,3)
Issue of shares	0,2	—	525,7	525,9
As of 31.12.2017 (01.01.2018)	4,1	502,4	644,9	1 151,4

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).

Financial statements of the CCC S.A. (hereinafter: the Company) cover the year ended on 31st December 2017 and contain like-for-like data for the period of 12 months ended on 31st December 2016. Due to the introduced retrospective correction of the error in the statement of financial position (see Note 6.3), the opening balance of the earliest period presented, i.e. as of 1st January 2016, is also presented.

The Company CCC S.A. has been listed on the Warsaw Stock Exchange S.A. in Warsaw since 2004.

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union („IFRS"). The financial statements are 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 are prepared in accordance with IFRS. These statements are available on the Company's website.

The financial statements were approved to be published by the Management Board on 26.03.2018. The Company prepared consolidated financial statements for the year ended 31 December 2017, which was approved to be published on 26.03.2018.

The data in the separate financial statements were shown in millions of Polish zlotys, unless in specific situations they were given with greater accuracy. The Polish zloty (PLN) is the functional and reporting currency.

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	TITLE	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
2.1	Sales revenue	T		18
2.2	Cost of sales of goods	T		19
2.2	Cost of operating stores	T		19
2.2	Other cost of sales	T		19
2.2	Administrative expenses	T		19
2.2	Operating leasing	T	T	22
2.3	Other operating and finance costs and revenues	T		23
2.4	Income tax	T	T	24
2.4	Deferred tax assets	T	T	26
2.4	Income tax liabilities	T		26
4.4.1	Equity	T	T	33
4.2	Debt liabilities	T		36
5.1	Intangible assets	T	T	40
5.2	Tangible fixed assets	T	T	41
5.2	Grants received	T		41
5.3	Inventories	T	T	44
4.1	Loans granted	T		29
5.4	Trade receivables	T		46
5.4	Other receivables	T		46
5.5	Cash and cash equivalents	T		46
5.6	Trade liabilities	T		49
5.6	Other liabilities	T		49
5.7	Provisions	T		50
6.1	Financial instruments	T		52
6.2	Cost of incentive program	T	T	58

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

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

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

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

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

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

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

APPLIED NEW AND REVISED ACCOUNTING STANDARDS:

The accounting principles (policies) applied to prepare these financial statements are consistent with those applied to the preparation of the Company's financial statements for the year ended 31 December 2017, except for the ones presented below. The following amendments to IFRS were applied to these financial statements in accordance with their effective date, however, they did not have a significant impact on the presented and disclosed financial information or did not apply to transactions concluded by the Company.

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

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”	International Financial Reporting Standard 9 Financial instruments („IFRS 9”). IFRS 9 covers three aspects related to financial instruments: classification and measurement, impairment and hedge accounting. It applies to annual periods beginning on 1 January 2018 and later, with the possibility of earlier application. The Company applies IFRS 9 from the effective date of the standard, without transforming the like-for-like data. In 2017, the Company carried out a detailed assessment of the impact of the introduction of IFRS 9 on the accounting principles (policy) applied by the Company with respect to the operations of the Company or its financial results. This assessment is based on currently available information and may be subject to changes resulting from the acquisition of rational and documentable additional information during the period when the Company applies IFRS 9 for the first time. As a result of the application of IFRS 9, the classification of some financial instruments will change. The Company does not expect a material impact on the statement of financial position and equity in connection with the application of IFRS 9 in the area of classification and valuation. It is expected that all financial assets so-far measured at fair value will continue to be measured at fair value. The Company continues to consult and analyze the impact of the application of the standard. The final impact will be presented in the report for 2018 when the application of the standard will be effective. Trade receivables are maintained in order to obtain cash flows resulting from the agreement, and the Company does not sell trade receivables as part of factoring – they will continue to be measured at amortized cost by the financial result. The company benefits from practical exemption and for trade receivables under 12 months, it does not identify significant elements of financing. In the case of trade receivables, the Company estimates that due to the nature of receivables, an impairment loss along with the related deferred tax asset will not change significantly. The main prerequisite for such a statement is directing the sale for cash sales and the fact that the majority of receivables refers to settlements with related entities, which, based on a retrospective analysis, do not give grounds to be classified as doubtful. The company provides credit sureties to entities in the group. The possible risk of non-payment performance of subsidiaries is negligible, therefore the calculation of expected losses resulting from the implementation of sureties will not significantly affect the financial statements of the Company. The application of IFRS 9 will not have a significant impact on the Company’s financial statements. Effective date: 1 January 2018. (approved by the European Union)

STANDARD	MAIN AMENDMENTS AND THE EFFECTIVE DATE
IFRS 15 „Revenue from Contracts with Customers"	IFRS 15 establishes the so-called The Five-Steps Model for recognizing revenues resulting from contracts with customers. In accordance with the above standard, revenues are recognized in the amount of remuneration that the entity is entitled to in exchange for transferring the promised goods or services to the customer. The new standard replaces the existing requirements for recognizing revenues in accordance with IFRS. The standard applies to annual reporting periods beginning on 1 January 2018 and later with the possibility of earlier application. IFRS 15 introduces new requirements regarding the presentation and disclosure. The fundamental principle of the new standard is to recognize revenue at the time of transferring goods or services to the client, in the amount of the transaction price. Any goods or services sold in packages that can be distinguished within the package, should be recognized separately, moreover, any discounts and rebates relating to the transaction prices should in principle be allocated to the individual elements of the package. Recognition and measurement requirements in accordance with IFRS 15 also apply to the recognition and measurement of profit/loss from the sale of non-financial assets (such as property, plant and equipment and intangible assets), if such sales do not take place in the ordinary course of business. In accordance with the requirements of IFRS 15, the Company presents recognized revenues from contracts with customers, broken down into categories, which reflect the manner in which economic factors affect the nature, amount, payment date and uncertainty of revenues and cash flows. It also discloses comprehensive information that will enable users of financial statements to understand the relationship between the disclosure of revenue divided into categories and the revenue information that the entity discloses for each reporting segment. The company applies IFRS 15 from the effective date of the standard, using the simplified method. In accordance with IAS 18.PI21, the Management Board carried out a comprehensive analysis to determine whether the entity acts as an agent or principal. More in note 2.1. Sales revenues. The company operates in the area of: a) Retail sale of goods The contract contains only one obligation to perform the service – sale of the goods, therefore, the Company assesses that the impact of adopting IFRS 15 on the recognition of revenues and the Company's financial results under such agreements will not be material. Revenue will be recognized at a specific moment, i.e. when the customer obtains control over the goods. As part of the assessment of the impact of the introduction of IFRS 15, the Company considered, inter alia, the following aspects: i. Variable remuneration In accordance with IFRS 15, if the remuneration specified in the contract includes a variable amount, the entity estimates the amount of remuneration to which it will be entitled in exchange for the transfer of promised goods or services to the customer and includes a part or all of the variable remuneration in the transaction price only to such extent, in which there is a high probability that there will be no reversal of a significant part of the amount of previously recognized accumulated revenues when the uncertainty about the amount of variable remuneration shall cease. • The right to return The company grants customers the right to return unused goods within 7 days from the date of purchase. The Company expects the following impact of the adoption of IFRS 15 on the financial statements for the year ended 31 December 2017: estimation based on experience and historical data of the write-off from probable returns. Consequently, the impact of any changes on the company's financial statements is insignificant. Recognition and measurement requirements in accordance with IFRS 15 also apply to the recognition and measurement of profit/loss from the sale of non-financial assets (such as property, plant and equipment and intangible assets) when such sales do not take place in the ordinary course of business. In the Company's opinion, the impact of adopting IFRS 15 should not, however, be significant. Effective date: 1 January 2018. (approved by the European Union)

STANDARD	MAIN AMENDMENTS AND THE EFFECTIVE DATE
IFRS 16 „Lease"	IFRS 16, which replaced IAS 17 Leases, IFRIC 4 Determining whether the contract includes leasing, SKI 15 Operating leases – special promotional offers and SIC 27 Assessment of the nature of transactions using the form of leasing. IFRS 16 sets out the principles for recognizing a lease in terms of valuation, presentation and information disclosure. The new standard establishes rules for the recognition, measurement, presentation and disclosure regarding the lease. All leasing transactions result in obtaining the lessee's right to use the assets and liabilities arising from the obligation to pay. IFRS 16 introduces a single model of the lessee's accounting and requires the lessee to recognize assets and liabilities resulting from each lease with a period exceeding 12 months, unless the underlying asset is of a low value. On the date of the commencement, the lessee recognizes an asset component due to the right of use of the underlying asset and a lease liability that reflects his obligation to make lease payments. The lessee separately recognizes depreciation of the asset component under the right of use and interest on the lease liability. The lessee updates the valuation of the lease liability after the occurrence of certain events (e.g. changes in the lease period, changes in future lease payments resulting from the change in the index or the rate used to determine these charges). As a rule, the lessee recognizes the revaluation of the lease liability as an adjustment to the asset's value due to the right of use. Lessor accounting in accordance with IFRS 16 remains substantially unchanged from current accounting in accordance with IAS 17. A lessor will continue to recognize all lease agreements using the same classification principles as in IAS 17, distinguishing between operating leases and finance leases. IFRS 16 requires broader disclosures from both the lessee and the lessor than in the case of IAS 17. A lessee has the right to choose a full or modified retrospective approach, and IFRS 16 is effective for annual periods beginning on 1 January 2019 and later. „In the opinion of the Management Board, IFRS 16 Leases has significant impact on the financial statements od the Company, based on the analysis performed. As part of the distribution activity theCompany leases the premises where it sells its own goods. Lease of stores is currently recognized in the financial statements of the Company as operating lease. Pursuant to the rules introduced by IFRS 16, the Company will have to recognize assets and liabilities due to this type of agreements in the statements on financial position. Currently, operating lease payments are recognized in operating cost as the lease period expires. However, after the implementation of IFRS 16, the assets from the lease will be amortized on a linear basis, while liabilities from lease contracts will be settled with the effective interest rate. The Management Board of CCC S.A. has not yet made a formal decision on, earlier than applicable, date of application of this standard. In addition, the works are underway aimed at implementing tools that allow accurate estimation of the impact and therefore the impact presented below may change. The value of the minimum future fees for operating lease was described in note 3.1 and shows the estimated illustrative scale of growth of liabilities if the standard was adopted as at the balance sheet date - the Company estimates that if the right to use the assets and liabilities under the lease title were established as of 31.12.2017, due to the application of IFRS 16, thus they would probably exceed several hundred million PLN. Effective date: 1 January 2019. (approved by the European Union) Application of the standard earlier than required is possible.

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

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

STANDARD / INTERPRETATION	DATE OF ISSUE	DATE OF ENTRY INTO FORCE
IFRS 17 Insurance Contracts	Issued on 18 May 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2021.
IFRIC 23 Uncertainty over Income Tax Treatments	Issued on 7 June 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	Issued on 12 October 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
Annual Improvements to IFRS Standards 2015-2017 Cycle	Issued on 12 December 2017	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	Issued on 7 February 2018	Not yet endorsed by EU at the date of approval of these financial statements – effective for financial years beginning on or after 1 January 2019.

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

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 INFORMATIONS IN STATMENT OF OPERATIONS OF THE COMPANY **section 2**

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

2.1 REVENUE FROM SALE

ACCOUNTING POLICY

Sale revenue

IAS 18.PI21 recommends considering a number of factors to determine whether a particular entity acts as an agent or a principal. The Company's Management Board conducted a comprehensive analysis in this respect, taking into account the concluded cooperation agreements between the Company and its subsidiary CCC.eu sp. z o.o. („CCC.eu") and a truly working business model.

Elements that may indicate that the Company could be treated as an intermediary are the following terms resulting from the agreements concluded:

- according to the adopted settlement model, the Company is guaranteed to obtain a fixed operating margin;
- goods that the Company has not been able to sell in a given season can be returned to CCC.eu, while CCC.eu can request a goods return from the Company, and the costs of such return shall be borne by CCC.eu;
- CCC.eu defines the standards and supports the Company with regard to pricing, promotion and discounts in the stores, including it provides recommendations for retail prices, rules of discounts and increases, as well as discounts and promotions for customers;
- CCC.eu decides on assortments and quantities of goods delivered to the Company;
- The Company accepts returns from retail customers and considers after-sales complaints, while the costs of such complaints are fully covered by CCC.eu.

In the opinion of the Management Board, other circumstances characterizing the co-operation between the Company and CCC.eu are of higher importance and predominate in the assessment of the Company's role. According to the Management Board's opinion, the Company does not act as an intermediary because it is exposed to a significant risk of its business operations and benefits from the sale of goods purchased from CCC.eu. The confirmation of a such assessment of the role of the Company are the following conditions for mutual cooperation:

- The Company is responsible for the delivery of goods to the customer and the Company is responsible for the acceptability of the products purchased by the customer. The Company sells goods purchased from CCC.eu on its own behalf and on its own account. Property at the time of loading into the means of transport;
- The Company is mainly liable for the delivery of goods to the customer and the Company is responsible for the acceptability of the products purchased by the customer. The Company sells goods purchased from CCC.eu on its own behalf and on its own account, the purchase from CCC.eu is made under the terms of CPT delivery (transfer of property at the time of loading into the means of transport);
- The Company bears the risk of inventory prior to and after the order is placed by the customer, during delivery or returns, and the inventories held by the Company are owned by the Company and the Company bears the risk of their possible loss;
- The Company only receives recommendations from CCC.eu regarding the policy of pricing, bonus and discounts as well as it has full freedom in terms of setting the prices, directly or indirectly;
- The Company bears a credit risk in relation to amounts due from the customer;
- The Company bears the full reputation / image risk associated with the quality of the goods sold, and potential customer objections may translate into a negative situation for the Company.

As a result, the Management Board recognizes that CCC S.A. is the main unit and should not be treated as an agent within the meaning of the provisions of IAS 18.

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 Company include interest, commissions and profit or loss on exchange rates.

	SALES REVENUE		CHANGE %
	2017	2016	
Poland	2 020,6	1 684,8	19,9%
Retail activity	2 020,6	1 684,8	19,9%
Other activity	66,0	53,7	22,9%
Total	2 086,6	1 738,5	20,0%

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

MORE INFORMATION IN SECTION **3.1.1.1**
(COST OF OPERATING STORES)
IN STATEMENTS 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 statements in the same way as an integral part of the total lease payments. These costs are recognized in the statements of comprehensive income in „Cost of operating stores" or „Other cost of goods sold or Administrative expenses"".

FOR MORE INFORMATIONS IN STATEMENTS OF OPERATIONS OF THE COMPANY
IN SECTION **3.1.1.1**

NOTE	01.2017-12.2017	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 459,5)	—	—	—	(1 459,5)
	Consumption of materials and energy	—	(14,5)	(0,7)	(2,2)	(17,4)
5.3	Provision for inventories	(1,8)	—	—	—	(1,8)
	Remuneration	—	(168,2)	(8,9)	(11,0)	(188,1)
6.2	Cost of incentive program	—	—	—	(3,6)	(3,6)
	Other employee benefits	—	(32,3)	(4,1)	(1,4)	(37,8)
	Agent services	—	(54,7)	—	—	(54,7)
	Transportation services	—	—	(0,6)	—	(0,6)
	Lease costs	—	(217,3)	(0,2)	(2,5)	(220,0)
	Other outsourcing services	—	(11,4)	(2,3)	(2,7)	(16,4)
5.1, 5.2	Amortization	—	(27,7)	(0,2)	(3,3)	(31,2)
	Taxes and charges	—	(0,1)	(0,2)	(1,4)	(1,7)
	Other flat costs	—	(0,5)	(0,7)	(2,6)	(3,8)
	Total	(1 461,3)	(526,7)	(17,9)	(30,7)	(2 036,6)

NOTE	01.2016-12.2016	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 193,5)	—	—	—	(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)
5.1, 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)

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
31.12.2017				
Members of Management Board	4 124,8	560,0	490,0	5 174,8
Supervisory Board	388,6	—	—	388,6
Total	4 513,4	560,0	490,0	5 563,4
31.12.2016				
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

More information on managerial staff remuneration is disclosed in the Statement on operations in Note 6.4.

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 2017 and 31 December 2016 are as follows:

	RENTS	
	31.12.2017	31.12.2016
– up to 1 year	168,2	146,9
– from 1 to 5 years	672,9	587,4
– over 5 years	336,4	293,7
Total	1 177,50	1 028,00

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 2017 amounted to PLN 96,7 million (PLN 88,8 million at 31 December 2016).

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 2017 amounted to PLN 16,7 million (in 2016 PLN 14,3 million). Total future contractual rents in this respect amount to PLN 15,3 million for the entire duration of the agreements on 31 December 2017 (PLN 13,8 million at 31 December 2016).

2.3
OTHER INCOME AND OPERATING AND FINANCIAL COSTS

NOTE		01.2017-12.2017	01.2016-12.2016
	Total other costs		
	Loss on disposal of tangible fixed assets	—	—
	Stocktaking net losses	(1,4)	(1,4)
5.7	Provision establishment	—	(0,3)
	Other net operating cost	—	(18,6)
	Loss on exchange rate differences on items other than debt	(0,3)	—
	Total other costs	(1,7)	(20,3)
	Total other income		
	Profit on disposal of tangible fixed assets	0,3	6,0
	Profit from exchange rate differences on items other than debt	—	0,6
	Compensations	0,5	0,6
	Subsidy of SFRDP remuneration	2,6	3,0
	Other net operating income	4,9	5,6
	Total other income	8,3	15,8
	Total other operating costs and income	6,6	(4,5)

The amount of other operating income as at the end of 2017 consisted mainly of the subsidy in the amount of PLN 2.4 million.

NOTE		01.2017-12.2017	01.2016-12.2016
	Total finance cost		
4.2	Interest on borrowings (recognised in costs)	(7,5)	(7,4)
	Result on exchange rates	(12,1)	—
	Commissions paid	—	—
	Other finance cost	(1,1)	(1,4)
	Guaranties received	(2,2)	(2,5)
	Total finance cost	(22,9)	(11,3)
	Total finance revenue		
	Received dividends	—	18,7
	Interest from current account and other	5,2	5,6
	Result on exchange rates	—	4,7
	Other finance revenue	0,4	0,3
	Guaranties granted	10,1	6,5
	Total finance revenue	15,7	35,8

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

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

	01.2017-12.2017	01.2016-12.2016 CONVERTED DATA
Current tax	(7,1)	(16,9)
Deferred tax	(4,9)	0,9
Income tax recognized in income statement	(12,1)	(15,9)
Current tax recognized in the result	7,1	(16,9)
Balance of liabilities /(receivables) at beginning of period	(1,6)	(0,4)
Balance of receivables / (liabilities) at the end of the period	26,0	1,6
Other changes	—	(1,2)
Tax paid recognized in statement of cash flows	31,6	(16,9)

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:

	01.01-31.12.2017	01.01-31.12.2016
Profit before tax	49,4	74,4
Weighted average tax rate	19%	19%
Tax calculated according to weighted average tax rate	(9,4)	(14,1)
Tax effects of the following items:		
• income not allowable for tax income	0,5	5,5
• non-tax-deductible expenses	(2,0)	(5,2)
• other adjustments	(1,2)	(2,1)
Charging financial result on income tax	(12,1)	(15,9)

The main item of income not constituting tax revenues are received subsidies.

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	31.12.2017	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2016	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2016
Assets					
Impairment of assets	0,5	0,5	—	(2,4)	2,4
Provisions for liabilities	2,6	(1,2)	3,8	2,6	1,2
Others	1,3	(4,1)	5,4	1,3	4,1
Total before offsetting	4,4	(4,8)	9,2	1,5	7,7
Liabilities					
Accelerated tax depreciation of tangible fixed assets	2,4	0,1	2,3	0,7	1,6
Others	0,2	—	0,2	(0,1)	0,3
Total before offsetting	2,6	0,1	2,5	0,6	1,9
Offsetting	(2,6)	(0,1)	(2,5)	(0,6)	(1,9)
Balance of deferred tax in the balance sheet:					
Assets	1,8	(4,9)	6,7	0,9	5,8
Liabilities	—	—	—	—	—

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	31.12.2017	31.12.2016
As at 1 January	371,1	124,7
Purchase	—	236,4
Valuation of the employee scheme	4,6	10,0
Increase of equity	3,5	0,0
As at 31 December	379,2	371,1

In the amount of conditional issue of capital, the Company reports in 2017 an increase due to the incentive scheme of PLN 4.6 million. In the amount of increase of equity, the Company reports capital increase in Serbia (CCC Shoes & Bags d.o.o. Beograd) in the amount of PLN 3.5 million.

In 2016, in the amount of increase of equity the Company reported the incentive scheme, which is described in more detail in Note 6.2.

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

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

NAME OF COMPANY	HEADQUARTERS OF COMPANY	BUSINESS ACTIVITY	BOOK VALUE	
			31-12-2017	31-12-2016
eobuwie.pl S. A.	Zielona Góra, Poland	commercial	0,5	0,0
CCC Shoes & Bags sp. z o.o.	Polkowice, Poland	investing	280,7	280,7
CCC Czech s.r.o.	Praque, Czech Republic	commercial	40,2	40,0
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing	27,7	27,5
CCC.EU sp. z o.o.	Polkowice, Poland	commercial	12,9	10,0
CCC Hrvatska d.o.o.	Zagreb, Croatia	commercial	3,1	3,1
CCC Germany GmbH	Frankfurt, Germany	commercial	2,7	2,5
CCC Obutev d.o.o.	Maribor, Slovenia	commercial	2,2	2,2
CCC Austria Ges.m.b.H	Graz, Austria	commercial	2,0	1,8
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial	1,4	1,3
NG2 Suisse s.a.r.l.	Zug, Switzerland	commercial	0,9	0,9
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial	0,6	0,5
CCC Slovakia, s.r.o.	Bratislava, Slovakia	commercial	0,4	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	0,0	0,0
CCC Shoes & Bags d.o.o. Beograd	Belgrad, Serbia	commercial	3,7	0,2
CCC Russia sp. z o.o.	Moscow, Russia	commercial	0,1	0,0
TOTAL			379,2	371,1

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

The exception are eobuwie.pl S.A. 74.99% share and CCC Russia sp. O.o. 75% share.

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.

	31.12.2017	31.12.2016
As at 1 January	201,7	211,0
Loans granting	28,1	86,2
Accrued interest	4,6	5,3
Repayments	(22,6)	(86,1)
Exchange difference	(11,6)	(14,7)
As at 31 December	200,2	201,7
– current	169,2	172,3
– non-current	31,0	29,4

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.

	31.12.2017	31.12.2016
Subsidiaries of CCC S.A.		
CCC.EU Sp. z o.o.	18,5	20,7
CCC Austria Ges.m.bH	55,1	52,6
CCC Germany GmbH	51,6	54,8
CCC Shoes Bulgaria EOOD	4,5	4,7
eobuwie.pl S.A.	49,5	47,1
CCC Slovakia, s.r.o.	—	0,9
CCC Shoes & Bags d.o.o. Beograd – Stari Grad	1,3	1,3
CCC Russia Sp. z o.o.	10,6	8,5
Total	191,1	190,6
– current	160,1	161,2
– non-current	31,0	29,4
Other subsidiaries		
Adler International sp. z o.o. Sp.k.	9,1	11,1
Total	9,1	11,1
– current	9,1	11,1
– non-current	—	—

Analysis regarding credit risk described in note 6.1.

Receivables from loans are exposed 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.

3.3
TRANSACTIONS WITH RELATED ENTITIES

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

	31.12.2017	31.12.2016
Subsidiaries of the company		
Transactions in the financial year:		
Sale of finished products/ goods	—	0,5
Sale of services	78,0	72,3
Interest on loans granted	3,8	4,8
Purchases of finished products/ goods	1 475,0	1 118,8
Purchase of services	17,5	15,5
Sale of fixed assets	1,0	0,8
Transactions at the balance sheet date:	—	—
Receivables from customers	0,6	20,1
Loans receivables	191,1	190,6
Liabilities for suppliers	(119,1)	(94,8)
Debt liability toward NG2 Suisse s.a.r.l.	(0,3)	(16,3)
Contingent assets and liabilities as at the balance sheet date	—	—
Contingent assets from guarantees and sureties recaived	988,0	816,0
Contingent liabilities from collaterals granted	4 435,7	3 115,7

i MORE INFORMATION IN NOTE 3.3 IN STATEMENTS 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 3.3.1

Transactions with related entities were made based on market conditions.

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 a 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, attributed to shareholders of the parent entity, assuming that the ratio of net debt to EBITDA at the end of the financial year to which the profit distribution will relate will be less than 3.0.

Detailed information on the dividend policy is described in the Statement on operations of the Company. [Section 3.2.1 (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.

NOTE		31.12.2017	31.12.2016
4.2	Debt liabilities	210,7	247,8
5.5	Cash and cash equivalents	300,4	38,0
	Net debt	(89,7)	209,8
4.1	Total equity	1 151,4	681,4
	Capital employed (equity and net debt)	1 061,7	891,2
	Debt ratio	(8%)	24%

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 2017, the company's equity capital consisted of 41,16 million shares (as at 31 December 2016 it consisted of 39,16 million shares) with a nominal value of PLN 0.10 each, including 34,51 million ordinary shares and 6,65 million voting preference shares. All issued shares have been fully paid up.

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

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

The entity which has a significant effect on the Company is a company ULTRO Sp. z o.o., based in Polkowice, which holds 26,86% of the share capital and 34,90% of the total number of votes. This entity is dependent on Dariusz Miłek, The President of the Management Board of CCC S.A. Other information on Shareholders is included in Statemenst of operations of the Company.

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

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

i FOR MORE INFORMATIONS IN STATEMENTS OF OPERATIONS OF THE COMPANY s. 33

RESERVE CAPITAL FROM THE SALE OF SHARES ABOVE THEIR NOMINAL VALUE

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

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

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

OTHER CAPITAL

Other capital mainly include capital from the settlement of employee benefit plans based on shares settled in capital instruments

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 financial year, the basic and diluted earnings per share amounted to PLN 0.91 (PLN 1.49 in 2016, respectively).

	31.12.2017	31.12.2016
Number of shares (pcs.)	41 164 000	39 127 900
Potential number of shares (pcs.)	293 730	40 100
TOTAL (pcs.)	41 457 730	39 168 000
Net profit	37,3	58,5
Earnings per share (PLN)	0,91	1,49
Diluted earnings (PLN)	0,91	1,49
Number of warrants (psc.)	293 730	40 100
Price of warrants (PLN)	211,42	61,35
Weighted average price of shares during the period (PLN)	241,34	165,89
Number by a market price (psc.)	257 315	14 830
Number without price (psc.)	36 415	25 270
Number of shares for ordinary earnings per share (psc.)	41 164 000	39 127 900
Number of diluting shares (psc.)	36 415	25 270
Number of shares after adjustment (psc.)	41 200 415	39 153 170
Net profit	37,3	58,5
Diluted earnings per share (PLN)	0,91	1,49

DIVIDEND PAID

In the current year a dividend in the amount of PLN 101,4 million was paid, 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). Detailed information on the dividend policy is contained in the Statement of operations of the Company.

4.2 DEBT

ACCOUNTING POLICY

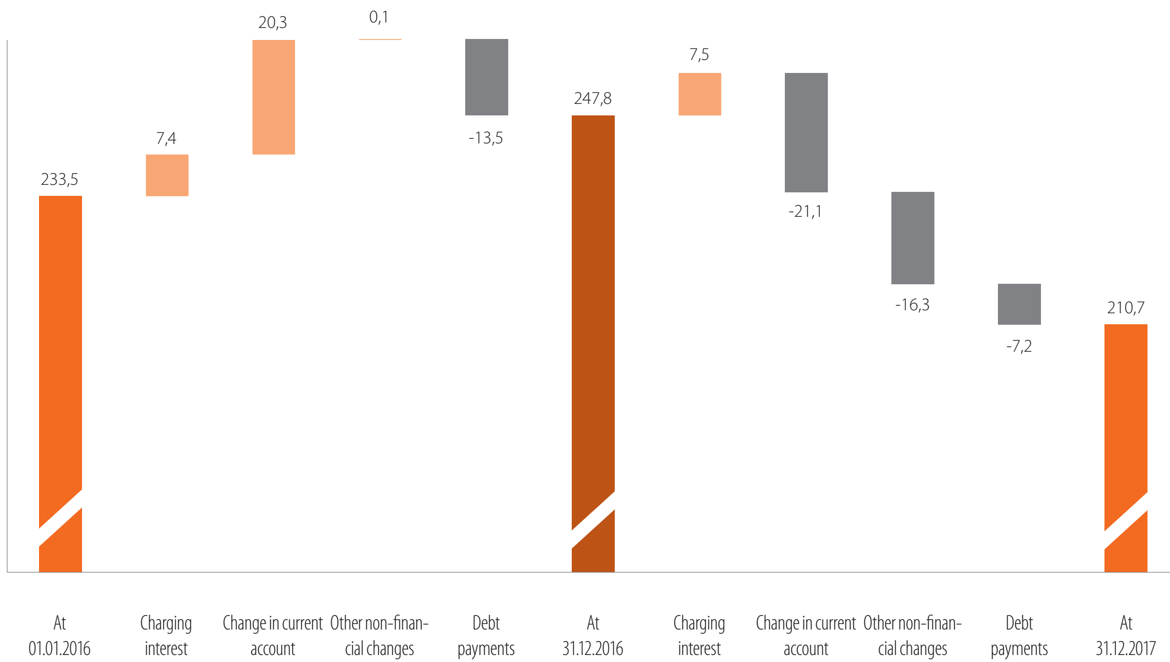
Debt liabilities cover mainly bank loans and issued bonds. Debt liabilities are recognized initially at fair value less transaction costs associated with obtaining financing.
After initial recognition, financial liabilities are measured at amortized cost using the effective interest rate. Financial costs 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 INFORMATIONS IN NOTE **5.2**

NOTE		DEBT LIABILITIES			BONDS PAYABLE	TOTAL
		NON-CURRENT	CURRENT	IN CURRENT ACCOUNT		
4.2	As of 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
	Proceeds from debt contracted					
	– financing received	—	—	—	—	—
	– transactional cost	—	—	—	—	—
	Charging interest	—	0,3	0,3	6,9	7,5
	Repayment of debt					
	– repayment of capital	—	—	—	—	—
	– interest paid	—	—	(0,3)	(6,9)	(7,2)
	Change in current account	—	—	(21,1)	—	(21,1)
	Change of presentation from short to long-term	—	—	—	—	—
	Other non-cash changes	—	(16,3)	—	—	(16,3)
4.2	As of 31.12.2017	—	0,7	—	210,0	210,7

In the item of other non-cash changes, the Company presented a compensation along with a dividend receivable from NG2 Suisse.

CHANGE OF DEBT LEVEL



Repayment of these liabilities are covered by the following collateral:

	AMOUNT/OR BOOK VALUE OF GUARANTEE	
	31.12.2017	31.12.2016
Sureties granted	1 694,6	1 127,6
Capped mortgages on property	491,1	487,5
Registered pledge on movable assets	1 650,0	900,0
In blanco bills of exchange	600,0	600,6
Assignments of insurance policies	27,0	9,8
Bank guarantees	96,7	88,8

i MORE INFORMATIONS IN STATEMENTS OF OPERATIONS OF THE COMPANY

4.3 CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES AND LIQUIDITY MANAGEMENT POLICY

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

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

i MORE INFORMATION IN SECTION **3.2** IN STATEMENTS OF OPERATIONS OF THE COMPANY

NOTE	AS OF 31.12.2017	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	0,7	—	—	—	—	0,7	0,7
4.2	Bonds	—	6,8	212,8	—	—	219,6	210,0
5.6	Trade liabilities	166,8	—	—	—	—	166,8	166,8
	Financial liabilities	167,5	6,8	212,8	—	—	387,1	377,5

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	34,3	3,5	—	—	—	37,8	37,8
4.2	Bonds	—	6,8	219,6	—	—	226,4	210,0
5.6	Trade liabilities	113,2	1,6	—	—	—	114,8	114,8
	Financial liabilities	147,5	11,9	219,6	—	—	379,0	362,6

Financial guarantees provided within the CCC Capital Group are presented in Note 4.2. Transactions with related entities.

Guarantees granted to the Company are secured by overdrafts.

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

NOTE		RECEIVABLES	LIABILITIES
	As of 31.12.2016	239,5	166,4
	As of 31.12.2017	254,4	217,4
	Change in the statement of financial position	(14,9)	51,0
	Difference arising from:		
5.4	Loans granted	(7,0)	—
	Change in investment liabilities	—	(15,2)
	Other *	(16,0)	5,0
	Change recognized in the statement of cash flows	(37,9)	40,8
	As of 31.12.2015	286,1	119,2
	As of 31.12.2016	239,5	166,3
	Change in the statement of financial position	46,7	47,2
	Difference arising from:		
5.4	Loans granted	(9,3)	—
	Change in investment liabilities	—	(3,7)
	Other	17,6	2,3
	Change recognized in the statement of cash flows	55,0	45,8

Other changes in receivables relate to dividends receivable and loan liabilities of NG2 Suisse.

	01.2017-12.2017	01.2016-12.2016
Other profit adjustments before taxation:		
(Profit) loss on exchange rates differences	—	—
Change in provisions	0,8	0,2
Valuation of employee option scheme	3,6	4,4
Exchange rates from the valuation of loans	11,6	—
Other	(4,5)	(5,9)
	11,5	(1,2)

	01.2017-12.2017	01.2016-12.2016
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	31,2	23,9
Change due to re-invoicing of costs	11,8	12,3
Other	(2,4)	1,4
	40,6	37,7

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 FOR MORE INFORMATIONS IN NOTE **5.2**

	TRADEMARKS, PATENTS AND LICENCES	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2016	7,0	0,9	7,9
Aggregated amortization	(5,5)	—	(5,5)
Net value 01.01.2016	1,5	0,9	2,4
Amortization	(2,0)	—	(2,0)
Purchase	1,9	—	1,9
Reversals of impairment losses	—	1,7	1,7
Transfer between groups	—	(0,9)	(0,9)
Gross value 31.12.2016 (01.01.2017)	8,9	1,7	10,6
Aggregated amortization	(7,5)	—	(7,5)
Net value 31.12.2016 (01.01.2017)	1,4	1,7	3,1
Amortization	(0,9)	—	(0,9)
Purchase	—	0,6	0,6
Transfer between groups	2,1	(2,1)	—
Gross value 31.12.2017	11,1	0,2	11,3
Aggregated amortization	(8,5)	—	8,5
Net value 31.12.2017	2,6	0,2	2,8

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. Impairment 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

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 2.8 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 23.0 million (PLN 1.3 million – 31.12.2016)

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 2017, a total of PLN 2.4 million was settled to the comprehensive income statement (PLN 2.6 million in 2016), which was recognized in other operating income.

The subsidy amount remaining to be settled as of 31 December 2017 amounts to PLN 23.7 million, of which PLN 2.4 million relates to the short-term portion and PLN 21.3 million to the long-term one.

The company purchased the investment property worth PLN 33.7 million on 10 May 2017.

In the financial statements as of 30.06.2017, the asset was presented under investment property item. However, due to the fact that the purpose of using the property from investment to operating changed, as of 31.12.2017, the Company changed its presentation to fixed assets.

		FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				
	INVESTMENT IN STORES	LAND, BUILDINGS AND CONSTRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND, BUILDINGS AND CONSTRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	TOTAL
Gross value 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 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
Purchase	66,0	0,1	—	57,2	57,3	9,0	6,0	1,4	16,4	139,7
Produced on its own	—	—	—	—	—	—	—	—	—	—
Depreciation	(25,8)	(2,2)	(9,6)	—	(11,8)	(0,4)	(2,5)	(1,7)	(4,6)	(42,2)
Liquidation and sale	(23,2)	—	—	—	—	(1,8)	(2,5)	(1,6)	(5,9)	(29,1)
Decrease	5,9	—	—	—	—	0,8	1,1	1,6	3,5	9,4
Transfers	—	35,4	—	(35,4)	—	(0,3)	—	—	(0,3)	(0,3)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Gross value 31.12.2017	291,7	117,6	95,6	23,0	236,1	27,0	27,0	28,8	82,8	610,7
Aggregated depreciation	(120,8)	(15,2)	(52,2)	—	(67,4)	(2,0)	(16,6)	(12,3)	(30,9)	(219,1)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2017	170,9	102,4	43,4	23,0	168,8	25,0	10,4	16,5	51,9	391,6

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 a write-down 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** (CURRENT ASSETS) IN STATEMENTS OF OPERATIONS OF THE COMPANY

i FOR MORE INFORMATIONS IN NOTE **6.1**

	31.12.2017	31.12.2016
Materials	—	—
Manufacturing in progress	—	—
Goods	251,6	149,6
Finished goods	—	—
Total (gross)	251,6	149,6
Inventory provision	(1,8)	—
Total (net)	249,8	149,6

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

On the basis of data on the likelihood of selling footwear that meets the above conditions, the Company determines the ratio that is applied to estimate the value of the inventory write-down.

In addition, the Company calculates the provision for the sale of goods below the purchase price.

As at the balance sheet date, the value of the impairment loss on the sale of goods after the balance sheet date below the purchase price amounted to PLN 1.8 million. The value of inventory write-down and changes of the write-downs are shown below.

i FOR MORE INFORMATIONS IN NOTE **3.2**

CHANGE OF THE INVENTORY WRITE-DOWN

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

	31.12.2017	31.12.2016
At the beginning of the period	—	—
Establishment in cost of sales of goods	(1,8)	—
Utilisation	—	—
Reversal in cost of sales of goods	—	—
At the end of the period	(1,8)	—

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 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.

	31.12.2017	31.12.2016
Trade and other receivables	19,6	16,7
Provision for receivables	(0,8)	(2,2)
Total net receivables	18,8	14,5
Short-term loans granted	169,2	172,3
Payments on future supplies of goods	2,4	—
Accrued expenses	4,2	3,9
Tax receivables	4,9	0,5
Guaranties granted	10,3	—
Other	13,6	19,0
Total other receivables	204,6	195,7
Long-term loans granted	31,0	29,4

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

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

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

OUTSTANDING TRADE AND OTHER RECEIVABLES WITH DIVISION INTO UNPAID DEBT AND WRITE-DOWN

	31.12.2017	31.12.2016
a) current	16,2	12,5
b) up to 1 month	0,8	0,1
c) over 1 month to 3 months	0,4	0,6
d) above 3 months to 6 months	0,1	—
e) over 6 months	2,1	3,5
Receivables due to deliveries and services, in total, overdue (gross)	19,6	16,7
Write-downs on the value of overdue receivables for deliveries and services		
As at the beginning of the period	2,2	2,3
a) increase	—	—
b) decrease – utilization	—	—
c) decrease – dissolution	1,4	0,1
As at the end of the period	0,8	2,2
Receivables due to deliveries and services, in total, overdue (net)	18,8	14,5

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 SECTION 3.1.1.2 (CASH) IN STATEMENTS OF OPERATIONS OF THE COMPANY

	31.12.2017	31.12.2016
Cash in hand	22,1	17,9
Cash at bank	5,9	16,7
Short-term deposits (up to 3 months)	272,4	3,4
Total	300,4	38,0

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.

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 MORE INFORMATION IN NOTE **4.3**

	31.12.2017	31.12.2016
Trade liabilities		
• lease and supply of goods and services	143,3	109,0
• investment	23,5	4,9
• other	—	0,9
Total	166,8	114,8
Liabilities for indirect taxes, duties and other benefits	3,3	9,4
Liabilities for employee benefits	28,9	18,5
Prepayments	12,0	17,1
Guaranties received	3,5	1,2
Other liabilities	2,9	5,4
Total	50,6	51,6

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.

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 01.01.2016	1,7	—	—	—	1,7
Establishment	0,3	—	—	—	0,3
Utilisation	—	—	—	—	—
Release	—	—	—	—	—
Exchange rate differences	—	—	—	—	—
As of 31.12.2016	2,0	—	—	—	2,0
Current	0,4	—	—	—	0,4
Non-current	1,6	—	—	—	1,6
As of 01.01.2017	2,0	—	—	—	2,0
Establishment	0,8	—	—	—	0,8
Utilisation	—	—	—	—	—
Release	—	—	—	—	—
Exchange rate differences	—	—	—	—	—
As of 31.12.2017	2,8	—	—	—	2,8
Current	0,7	—	—	—	0,7
Non-current	2,1	—	—	—	2,1

Based on the valuation performed by a professional actuarial company, the company creates a provision for the current value of liabilities due to a retirement gratuity.

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

Discount rate	3,25%
Mortality tables	pttz2016
Average assumed annual increase in the basis of retirement and disability gratuity calculation in 2018-2027	2,50%
Average assumed annual increase in the basis of the jubilee prizes calculation in 2018-2027	2,50%
The weighted average employee mobility ratio	33,50%
Average maturity of post-employment benefits (in years)	0,5

Sensitivity analysis as at 31 December 2017.

TITLE OF PROVISION	BOOK VALUE OF THE PROVISION	THE FINANCIAL DISCOUNT RATE		PLANNED BASE INCREASES	
		-1 P.P.	+1 P.P.	-1 P.P.	+1 P.P.
Retirement gratuity	0,1	0,1	0,1	0,1	0,1
Disability gratuity	—	—	—	—	—
Jubilee awards	2,6	2,7	2,6	2,6	2,8
Post-mortem gratuity	0,1	0,1	—	—	—
Total provisions	2,8	2,9	2,7	2,7	2,9
Change against the book value		0,1	(0,1)	(0,1)	0,1

6. OTHER NOTES

6.1
FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY IAS 39

	31.12.2017		31.12.2016	
	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES
Financial assets	519,4	—	254,2	—
Loans granted	200,2	—	201,7	—
Trade receivables	18,8	—	14,5	—
Cash and cash equivalents	300,4	—	38,0	—
Financial liabilities	—	377,5	—	362,6
Debt liabilities	—	210,7	—	247,8
Trade liabilities	—	166,8	—	114,8

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

31.12.2017	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets	519,4	19,6	126,2	5,8	367,8
Loans granted	200,2	19,5	121,8	4,5	54,4
Trade receivables	18,8	—	0,3	1,3	17,2
Cash and cash equivalents	300,4	0,1	4,1	—	296,2
Financial liabilities	377,5	0,4	0,7	0,2	376,2
Debt liabilities	210,7	—	—	—	210,7
Trade liabilities	166,8	0,4	0,7	0,2	165,6

31.12.2016	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

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

2017	ITEM VALUE IN CURRENCY USD	INCREASE/ DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN CURRENCY EUR	INCREASE/ DECREASE OF EXCHANGE RATE EUR	
		0,05	-0,05		0,05	-0,05
Financial assets	19,6	0,3	(0,3)	126,2	1,5	(1,5)
Loans granted	19,5	0,3	(0,3)	121,8	1,5	(1,5)
Trade receivables	—	—	—	0,3	—	—
Cash and cash equivalents	0,1	—	—	4,1	—	—
Financial liabilities	(0,4)	—	—	0,7	—	—
Debt liabilities	—	—	—	—	—	—
Trade liabilities	(0,4)	—	—	0,7	—	—
Impact on net result		0,3	(0,3)		1,5	(1,5)

2016	ITEM VALUE IN CURRENCY USD	INCREASE/ DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN CURRENCY EUR	INCREASE/ DECREASE OF EXCHANGE RATE EUR	
		0,05	-0,05		0,05	-0,05
Financial assets	22,6	0,3	(0,3)	147,5	1,7	(1,7)
Loans granted	19,0	0,3	(0,3)	128,7	1,5	(1,5)
Trade receivables	0,3	—	—	2,7	—	—
Cash and cash equivalents	3,3	—	—	16,1	0,2	(0,2)
Financial liabilities	(0,5)	—	—	0,7	—	—
Debt liabilities	—	—	—	—	—	—
Trade liabilities	(0,5)	—	—	0,7	—	—
Impact on net result		0,3	(0,3)		1,7	(1,7)

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

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

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

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 2017 were 1 p.p. higher/lower, the profit for the period would be insignificantly changed (2016: 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 31.12.2017		AS OF 31.12.2016	
	31.12.2017	31.12.2016	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	5,9	16,7	0,1	(0,1)	0,2	(0,2)
Loans granted	200,2	201,7	2,0	(2,0)	2,0	(2,0)
Debt liabilities	(210,7)	(247,8)	(2,1)	2,1	(2,5)	2,5
Effect on net result	—	—	—	—	(0,3)	0,3

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:

	31.12.2017	31.12.2016
Loans granted	200,2	201,7
Trade receivables	18,8	14,5
Cash and cash equivalents	300,4	38,0
Total	519,4	254,2

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.

	31.12.2017	31.12.2016
Banks with a rating of A	—	—
Banks with a rating of A-	275,6	18,9
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+	2,1	1,0
Banks with a rating of BBB-	0,3	0,1
Banks with a rating of BBB	0,3	0,1
Banks with a rating of BB-	—	—
Total cash at banks	278,3	20,1

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).

Under this scheme, the Supervisory Board is entitled to grant warrants in the total number of 768,000 warrants.

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.

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

VALUATION OF THE INCENTIVE SCHEME

TRANCHE	NUMBER OF INSTRUMENTS IN THE TRANCHE	FAIR VALUE OF THE INSTRUMENT	2017	2018	2019	RAZEM
Tranche 2017	391 640	79,34	3 907	13 582	13 582	31 071
Tranche 2018	391 640	79,34	3 907	13 582	13 582	31 071
Tranche 2019	391 640	79,68	3 924	13 640	13 640	31 204
Total cost	1 174 920		11 738	40 804	40 804	93 346
valuation of stake assigned to participants			10 966	38 119	38 119	87 204
value 75%			8 225	28 589	28 589	65 403

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

6.3 FAIR VALUES OF THE COMPANY'S ASSETS AND LIABILITIES

The fair value of the Company's assets and liabilities is the same as the carrying amount.

6.4 ADJUSTMENT OF PREVIOUS YEARS

Due to a fiscal control carried out by the Head of the Office of the Lower Silesian Customs and Revenue in Wrocław for the year 2014 regarding income tax from legal persons and the tax on goods and services and due to the findings of the authority contained in the inspection report, the Company CCC SA was required to pay income tax, the amount of which, together with the interest due, amounted to PLN 5.5 million.

Due to the fact that this liability referred to the year 2014 and as of 31.12.2016, it was not included in the books, The Management Board decided to adjust the financial statements for 2016 as a result of which the reserve capital in the item retained earnings was reduced by a total amount of 5.5 million PLN.

The Company adjusted the comparative data in the statement of financial position.

DESCRIPTION OF ADJUSTMENT	ADJUSTED ITEM	ADJUSTMENT VALUE OF DEBIT	ADJUSTMENT VALUE OF CREDIT
CIT estimate of liability	Retained earnings	5,5	—
	CIT liability	—	5,5

In the current period, the Company made the payment of the outstanding income tax, recognizing it in retained earnings at the same time.

6.5 EVENTS AFTER BALANCE SHEET DATE

On 31 January 2018, Mr. Marcin Pałażej submitted his resignation from the position of the Vice President of the Management Board of CCC S.A. with effect as of 31 January 2018. (CR 4/2018)

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

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

TYPE OF SERVICE	YEAR ENDED 31 DECEMBER 2017 [1]	YEAR ENDED 31 DECEMBER 2016 [2]
Mandatory audit of the annual financial statements	0,3	0,4
Other certifying services	—	—
Tax advisory services	—	—
Other services	—	0,7
In total	0,3	1,1

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

[2] refers to PricewaterhouseCoopers Sp. z o.o.

The remuneration does not include services provided to other Group companies.

The financial statements were approved for publication by the Management Board of the Company on 26 march 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	

Polkowice, 26 march 2017