CCC
SHOES & BAGS

CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP CCC S.A. FOR THE PERIOD 01.01.2018 – 31.12.2018

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[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

		1.2018-12.2018	1.2017-12.2017
3.1	Sales revenue	4 725,8	3 938,1
3.2	Cost of sale of goods	(2 355,9)	(1 934,3)
	Gross profit (loss) on sale	2 369,9	2 003,9
3.2	Cost of operating stores	(1 263,7)	(969,9)
3.2	Other cost of sale	(663,8)	(453,4)
3.2	Administrative expenses	(188,2)	(99,0)
3.3	Other cost and operating revenue	118,3	(18,7)
	Operating profit (loss)	372,5	462,9
3.3	Finance revenue	3,7	3,2
3.3	Finance cost	(119,9)	(67,1)
	Share of net profit (loss) of associates accounted for using the equity method	0,1	—
	Profit (loss) before tax	256,4	399,0
3.4	Income tax	(32,9)	(36,8)
	NET PROFIT (LOSS) FROM CONTINUING OPERATIONS	223,5	362,2
	DISCONTINUED OPERATIONS		
7.3	**NET LOSS FROM DISCONTINUED OPERATIONS**	(166,8)	(59,9)
	NET PROFIT (LOSS)	56,7	302,3
	Attributable to shareholders of the parent company	59,3	286,9
	Attributable to non – controlling interests	(2,6)	15,4
	Other comprehensive income from continuing operations		
	Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities	6,2	(2,7)
	Non-attributable to be reclassified to result – other:		
	Actuarial profit / (losses) related to employee benefits	—	(0,3)
	Other comprehensive income from discontinued operations		
	Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities	(0,4)	(0,3)
	Non-attributable to be reclassified to result – other:		
	Actuarial profit / (losses) related to employee benefits	—	—
	Total net comprehensive income	5,8	(3,3)

	1.2018-12.2018	1.2017-12.2017
TOTAL COMPREHENSIVE INCOME	62,5	299,0
Total comprehensive income attributable to:		
Shareholders of the parent company from:	65,1	283,6
– countinuing operations	232,3	343,8
– discontinued operation	(167,2)	(60,2)
Non-controlling interests	(2,6)	15,4
Weighted average number of ordinary shares (mln pcs)	41,2	41,2
Basic earnings per share from continuing operations (in PLN)	5,43	8,79
Diluted earnings per share from continuing operations (in PLN)	5,43	8,79
Basic earnings per share from discontinued operation (in PLN)	(4,05)	(1,45)
Diluted earnings per share from discontinued operation (in PLN)	(4,05)	(1,45)

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

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

NOTE		31.12.2018	31.12.2017
5.1	Intangible assets	261,7	197,5
5.2	Goodwill	202,5	106,2
5.3	Tangible fixed assets – investments in stores	615,4	393,0
5.3	Tangible fixed assets – factory and distribution	427,2	323,8
5.3	Tangible fixed assets – other	101,7	70,2
6.1	Right of use	1 870,1	—
3.4	Deferred tax assets	74,8	63,4
	Financial instruments	10,1	—
	Investments accounted for using the equity method	0,2	—
	Non-current receivables	10,4	—
	Total non-current assets	3 574,1	1 154,1
5.4	Inventories	1 806,1	1 417,7
5.5	Trade receivables	124,4	95,7
3.4	Income tax receivables	6,8	25,8
5.5	Loans granted	37,7	9,1
5.5	Other receivables	306,4	155,4
5.6	Cash and cash equivalents	375,8	511,6
	Financial derivative instruments	1,3	0,5
7.3	Assets classified as held for sale	503,4	—
	Total current assets	3 161,9	2 215,8
	TOTAL ASSETS	6 736,0	3 369,9
4.2	Debt liabilities	210,0	436,0
3.4	Deferred tax liabilities	34,2	33,2
	Employees liabilities	12,7	—
5.8	Provisions	12,1	9,4
5.3	Grants received	19,2	21,3
7.2	Obligation to repurchase non-controlling interests	878,7	777,9
6.2	Lease liabilities	1 484,0	—
	Total non-current liabilities	2 650,9	1 277,8
4.2	Debt liabilities	806,8	481,1
5.7	Trade liabilities	864,2	235,8
5.7	Other liabilities	274,3	166,6
3.4	Income tax liabilities	29,0	26,6
5.8	Provisions	17,2	11,3
5.3	Grants received	2,4	2,4
6.2	Lease liabilities	425,2	—
7.3	Liabilities directly associated with assets classified as held for sale	518,2	—
	Total current liabilities	2 937,3	923,8

[in PLN million unless otherwise stated]

NOTE		31.12.2018	31.12.2017
	TOTAL LIABILITIES	5 588,2	2 201,6
	NET ASSETS	1 147,8	1 168,3
	Equity		
4.1	Share capital	4,1	4,1
	Share premium	645,1	644,9
	Exchange rate differences from the translations	2,9	(1,3)
	Actuarial valuation of employee benefits	(0,3)	(0,3)
	Retained earnings	369,1	453,1
	Equity attributable to the shareholders of the parent entity	1 020,9	1 100,5
4.1	Non-controlling interests	126,9	67,8
	TOTAL EQUITY	1 147,8	1 168,3
	TOTAL LIABILITIES	6 736,0	3 369,9

i MORE INFORMATION IN SECTION 3.1.1.2 IN STATEMENTS OF OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTE		01.2018-12.2018	01.2017-12.2017
	Profit before tax	91,5	340,8
3.1	Amortization and depreciation	602,4	92,7
	Impairment on fixed assets	63,7	—
	Gain/(Loss) on investment activity	(19,1)	1,6
4.2	Cost of borrowings	60,5	31,2
4.4	Other adjustments to profit before tax	(23,1)	41,8
3.3	Income tax paid	(23,7)	(46,6)
	Cash flow before changes in working capital	752,2	461,5
	Changes in working capital	—	—
5.3	Change in inventory and inventory write-downs	(277,6)	(398,0)
4.4	Change in receivables	(99,8)	(64,1)
4.4	Change in current liabilities, excluding borrowings	621,0	78,8
	Net cash flows from operating activities	995,8	78,2
	Proceeds from the sale of tangible fixed assets	99,2	25,4
5.5	Repayment of loans granted and interest	16,8	2,0
5.2, 5.1	Purchase of intangible and tangible fixed assets	438,7	(244,7)
5.5	Loans granted	(7,6)	—
	Purchase of investment in subsidiaries	(214,7)	(5,0)
	Purchase of financial assets	(10,4)	—
	Payments related to Gino Rossi SA acquisition	(65,4)	—
	Net cash flows from investing activities	(620,8)	(222,3)
4.2	Proceeds from borrowings	277,1	121,6
4.2	Issue of bonds	210,0	—
4.1	Dividends and other payments to owners	(94,7)	(101,4)
4.2	Repayment of borrowings	(207,6)	—
	Repayment of bonds	(203,0)	—
6.2	Lease payments	(435,9)	—
	Interest paid	(60,7)	(31,2)
	Proceeds from the issue of shares	—	525,8
	Net cash flows from finance activities	(514,8)	514,8
	TOTAL CASH FLOWS	(139,8)	370,7
	Net increase/decrease of cash and cash equivalents	(135,9)	368,2
	Exchange rate changes on cash and cash equivalents	3,9	(2,5)
	Cash and cash equivalents at beginning of period	514,1	143,4
	Cash and cash equivalents at the end of period	374,3	514,1

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

[in PLN million unless otherwise stated]

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	EXCHANGE RATE DIFFERENCES UPON CONVERSION OF FOREIGN ENTITIES	ACTUARIAL VALUATION OF EMPLOYEE BENEFITS	NON – CONTROLING INTERESTS	TOTAL EQUITY
		ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT COMPANY					
As of 31.12.2017 (01.01.2018)	4,1	644,9	453,1	(1,3)	(0,3)	67,8	1 168,3
Net profit for the period	—	—	56,7	—	—	—	56,7
Net profit attributable to non-controlling interests	—	—	2,6	—	—	(2,6)	—
Exchange rate differences from the translations	—	—	—	4,2	—	1,6	5,8
Total comprehensive income	—	—	59,3	4,2	—	(1)	62,5
Dividend payment	—	—	(94,7)	—	—	—	(94,7)
Valuation of employee option scheme	—	—	25,4	—	—	—	25,4
Issue of shares	—	0,2	—	—	—	—	0,2
Purchase of shares	—	—	—	—	—	60,1	60,1
Total transactions with owners	—	0,2	(69,3)	—	—	60,1	(9,0)
Obligation to purchase of own shares of subsidiary	—	—	(74,0)	—	—	—	(74,0)
As of 31.12.2018	4,1	645,1	369,1	2,9	(0,3)	126,9	1147,8
As of 01.01.2017	3,9	119,2	793,8	1,8	—	52,4	971,1
Net profit for the period	—	—	302,3	—	—	—	302,3
Actuarial valuation of employee benefits	—	—	—	—	(0,3)	—	(0,3)
Net profit attributable to non-controlling interests	—	—	(15,4)	—	—	15,4	—
Exchange rate differences from the translations	—	—	—	(3,1)	—	—	(3,1)
Total comprehensive income	—	—	286,9	(3,1)	(0,3)	15,4	299,0
Dividend payment	—	—	(101,4)	—	—	—	(101,4)
Valuation of employee option scheme	—	—	8,2	—	—	—	8,2
Issue of shares	0,2	525,7	—	—	—	—	525,9
Total transactions with owners	0,2	525,7	(93,2)	—	—	—	432,7
Commitment to purchase own shares of subsidiary	—	—	(534,4)	—	—	—	(534,4)
As of 31.12.2017 (01.01.2018)	4,1	644,9	453,1	(1,3)	(0,3)	67,8	1 168,3

The issue of shares in the reporting year 2018 concerned the implementation of the incentive program. In the reporting year 2018, 4,000 ordinary bearer shares were issued, as at the balance sheet date the share capital was paid up and registered. More information is described in note 4.1.

Liabilities under the option to purchase shares of subsidiaries (obligation to buy out minority shares) are described in detail in Note 7.2.

[in PLN million unless otherwise stated]

NOTES

1. GENERAL INFORMATION

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

The consolidated financial statements of the Group cover the year period ended 31 December 2018 and include comparative data for the year ended 31 December 2017. Due to the presentation of discontinued operations in current period data for the comparative period was converted.

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

These consolidated financial statements is prepared in accordance with International Accounting Standard 34 „Interim Financial Reporting" as adopted by the EU („IAS 34"). Items included in the financial statements of individual Group entities are valued in the currency of the primary economic environment in which the particular entity operates („functional currency"). The consolidated financial statements are presented in PLN currency, which is the presentation currency of the Group. The financial statements have been prepared in accordance with the historical cost principle and in accordance with fair value if the cost principle couldn't have been applied.

The consolidated financial statements of the Group were approved to be published by the Management Board on 14.03.2019.

The preparation of financial statements in accordance with IFRS requires the use of certain significant accounting estimates. It also requires the Management Board to make its own assessments as part of the application of accounting principles adopted by the Company. Significant estimates of the Management Board are presented in individual notes.

[in PLN million unless otherwise stated]

The most important accounting principles applied in the preparation of these financial statements are presented in the context of successive individual notes. These principles were applied in all presented years in a continuous manner, except the changes resulting from implementation of IFRS 9, IFRS 16 and IFRS 16. The list of the most important accounting policies and estimates and judgments for each item of reports on financial results and financial position are presented below:

NOTE	TITLE	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
3.1	Sales revenue	Y		28
3.2	Cost of sales of goods	Y		30
3.2	Cost of operating stores	Y		30
3.2	Other cost of sales	Y		30
3.2	Administrative expenses	Y		30
3.3	Pozostałe przychody i koszty operacyjne i finansowe	Y		33
3.4	Income tax	Y		35
3.4	Deferred tax assets	Y	Y	36
3.4	Income tax liabilities	Y		36
4.1	Equity	Y		43
4.2	Debt liabilities	Y		47
5.1	Intangible assets	Y	Y	52
5.2	Goodwill	Y	Y	53
5.3	Tangible fixed assets	Y	Y	55
5.3	Grants received	Y		56
5.4	Inventories	Y	Y	58
5.5	Loans granted	Y		60
5.5	Trade receivables	Y		60
5.5	Other receivables	Y		60
5.6	Cash and cash equivalents	Y		61
5.7	Trade liabilities	Y		62
5.7	Other liabilities	Y		62
5.8	Provisions	Y		63
6	Leasing	Y	Y	65
7.1	Financial instruments	Y		71
7.2	Acquisitions of subsidiares	Y	Y	77
7.3	Discontinued activity	Y	Y	89
7.5	Cost of incentive program	Y		93
7.6	Consolidation	Y		95

BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared assuming that the Group will continue its business operations in the foreseeable future i.e. at least one year after the balance sheet date. As at the date of publication of the condensed separate financial statements,

there are no circumstances indicating the risk of continuing the Group's operations for at least one year from the balance sheet date.

APPLIED NEW AND REVISED ACCOUNTING STANDARDS:

The accounting principles (policies) applied to prepare these financial statements are consistent with those applied to the preparation of the Group's financial statements for the year ended 31 December 2017, except for the ones presented below. The following amendments to IFRS were applied in 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 Group.

IFRS 9 "FINANSIAL 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.

The Group applies IFRS 9 from the effective date of the standard, without transforming the like-for-like data.

In the Group's opinion, the implementation of the standard has no significant impact on the accounting principles (policy) applied to the Group's operations and its financial results except for the effects of the application of IFRS 9 in terms of write-down. The Group has not identified an increase in write-down losses, with a negative impact on equity, as discussed below.

[in PLN million unless otherwise stated]

A) CLASSIFICATION AND VALUATION

The Group has not identified 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. Trade receivables are maintained to obtain cash flows resulting from the agreement, and the Group does not sell trade receivables as part of factoring – they are still valued at amortized cost by the financial result.

Mapping of financial instrument classes to the valuation categories from IAS 39 and IFRS 9 is presented in the table below:

CATEGORY ACCORDING TO IAS39		01.01.2018	CATEGORY ACCORDING TO IFRS9		01.01.2018
Financial assets			Financial assets		
Receivables and loans	Amortized cost	104,8	Trade receivables	Amortized cost	95,7
			Loans granted	Amortized cost	9,1
Other receivables	Amortized cost	155,4	Other receivables	Amortized cost	155,4
Cash and equivalents	Amortized cost	511,6	Cash and equivalents	Amortized cost	511,6
Financial derivative instruments	Fair value	0,5	Financial derivative instruments	Fair value	0,5
Finance liabilities			Finance liabilities		
Debt liabilities	Amortized cost	917,1	Debt liabilities	Amortized cost	917,1
Grants received	Amortized cost	23,7	Grants received	Amortized cost	23,7
Trade liabilities	Amortized cost	235,8	Trade liabilities	Amortized cost	235,8
Other liabilities	Amortized cost	166,6	Other liabilities	Amortized cost	166,6

B) WRITE-DOWN

In accordance with IFRS 9, the entity measures the write-down for expected credit losses in the amount equal to the 12-month expected credit loss or expected credit losses in the life of the financial instrument.

In the case of trade receivables, the Group applies a simplified approach and measures the write-off for expected credit losses in the amount equal to the expected credit losses throughout the lifespan of the instrument.

In addition, receivables are associated with retail and franchise activities, which is characterized by a low level of risk of non-recoverability.

In the case of trade receivables, due to the nature of receivables, an impairment loss along with the associated deferred tax asset is relatively small due to the prevailing cash sales.

As a result of tests for impairment of trade receivables, no impairment loss was made in the reporting period.

IFRS 15 „REVENUE FROM CONTRACTS WITH CUSTOMERS"

In accordance with the above standard, revenues are recognized in the amount of remuneration that the entity is entitled in exchange for transferring the promised goods or services to the client. The new standard replaces the previous requirements for recognizing revenues in accordance with IFRS. The standard applies to annual reporting periods beginning on 01.01.2018 and later.

The Group applies IFRS 15 from the effective date of the standard, without transforming the comparative data, using the modified retrospective method.

IFRS 15 introduces new requirements regarding the presentation and disclosure. The fundamental principle of the new standard is the recognition of revenues at the time of transfer of control over goods and services to the client, in the amount of the transaction price. Goods or services that can be identified as part of a package should be recognized separately. In addition, all discounts and rebates on the transaction price are generally allocated in 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 tangible assets and intangible assets), if such sale is not made in the ordinary course of business.

In accordance with the requirements of IFRS 15, the Group 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.

The CCC Group discloses in the table below information that shall enable users of financial statements to understand the relationship between the disclosure of income by category and the revenue information that the entity discloses for each reporting segment.

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 3.1. Sales revenues

SALES REVENUES

<table>
<tr><th rowspan="2">THE COMPANY OPERATES IN THE AREA OF</th><th rowspan="2">TIME OF INCOME RECOGNITION</th><th colspan="2">AS PART OF THE ASSESSMENT OF THE IMPACT OF THE INTRODUCTION OF IFRS 15, THE COMPANY CONSIDERED, INTER ALIA, THE FOLLOWING ASPECTS:</th></tr>
<tr><th>VARIABLE REMUNERATION</th><th>GUARANTEES</th></tr>
<tr><td>Retail sales of goods</td><td rowspan="3">The contract contains only one obligation to perform the service – sales of the goods, therefore, the Group assesses that the impact of adopting IFRS 15 on the recognition of revenues and the Group'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.

In the case of the sale of gift cards, this revenue is recognized when the card is made or when the validity date for which the card has been issued expires.

In the case of picking up the goods in the „click & collect" store, the revenue is recognized at the time of delivery and issuing the receipt. In the case of direct delivery to the customer – during the year revenue is recognized at the time of delivery to the courier and corrected as at the balance sheet date, taking into account the date of receipt of the shipment by the customer. In addition, as at the balance sheet date, an allowance for potential returns resulting from the consumer's right to return is estimated.</td><td>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 Group grants customers the right to return unused goods within 7 days from the date of purchase.</td><td rowspan="2">The Group provides a guarantee for the goods sold.Typically, guarantees are the assurance for the customer that the product complies with the specifications set by the parties and does not constitute an additional service.The Company does not apply additional regulations or agreements in this matter, therefore, as a consequence, the existing guarantees will be further recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.</td></tr>
<tr><td>E-commerce sales</td><td>• The right to return
The Group grants customers the right to return unused goods within 30 days from the date of purchase.Therefore, the Group presents write-down on this account and recognizes it on an ongoing basis in the financial result.</td></tr>
<tr><td>Wholesale of goods</td><td>The Group does not bear the costs of obtaining contracts when concluding wholesale agreements. The company does not operate in a way of agency.</td><td>In the case of wholesale, the recipients are not entitled to the return of goods and no other additional discounts are granted.</td></tr>
</table>

The Group presents no impact of adoption of IFRS 15 on the consolidated financial statements for the year ended 31 December 2018.

IFRS 16 „LEASES"

The companies from the Group are parties to lease agreements as a lessee. The prevailing contracts are rental agreements for store space.

The company decided to earlier for 01.01.2018 implementation the IFRS 16 Leasing standard, which obligatorily covers all companies preparing their reports in accordance with IFRS for the financial year 2019. This resulted in changes in the accounting principles adopted so far. The company chose a modified retrospective approach

.

IFRS 16 Leasing has a material impact on the Company's financial statements, as part of its operations, it is a party to lease agreements for premises in which it sells, rents warehouse and office space, car leasing and servers. These contracts have so far been classified in accordance with IAS 17 as operating lease, and as a result, fees for this have been included in operating costs as the contract period expires in amounts resulting from invoices.

In accordance with IFRS 16 Leases, the Company has implemented uniform accounting principles that require lessees to recognize assets and liabilities in all lease agreements, taking into account the exceptions listed in the standard.

The Company recognizes a component of assets due to the right of use together with an appropriate leasing liability determined in the amount of discounted future payments during the leasing period.

Expenses related to the use of leased assets, previously included in the operating costs of stores or in other selling costs in the „lease" item, are currently settled with leasing liabilities. The right to use is subject to depreciation in accordance with the duration of the contract and the cost of this depreciation is presented in the costs of operating stores or in other sales costs in the „depreciation" item. The financial costs related to the calculation of lease liabilities mainly covering the costs of interest and exchange differences are recognized in the financial costs. The valuation of the lease liability is periodically settled with the lease payments. Assets due to the right to use are amortized on a straight-line basis, while liabilities due to lease agreements settled with the effective interest rate. presented in operating costs of stores or in other selling costs in the as depreciation and n finance costs as interest expenses. The valuation of the lease liability is periodically settled with the lease payments. Assets due to the right of use are amortized on a straight-line basis, while liabilities under lease agreements are settled effective interest rate.

The implementation of IFRS 16 has an impact on almost all commonly used financial ratios and measures of effectiveness such as: debt ratios, current liquidity ratio, asset turnover ratio, interest coverage ratio, EBITDA, EBIT, operating profit, net profit, earnings per share (EPS) , return ratios on capital employed (ROCE, ROE) and operational cash flow. Definitions of ratios used by the Company are included in the Report on the activities of the management board. These changes also affect the covenants included in loan agreements, credit ratings and loan costs, and may also be reflected in changes in behavior on the financial market. This is related to the fact that the operating lease costs, which were previously settled above EBITDA, were replaced by depreciation costs of assets under the right of use presented in the operating costs of stores. In addition, the financial costs include interest on discounted leasing liabilities and exchange rate differences due to the valuation of these liabilities. The Company, in the scope of selected credit agreements, in which covenants occur, uses indicators excluding the impact resulting from the implementation of IFRS 16 Leasing.

The application of IFRS 16 requires the Company to analyze data and make estimates and calculations that affect the measurement of lease liabilities and the valuation of assets under the right of use. They include: assessing whether the contract includes leasing in accordance with IFRS 16 and determining the period of validity.

The company performs a detailed analysis of the duration of its contracts, in particular in terms of the extension options that it is entitled to in selected contracts. A detailed evaluation of the potential for using these options is made on the basis of management information regarding, inter alia, individual result and profitability of a given store but also expert knowledge. The described analysis concerns agreements that end in the perspective of a 12-month period. The adopted period results from business rationality, which can be applied to the adopted analysis. If the Management Board decides to extend such a lease agreement, the period of its duration accepted for the valuation is extended by the activated period of the extension option resulting from the contract. Contracts for an indefinite period of time are not subject to valuation in accordance with IFRS 16.

The current value of the lease payment is determined using the marginal interest rate. The company determines the risk-free rate based on available interest rate curves, corresponding to the currencies in which leasing contracts and cash-flow maturity dates resulting from concluded contracts are denominated.

In the calculation of interest rates, the duration of the contract, the currency of the contract and the nature of the subject of the contract were taken into account. The rate is between 0.14% and 5,18%

More information on the implementation of IFRS 16 is included in item 6.

OTHER CHANGES TO ACCOUNTING POLICIES

A) IFRIC INTERPRETATION 22 FOREIGN CURRENCY TRANSACTION AND ADVANCE CONSIDERATIONS

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advances consideration.If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt in advance consideration.

This Interpretation does not have any impact on the Group's consolidated financial statements.

B) AMENDMENTS TO IAS 40 TRANSFERS OF INVESTMENT PROPERTY

The amendments clarifies when an entity should transfer property, including property under construction for development into, or out of investment property.The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of change in use.A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have any impact on the Group's consolidated financial statements.

C) AMENDMENTS TO IFRS 2 CLASSIFICATION AND MEASUREMENT OF SHARE-BASED PAYMENT TRANSACTION

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transactions; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

These amendments do not have any impact on Group's consolidated financial statements.

D) AMENDMENTS TO IFRS 4 APPLYING IFRS 9 FINANCIAL INSTRUMENTS WITH IFRS 4 INSURANCE CONTRACTS

The amendments allow entities that carry out insurance activity to postpone the date of entry into force of IFRS 9 by 1 January 2021.The effect of such postponement is that the entities concerned may continue to prepare financial statements in accordance with the applicable standard, i.e.IAS 39.

These changes do not apply to the Group.

E) AMENDMENTS TO IAS 28 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES AS A PART OF AMENDMENTS RESULTING FROM THE REVIEW OF IFRSS 2014-2016

The amendments clarify that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit and loss under IFRS 9.If an entity, that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retainthe fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interest in subsidiaries.This selection is made separately for each investment entity associate or joint venture, at the later of the date on which a) the investment entity associate or joint venture is initially recognised; b) the associate or joint venture becomes an investment entity; c) the investment entity associate or joint venture becomes a parent.

These amendments do not have any impact on Group's consolidated financial statements.

F) AMENDMENTS TO IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS AS PART OF AMENDMENTS RESULTING FROM THE REVIEW OF IFRSS 2014-2016

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have not served they intended purpose.

These amendments do not have any impact on the Group's consolidated financial statements.

The Group has not early adopted any standard, interpretation or amendment that was issued but is not yet effective in the light of European Union regulations.

STANDARDS AND INTERPRETATIONS THAT HAVE BEEN PUBLISHED BUT HAVE NOT YET ENTERED INTO FORCE

- IFRS 14 Regulatory settlements (published on 30.01.2014) – according to the decision of the European Commission, the pre-approval process shall not be initiated before the final version appears – until the date of approval of these financial statements not approved by the EU – applicable to annual periods beginning on 01.01 2016 or later;

- Amendments to IFRS 10 and IAS 28 Transactions of sale or contribution of assets between an investor and its affiliate or joint venture (published on 11.09.2014) – works leading to the approval of these amendments were postponed by the EU for an indefinite period – the date of entry into force was postponed by IASB for an indefinite period;

- IFRS 16 Leasing (published on 13.01.2016) – applicable to annual periods beginning on 01.01.2019 or later;

- IFRS 17 Insurance Contracts (published on 18.05.2017) – until the date of approval of these financial statements not approved by the EU – applicable to annual periods beginning on 01.01.2021 or later

- IFRIC 23 Uncertainty related to the recognition of income tax (published on 07.06.2017) – applicable to annual periods beginning on 01.01.2019 or later;

- Amendments to IFRS 9 Early repayments with negative compensation (published on 12.10.2017) – applicable to annual periods beginning on 01.01.2019 or later;

- Amendments to IAS 28 Long-term Shares in Associates and Joint Ventures (published on 12.10.2017) – applicable to annual periods beginning on 01.01.2019 or later;

- Changes resulting from the review of IFRS 2015-2017 (published on 12.12.2017) – until the date of approval of hese financial statements not approved by the EU – applicable to annual periods beginning on 01.01. 2019 or later;

- Amendments to IAS 19 Change, limitation or settlement of the program (published on 07.02.2018) – until the date of approval of these financial statements not approved by the EU – applicable to annual periods beginning on 01.01.2019 or later;

- Amendments to References to the Conceptual Assumptions contained in International Financial Reporting Standards (published on 29.03.2018) – until the date of approval of these financial statements not approved by the EU – applicable to annual periods beginning on 01.01.2020 or later;

- Amendment to IFRS 3 Business Combinations (published on 22.10.2018) – until the date of approval of these financial statements not approved by the EU – applicable to annual periods beginning on 01.01.2020 or later;

- Amendments to IAS 1 and IAS 8: Significance Definition (published on 31.10.2018) – until the date of approval of these financial statements not approved by the EU – applicable to annual periods beginning on 01.01.2020 or later.

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

CHANGES IN THE PRESENTATION OF REPORTS

In the reporting period, the financial data for 2017 was transformed to present discontinued operations. In 2018, the Group decided to discontinue its operations in Germany by a subsidiary of CCC Germany Gmbh. More information is provided in note 7.3

VALUATION OF VALUES EXPRESSED IN FOREIGN CURRENCIES

The consolidated financial statements are presented in PLN currency, which is the functional currency of the Parent Company and the presentation currency of the Group's consolidated financial statements.

Profits and losses on exchange rate differences referring to debt and cash and cash equivalents are recognized in profit or loss under „financial income or expense". All other gains or losses on exchange differences are recognized in profit or loss under „other operating income and other operating expenses" in the net amount.

The results and financial situation of all Group entities whose functional currencies differ from the presentation currency, are converted into the presentation currency as follows:

- assets and liabilities in each presented statement of financial position are translated at the closing rate as at that balance sheet date;
- revenues and expenses in each statement of comprehensive income are translated at average exchange rates (unless the average exchange rate provides a satisfactory approximation of the cumulative effect of exchange rates on transaction days – in this case, income and expenses are converted according to exchange transaction rates); and
- any resulting exchange differences are recognized in other comprehensive income and cumulatively as a separate component of equity.

In case of selling an entity operating abroad (including partial sale) such exchange differences are recognized in the financial result as part of the profit or loss from sales.

2. SEGMENTS

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

ACCOUNTING POLICY

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

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

Revenue from sales of goods and products – wholesale

The Group sells footwear handbags, shoe care products, small leather goods and clothing in the wholesale domestic market and foreign market. In the domestic market sales are made on the basis of franchise concluded agreements. Revenue from sales is recognized at the time the contractor is transferred the significant risks and benefits related to the ownership of the goods.

The Group has all the risks associated with product obsolescence and after-sales service for the retail customer, i.e. the Group is obliged to cover the costs incurred in this connection and receive the goods coming from the complaints handling. Principles of creating provisions for warranty repairs are presented in Note 5.7.

Revenue from sales of goods and products – retail sales

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

Revenue from the sales of goods – e-commerce sales

The group sells footwear, bags, shoe care accessories, small leather finery via the online stores operating on local and foreign markets. Sales revenue is recognized when the goods are delivered to the customer. In order to estimate the amount of returns and create provisions for them, the current experience gained is used. Principles for establishing provisions for warranty repairs are presented in Note 5.7

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

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

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

The Group identifies the following operating and reporting segments:

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

MORE INFORMATION IN SECTION 1.3 (BUSINESS MODE) IN THE STATEMENTS ON OPERATIONS OF THE GROUP

MORE INFORMATION IN THE STATEMENTS ON OPERATIONS OF THE GROUP

[in PLN million unless otherwise stated]

1.2018-12.2018	DISTRIBUTION ACTIVITY						MANUFACTURING ACTIVITY	TOTAL	DISCONTINUED OPERATIONS
	RETAIL								
	POLAND	UE – CEE	UE – WESTERN EUROPE	OTHER COUNTRIES	E-COMMERCE	WHOLESALE			
Total sales revenue	2 060,1	1 035,4	430,8	112,7	977,3	2 435,7	227,6	7 279,6	217,8
Revenue from sales to other segments	—	—	—	—	—	(2 326,8)	(227,0)	(2 553,8)	—
Revenue from sales from external customers	2 060,1	1 035,4	430,8	112,7	977,3	108,9	0,6	4 725,8	217,8
	—	—	—	—	—	—	—	—	—
Gross profit on sale	1 027,1	600,1	245,5	59,0	401,4	37,2	(0,4)	2 369,9	127,7
Gross margin	49,8%	58,0%	57,0%	52,4%	41,1%	34,2%	0,0%	50,1%	58,6%
PROFIT OF SEGMENT	282,5	109,6	(72,4)	(2,3)	97,4	28,0	(0,4)	442,4	(85,7)
	13,7%	10,6%	-16,8%	-2,0%	10,0%	25,7%	-66,7%	9,4%	-39,3%
Assets of segments	—	—	—	—	—	—	—	—	—
Fixed assets except deferred tax asset and granted loans	1 223,8	852,5	724,6	133,4	412,9	84,8	71,4	3 503,4	494,8
Deferred tax assets	8,6	—	—	—	3,8	22,3	3,8	38,5	—
Inventories	302,6	199,8	206,2	49,3	305,3	746,5	41,1	1 850,8	—
Outlays on tangible fixed assets and intangibles	545,6	270,4	100,7	37,7	299,6	84,8	71,4	1 410,2	—
Other revenue/costs:	—	—	—	—	—	—	—	—	—
Amortization and depreciation	(217,9)	(153,3)	(108,8)	(15,8)	(4,6)	(0,7)	(2,4)	(503,5)	(70,6)
Impairment loss of tangible fixed assets and intangibles	—	—	(9,5)	—	—	—	—	(9,5)	(54,3)

[in PLN million unless otherwise stated]

1.2017-12.2017	DISTRIBUTION ACTIVITY						MANUFACTURING ACTIVITY	TOTAL	DISCONTINUED OPERATIONS
	RETAIL				E-COMMERCE	WHOLESALE			
	POLAND	UE – CEE	UE – WESTERN EUROPE	OTHER COUNTRIES					
Total sales revenue	2 026,5	880,9	156,6	76,9	605,7	2 568,6	328,6	6 643,8	255,9
Revenue from sales to other segments	—	—	—	—	—	(2 377,8)	(327,9)	(2 705,7)	—
Revenue from sales from external customers	2 026,5	880,9	156,6	76,9	605,7	190,8	0,7	3 938,1	255,9
								—	—
Gross profit on sale	1 043,6	517,0	97,6	41,2	249,6	55,1	(0,2)	2 003,9	146,0
Gross margin	51,5%	58,7%	62,3%	53,6%	41,2%	28,9%	nd	50,9%	57,1%
PROFIT OF SEGMENT	377,6	110,9	(37,8)	6,2	87,8	36,0	(0,2)	580,5	(53,3)
	18,6%	12,6%	-24,1%	8,1%	14,5%	1,4%	-0,1%	8,7%	-20,8%
Assets of segments								—	—
Fixed assets except deferred tax asset and granted loans	395,6	135,7	28,0	24,5	335,9	33,7	90,2	1 043,6	50,9
Deferred tax assets	1,8	—	—	0,3	3,9	17,8	4,0	27,8	—
Inventories	249,8	139,1	29,3	23,4	163,5	757,7	42,5	1 405,3	49,6
Outlays on tangible fixed assets and intangibles	394,3	135,7	28,0	24,5	231,0	33,7	90,2	937,4	50,9
Other revenue/costs:								—	—
Amortization and depreciation	(28,0)	(22,3)	(5,8)	(2,1)	(2,5)	(0,7)	(3,4)	(64,8)	(7,3)
Impairment loss of tangible fixed assets and intangibles	—	—	—	—	—	—	—	—	—

[in PLN million unless otherwise stated]

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

	1.2018-12.2018			1.2017-12.2017		
	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	AGGREGATED SEGMENT DATA	AGGREGATED SEGMENT DATA	CONSOLIDATION ADJUSTMENTS	AGGREGATED SEGMENT DATA
Total sales revenue	7 279,6	(2 553,8)	4 725,8	6 643,8	(2 705,7)	3 938,1
Sales revenue not allocated to the segment	—	—	—			
Sales revenue in the financial statement	—	—	4 725,8			3 938,1
Cost of goods sold in the financial statement	—	—	(2 355,9)			(1 934,3)
Gross profit on sale	2 369,9	—	2 369,9	2 003,9		2 003,9
Gross margin	(1 927,5)	—	(1 927,5)	(1 423,3)		(1 423,3)
Performance of segment	442,4	—	442,4	580,5		580,5
Not allocated cos of sale	—	—	—	—	—	—
Administrative expenses	—	—	(188,2)	—	—	(99,0)
Other cost and operating revenue	—	—	118,4	—	—	(18,7)
Finance revenue	—	—	3,7	—	—	2,4
Finance cost	—	—	(119,9)	—	—	(66,1)
Profit before tax	—	—	256,4	—	—	399,2
Assets of segments						
Fixed assets except deferred tax asset and granted loans	3 503,4	(4,1)	3 499,3	1 043,6	(3,8)	1 039,8
Deferred tax assets	38,5	36,3	74,8	27,8	35,6	63,4
Inventories	1 850,8	(44,7)	1 806,1	1 405,3	(37,2)	1 368,1
Outlays on tangible fixed assets and intangibles	1 410,2	(4,1)	1 406,1	937,4	(3,8)	933,6
Other revenue/costs:						
Amortization and depreciation	(503,5)	(27,8)	(531,3)	(64,8)	(24,3)	(89,1)
Impairment loss of tangible fixed assets and intangibles	(9,5)	—	(9,5)	—	—	—

[in PLN million unless otherwise stated]

	SALES REVENUE		FIXED ASSETS (EXCEPT FINANCIAL INSTRUMENTS AND DEFERRED TAX)	
	1.2018-12.2018	1.2017-12.2017	1.2018-12.2018	1.2017-12.2017
CONTINUING OPERATIONS				
Poland	2 060,0	2 026,5	1 365,3	514,4
Czech Republic	300,6	312,5	206,2	47,0
Switzerland	290,2	0,0	358,3	—
Hungary	240,5	232,9	202,4	40,7
Romania	174,4	115,5	200,2	—
Slovakia	170,9	183,8	109,5	19,5
Austria	140,6	156,6	365,9	28,0
Rosja	88,7	65,0	76,0	21,2
Croatia	72,4	75,2	61,4	14,4
Slovenia	46,3	46,2	31,6	6,9
Bulgaria	30,3	30,3	41,2	7,2
Serbia	24,0	11,8	57,4	3,3
Other	109,6	76,0	0,9	0,0
e – commerce	977,3	605,7	412,9	337,2
DISCONTINUED OPERATIONS				
Germany	217,8	255,9	494,8	50,9
Total	4 943,6	4 194,0	3 984,0	1 090,7
Deferred tax			74,8	63,4
Financial instruments			10,1	—
Total non-current assets (including non-current assets classified as held for sale)			4 068,9	1 154,1

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

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

3.1 SALES REVENUES

ACCOUNTING POLICY

Sales revenues

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

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

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

The Management Board of the Company conducted to determine whether a given entity acts as an agent or principal as a comprehensive analysis taking into account the concluded cooperation agreements between the Company and its subsidiary CCC.eu Limited Liability Company („CCC.eu") and the actually operating business model.

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

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

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

The Company has the main responsibility for delivering goods to the customer and the Company is responsible for the acceptability of products purchased by the customer, the Company sells goods purchased from CCC.eu on its own behalf and for its own account, the purchase from CCC.eu follows the terms of delivery of CPT (transfer ownership at the time of loading on the means of transport);

- The Company bears the risk related to inventory before and after the order is placed by the client, during deliveries or refunds, and the inventory remaining in the Company is its property and the Company bears the risk related to their possible loss;
- The Company receives only recommendations from CCC.eu regarding pricing, bonus and rebate policy and has full freedom in pricing, directly or indirectly;
- The Company bears credit risk in relation to amounts due from the client;
- The Company bears full reputational / reputational risk related to the quality of goods sold, and potential customers' reservations may translate into the Company's negative situation.

In relation to the above, the Management Board acknowledges that CCC Joint-stock Company. is the main entity and should not be treated as an intermediary within the meaning of IAS 18.

[in PLN million unless otherwise stated]

ACCOUNTING POLICY

Other operating income and expenses

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

Financial revenues and costs

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

	SALES REVENUE		CHANGE %
	2018	2017	
Shoes	3 265,1	2 826,5	15,5%
Bags	218,6	182,8	19,6%
Other	155,9	132,3	17,9%
Retail activity	3 639,6	3 141,6	15,9%
e – commerce	977,3	605,7	61,3%
Wholesale	108,9	190,8	-42,9%
Total	4 725,8	3 938,1	20,0%

3.2 COSTS BY NATURE

ACCOUNTING POLICY

Cost of goods sold

As the cost of goods sold the Group recognizes:
• value of goods sold,
• value of packages expended for sales,
• cost of a provision concerning complaints (note 5.8),
• the value of finished goods sold,
• impairments for inventories,
• impairment losses for fixed assets and intangible assets used in manufacturing of goods or providing services (depreciation of production machines), payroll costs of production workers, other costs related to production.

i MORE INFORMATION IN SECTION **3.1.1.1** (COST OF OPERATING STORES) IN THE STATEMENTS OF OPERATIONS OF THE GROUP)

Cost of operating stores

Cost of operating stores includes the cost of maintenance of stores and other retail outlets. This item includes mainly:
• remuneration costs of employees employed in stores,
• 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 sales

Other cost of sales includes cost of sales not directly related to the maintenance of stores, relating to organizational units supporting the sales. This item includes mainly:
• remuneration costs of employees of organizational units supporting sales,
• amortisation of tangible fixed assets,
• cost of external services,
• other flat costs,
• impairment losses on receivables from supplies and services.

Administrative expenses

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

Lease costs

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

Lease fees previously recognized in the costs of store operations or in other selling costs in the „lease costs" item are now presented in the costs of store operations or in other selling costs as depreciation and in finance costs as interest expenses. The valuation of the lease liability is periodically settled with the lease payments. Assets under the right of use are amortized on a straight-line basis, while liabilities under leasing contracts are settled with the effective interest rate. As a result of applying IFRS 16, the Group makes a valuation of leasing contracts that meet the criteria of IFRS 16. The Company includes the following items in current costs:
• Depreciation costs of assets due to the right to depreciation
• Interest costs
• Result of exchange differences
• The costs of completing lease agreements

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.

Financial revenues and costs

Financial revenues and costs resulting from the Group's financial activities include, among others: interest, commissions, profits and losses on exchange differences.

[in PLN million unless otherwise stated]

NOTE	1.2018-12.2018	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(2 228,1)	—	—	—	(2 228,1)
	including discontinued operations:	(90,1)	—	—	—	(90,1)
	Consumption of materials and energy	(161,1)	(68,9)	(29,0)	(9,5)	(268,5)
	including discontinued operations:	—	(6,1)	(0,3)	(0,1)	(6,6)
5.4	Provision for inventories	(8,9)	(0,4)	—	—	(9,3)
	Remuneration and employees benefits	(48,0)	(509,1)	(176,3)	(64,6)	(798,0)
	including discontinued operations:	—	(68,1)	(9,8)	(4,2)	(82,1)
	Cost of incentive program	—	—	—	(25,8)	(25,8)
	Agent services	—	(23,3)	—	(0,5)	(23,8)
	Transportation services	(1,6)	(1,9)	(139,5)	(0,2)	(143,2)
	Lease costs*	—	(155,8)	(44,2)	(15,3)	(215,3)
	including discontinued operations:	—	(24,2)	(14,5)	(1,6)	(40,3)
	Other outsourcing services	(1,1)	(98,4)	(201,6)	(47,5)	(348,6)
	including discontinued operations:	—	(3,9)	(3,5)	(1,4)	(8,8)
	Amortization	(2,4)	(563,2)	(22,2)	(14,6)	(602,4)
	including discontinued operations:	—	(70,6)	(0,2)	(0,3)	(71,1)
	Taxes and charges	(1,0)	(7,5)	(3,7)	(7,8)	(20,0)
	including discontinued operations:	—	(0,2)	—	—	(0,2)
	Other flat costs	(0,1)	(17,6)	(78,3)	(10,3)	(106,3)
	including discontinued operations:	—	(9,4)	(2,6)	(0,3)	(12,3)
	Change in products and production in progress	6,3	—	—	—	6,3
	Total	(2 446,0)	(1 446,1)	(694,8)	(196,1)	(4 783,0)
	including discontinued operations:	(90,1)	(182,4)	(31,0)	(7,9)	(311,5)

* Includes contingent rent (utilies, marketing and other costs)

[in PLN million unless otherwise stated]

NOTE	1.2017-12.2017	COST OF SALE OF GOODS	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(1 744,9)	—	—	—	(1 744,9)
	including discontinued operations:	(109,8)	—	—	—	(109,8)
	Consumption of materials and energy	(238,4)	(47,2)	(21,4)	(5,5)	(312,5)
	including discontinued operations:	—	(3,9)	—	—	(3,9)
5.4	Provision for inventories	0,3	—	—	—	0,3
	Remuneration and employees benefits	(47,3)	(438,2)	(103,2)	(43,4)	(632,1)
	including discontinued operations:	—	(72,8)	(5,8)	(5,7)	(84,4)
	Cost of incentive program	—	—	—	(8,2)	(8,2)
	Agent services	—	(57,2)	(0,1)	(0,1)	(57,4)
	Transportation services	(2,2)	(0,7)	(106,3)	—	(109,2)
	Lease costs	—	(466,9)	(7,9)	(4,0)	(478,8)
	including discontinued operations:	—	(91,8)	(1,0)	(1,1)	(93,8)
	Other outsourcing services	(1,0)	(55,7)	(135,7)	(24,9)	(217,3)
	Amortization	(2,6)	(65,0)	(19,3)	(10,1)	(97,0)
	including discontinued operations:	—	(7,3)	(0,2)	(0,4)	(7,9)
	Taxes and charges	(1,1)	(5,6)	(3,8)	(4,9)	(15,4)
	including discontinued operations:	—	(0,1)	(0,1)	(0,2)	(0,4)
	Other flat costs	(0,2)	(22,1)	(66,4)	(8,2)	(96,9)
	including discontinued operations:	—	(12,8)	(3,6)	(2,9)	(19,3)
	Change in products and production in progress	(6,7)	—	—	—	(6,7)
	Total	(2 044,1)	(1 158,6)	(464,1)	(109,3)	(3 776,1)
	including discontinued operations:	(109,8)	(188,7)	(10,7)	(10,3)	(319,5)

[in PLN million unless otherwise stated]

3.3 OTHER INCOME AND OPERATING AND FINANCIAL COSTS

NOTE		1.2018-12.2018	1.2017-12.2017
	Total other costs		
	Loss on disposal of tangible fixed assets	—	(1,6)
	Stocktaking net losses	(3,2)	(1,8)
	Impairment on fixed assets and intangible assets	(63,8)	—
7.3	including discontinued operations:	(54,3)	—
	Provision establishment	(12,8)	(0,3)
7.3	including discontinued operations:	(11,7)	
	Other net operating cost	(1,2)	—
7.3	including discontinued operations:	(0,6)	
	Loss on exchange rate differences on items other than debt	—	(29,5)
	Total other costs	(81,0)	(33,2)
7.3	including discontinued operation:	(66,6)	—
	Total other income		
	Profit on disposal of tangible fixed assets	18,3	—
7.3	including discontinued operations:	0,4	
	Profit from exchange rate differences on items other than debt	5,5	—
	Compensations	1,2	2,3
	Subsidy of SFRDP remuneration	3,7	3,1
	Gain on bargain purchase of Karl Vogele AG	104,4	—
	Other net operating income	—	14,4
7.3	including discontinued operations:	—	5,3
	Total other income	133,1	19,8
7.3	including discontinued operation:	0,4	5,3
	Total other operating costs and income	52,1	(13,4)
	including continuing operations:	118,3	(18,7)
7.3	**including discontinued operations:**	(66,2)	5,3

[in PLN million unless otherwise stated]

NOTE		1.2018-12.2018	1.2017-12.2017
	Total finance cost		
4.2	Interest on borrowings	(62,2)	(29,8)
7.3	including discontinued operations:	(5,2)	—
	Result on exchange rates	(30,1)	(19,2)
	Commissions paid	(4,1)	(1,3)
	Valuation of non-realized put option of non-controlling interests	(26,7)	(13,9)
	Other finance cost	(2,0)	(2,9)
	Total finance cost	(125,1)	(67,1)
7.3	including discontinued operations:	(5,2)	—
	Total finance revenue		
	Interest from current account and other	1,3	3,2
	Result on exchange rates	1,3	—
	Other finance revenue	1,1	—
	Total finance revenue	3,7	3,2

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

3.4 TAXATION

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

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

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

As of 15.07.2016, amendments to the Tax Code were introduced to take into account the provisions of the General Fraud Prevention Clause (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an activity carried out primarily to obtain a tax advantage that is contrary to the circumstances under consideration with the subject and purpose of the tax act. According to GAAR, such an activity does not result in a tax advantage if the method of operation was artificial. Any occurrence of (i) unjustified dividing of operations, (ii) engaging intermediary entities in the absence of economic or economic justification, (iii) mutually eliminating or compensating elements, and (iv) other activities with a similar effect to those previously mentioned may be treated as a prerequisite for the existence of artificial activities subject to GAAR regulations. The new regulations shall require much greater judgment in assessing the tax consequences of individual transactions.

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

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

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

ACCOUNTING POLICYI

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

Current tax is calculated on the basis of the tax result in a given reporting period in countries where the Company and its subsidiaries operate and generate taxable income based on the rates in force in the country. Changes in estimates relating to previous years are recognized as an adjustment to the burden for the current year.

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

Temporary differences also arise in transactions of acquisitions and internal reorganization within the group. In the case of acquisitions of external entities, temporary differences arise as a result of the valuation of assets and liabilities to their fair values without affecting the tax bases of assets and liabilities – liability or deferred tax asset arising from these differences adjusts the goodwill (profit on occasional acquisition). In case of an intra-group reorganizations, the assets and deferred tax liabilities arise as a result of recognition or changes in the value of parts of assets or liabilities for tax purposes (e.g. a trademark) without their concurrent recognition in the balance sheet due to the elimination of result on intra-group transactions – the effects of recognition of the related assets and deferred taxes liabilities are recognized in the result of the period unless the related transactions have an impact on other comprehensive income or equity.

Positive temporary differences relating to goodwill are excluded from being recognized, however, if the tax value of goodwill arising on the transaction is higher than its book value, the deferred tax asset is recognized on the initial recognition of goodwill if it is probable that the income tax will be generated which will allow for the implementation of the negative temporary difference.

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

[in PLN million unless otherwise stated]

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

NOTE		1.2018-12.2018	1.2017-12.2017
	Current tax	(45,2)	(43,1)
	including discontinued operations:	(1,8)	(1,7)
5.3.c	Deferred tax	10,5	4,6
	including discontinued operations:	—	—
5.3.b	Income tax recognized in income statement	(34,7)	(38,5)
	including discontinued operation:	(1,8)	(1,7)
	Current tax recognized in the result	45,2	43,1
	including discontinued operations:	(1,8)	(1,7)
	Balance of liabilities /(receivables) at beginning of period	0,8	4,7
	Balance of receivables / (liabilities) at the end of the period	(22,2)	(0,8)
	Other changes	(0,1)	(0,4)
	Tax paid recognized in statement of cash flows	23,7	46,6

[in PLN million unless otherwise stated]

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

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

	2018	2017
Poland	19%	19%
Czech Republic	19%	19%
Hungary	10%	10%
Slovakia	22%	22%
Other countries	8,47%–25%	8,47%–25%
Weighted average income tax rate	17,99%	18,68%

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

	1.2018-12.2018	1.2017-12.2017
Profit before tax	91,4	340,8
Weighted average tax rate	17,99%	18,68%
Tax calculated according to weighted average tax rate	(16,4)	(63,7)
Tax effects of the following items:		
• income not allowable for tax income	18,8	0,5
• non-tax-deductible expenses	(26,8)	(2,9)
• tax losses in respect of which deferred tax assets were not recognized	(8,2)	—
• tax losses in respect of which deferred tax assets were recognized	—	13,2
• other adjustments	2,1	14,4
Charging financial result on income tax	(34,7)	(38,5)

Income not allowable for tax income mainly include profit on bargain aquisition og Karl Voegele AG.

Tax non-deductible costs mainly include the provisions for costs of future periods. Costs that are not tax-deductible costs include mainly costs related to other periods, provisions created and asset write-offs.

[in PLN million unless otherwise stated]

C. BALANCE AND CHANGES OF DEFERRED TAX

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

NOTE		31.12.2018	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2017	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2017
	Assets					
5.1	Goodwill	—	—	—	—	—
5.1	Trademarks	23,6	(4,1)	27,7	(4,1)	31,7
	Inventories – adjustment of margin on intragroup sale	8,5	1,5	7,0	2,3	4,7
	Impairment of assets	3,7	1,2	2,5	1,7	0,8
	Provisions for liabilities	12,4	4,8	7,6	2,3	5,3
	Special economical zone relief	2,6	2,6	—	—	—
	Others	5,8	(2,5)	8,3	(6,9)	15,2
	Tax losses	28,2	12,4	15,8	11,3	4,5
	Leasing valuation	3,3	3,3	—	—	—
	Total before offsetting	88,1	19,2	68,9	6,7	62,2
	Liabilities					
	Accelerated tax depreciation of tangible fixed assets	9,6	5,1	4,5	2,7	1,8
	Others	4,6	1,9	2,7	0,8	1,9
	Purchase of intangible assets revealed during aquisition of subsidiaries	33,3	1,6	31,7	(1,0)	32,7
	Total before offsetting	47,5	8,6	38,9	2,6	36,3
	Offsetting	13,3	7,6	5,7	3,4	2,2
	Balance of deferred tax in the balance sheet:					
	Assets	74,8	8,2	66,5	3,2	60,1
	Liabilities	34,2	1,0	33,2	(0,9)	34,1

[in PLN million unless otherwise stated]

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

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

PERIOD OF REALIZATION OF ASSETS AND LIABILITIES DUE TO DEFERRED TAX	31.12.2018		31.12.2017	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
up to 1 year	33,0	5,6	36,8	0,1
1-2 years	22,0	2,0	4,1	0,4
2-3 years	6,9	2,0	4,9	0,2
3-5 years	8,4	4,0	8,1	0,8
Over 5 years	4,5	20,6	9,5	31,7
Total	74,8	34,2	63,4	33,2
Unrecognized	39,7	—	—	—
• Relating to goodwill	—	—	—	—
• Relating to tax losses	39,7	—	—	—

E. ADJUSTMENTS OF ERRORS OF PREVIOUS YEARS

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

4. DEBT, CAPITAL AND LIQUIDITY MANAGEMENT

4.1 CAPITAL MANAGEMENT

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

In accordance with the Group's policy, the dividend is possible in the amount not less than 33% and not higher than 66% of the profit for the period. Detailed information on the dividend policy is described in the Statements on operations of the Group. [Section 2.2.1 (financial ratios)]

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

4.1.1 EQUITY

ACCOUNTING POLICY

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

The types of equity:

- basic capital (share) of the Parent Company is recognized in the value specified in the Articles of Association and entered in the court register,
- capital reserve created from the surplus value from the sales of shares above their nominal value less the issuance costs,
- retained earnings created from the dividing of financial result, undivided financial result and profit (loss) for the period covered by the financial statements and also based on launched stock option scheme for employees

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

SHARE CAPITAL

As at 31 December 2018, the company's equity capital consisted of 41,16 million shares (as at 31 December 2017 it consisted of 41,16 million shares) with a nominal value of PLN 0.1 each, including 34,51 million ordinary shares and 6,65 million voting preference shares.

In the reporting period 4.000 ordinary bearer shares were issued 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 reserve capital. The Management Board of the Company filed an application to the court to change the amount of the share capital in connection with the issue. The issue was registered by the court on July 24, 2018. The value of the share capital as at December 31, 2018 amounted to PLN 4,1 million.

All issued shares have been fully paid up.

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

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

[in PLN million unless otherwise stated]

RESERVE CAPITAL FROM THE SALES OF SHARES ABOVE THEIR NOMINAL VALUE

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

As a result of the issue made in 2018, reserve capital increased by PLN 0.2 million.

The value of reserve capital as at 31 December 2018 amounted to PLN 645,1 million.

RETAINED EARNINGS

Retained earnings include: retained earnings from previous years and profit of the fiscal year.

EARNINGS PER SHARE

In the financial year, earnings per basic and diluted share amounted to PLN 1.37, including a profit of PLN 5,43 from continuing operations and a loss of – 4.05 from discontinued operations. In 2017, earnings per basic and diluted share amounted to PLN 7.34, including PLN 8.79 from continuing operations and a loss from – 1,45 from discontinued operations. The existence of series A subscription warrants granted as part of the incentive scheme has no significant effect on the calculation of diluted earnings per share. (More information is presented in note 7.5).

EARNING PER SHARE	1.2018-12.2018	1.2017-12.2017
Basic earnings (loss) per share from continuing operations	5,4	8,8
Attributable to shareholders of the parent company	5,5	8,4
Attributable to non – controlling interests	(0,1)	0,4
Diluted earnings (loss) per share from continuing operations	5,4	8,8
Attributable to shareholders of the parent company	5,5	8,4
Attributable to non – controlling interests	(0,1)	0,4
Basic earnings (loss)per share from discontinued operations	(4,1)	(1,5)
Attributable to shareholders of the parent company	(4,1)	(1,5)
Attributable to non – controlling interests	—	—
Diluted earnings (loss) per share from discontinued operations	(4,1)	(1,5)
Attributable to shareholders of the parent company	(4,1)	(1,5)
Attributable to non – controlling interests	—	—

[in PLN million unless otherwise stated]

DIVIDEND PAID

On June 22, 2018, the General Meeting of Shareholders of CCC S.A. adopted a resolution regarding the payment of dividend from the net profit for 2017 in the amount of PLN 94.7 million, which corresponds to PLN 2.30 per share (in 2017 it was PLN 101.4 million, corresponding to PLN 2.59 per share) . The dividend record date (day D) was set for September 19, 2018. The dividend payment date (day W) was set for October 1, 2018.

In 2017, the dividend for 2016 was paid in the amount of PLN 101.4 million

SUBSIDIARIES WHERE NON-CONTROLLING INTERESTS ARE RELEVANT

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

Proportion of ownership interests held by non-controlling interests:

NAME	COUNTRY	31.12.2018	31.12.2017
CCC Russia sp. z o.o.	Russia	25,00%	25,00%
eobuwie.pl Group	Poland	25,01%	25,01%
DeeZee Sp. z o.o.	Poland	49,00%	nd
Karl Voegele AG	Switzerland	30,00%	nd

The condensed financial information about subsidiaries is as follows

PROFIT AND LOSS ACCOUNT IN PLN MILLION

	CCC RUSSIA SP. Z O.O		GRUPA EOBUWIE.PL		DEEZEE SP. Z O.O.		KARL VOEGELE AG	
	2018	2017	2018	2017	2018	2017	2018	2017
Sales revenue	88,7	65,0	982,2	611,6	4,8	nd	309,9	nd
Cost of sale of goods	(42,6)	(30,9)	(590,2)	(369,0)	(3,2)	nd	(136,9)	nd
Gross profit (loss) on sale	46,1	34,1	392,0	242,6	1,7	nd	173,0	nd
Cost of operating stores	(47,7)	(24,8)	(13,3)	(1,7)	—	nd	(152,6)	nd
Other cost of sale	—	—	(286,0)	(158,2)	(2,2)	nd	(51,3)	nd
Administrative expenses	(5,3)	(2,9)	(21,7)	(10,5)	(0,7)	nd	(5,0)	nd
Other cost and operating revenue	(0,1)	(1,3)	2,3	0,8	—	nd	1,5	nd
Operating profit (loss)	(7,0)	5,1	73,3	73,1	(1,3)	nd	(34,4)	nd
Finance revenue	9,0	3,9	0,3	0,1	—	nd	0,1	nd
Finance cost	(23,6)	(5,0)	(2,6)	(2,8)	—	nd	(0,8)	nd
Profit (loss) before tax	(21,6)	4,0	71,0	70,4	(1,3)	nd	(34,9)	nd
Income tax	(0,4)	(0,2)	(14,9)	(12,5)	—	nd	0,1	nd
NET PROFIT (LOSS)	(22,0)	3,8	56,1	57,9	(1,3)	nd	(34,8)	nd
TOTAL COMPREHENSIVE INCOME	(22,0)	3,8	56,1	57,9	(1,3)	nd	(34,8)	nd
Attributable to shareholders of the parent company	(16,5)	2,8	42,1	43,4	(0,7)	nd	24,4	nd
Attributable to non-controlling interests	(5,5)	1,0	14,0	14,5	(0,6)	nd	10,4	nd

CONDENSED FINANCIAL STATEMENT IN PLN MLN

	CCC RUSSIA SP. Z O.O		GRUPA EOBUWIE.PL		DEEZEE SP. Z O.O.		KARL VOEGELE AG	
	2018	2017	2018	2017	2018	2017	2018	2017
Non-current assets	29	21,5	133,9	69,3	9	nd	99,6	nd
Current assets	47,8	24,4	412,1	245	10	nd	160,9	nd
Non-current liabilities	0,2	—	38,1	31	—	nd	122,5	nd
Current liabilities	90,9	(38,9)	322,3	155	7,2	nd	90,2	nd
Equity	(14,4)	7	185,6	128,3	11,9	nd	47,7	nd
Attributable to shareholders of the parent company	(10,8)	5,3	139,2	96,2	6,1	nd	33,4	nd
Attributable to non-controlling interests	(3,6)	1,7	46,4	32,1	5,8	nd	14,3	nd

[in PLN million unless otherwise stated]

4.2 DEBT

ACCOUNTING POLICY

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

NOTE		DEBT LIABILITIES			BONDS PAYABLE	TOTAL
		NON-CURRENT	CURRENT	IN CURRENT ACCOUNT		
4.2	As of 01.01.2017	156,0	42,9	386,6	210,0	795,5
	Proceeds from debt contracted					
	– financing received	70,0	—	0,7	—	70,7
	Charging interest	5,5	2,5	16,2	6,9	31,1
	Repayment of debt					
	– repayment of capital	—	—	—	—	—
	– interest paid	(5,5)	(2,5)	(16,2)	(6,9)	(31,1)
	Change in current account	—	(42,9)	93,8	—	50,9
4.2	As of 31.12.2017	226,0	—	481,1	210,0	917,1
	Proceeds from debt contracted					
	– financing received	—	—	—	210,0	210,0
	– transactional cost	—	0,7	1,6	—	2,3
	Charging interest	—	4,5	14,4	6,8	25,7
	Repayment of debt	—	—	—	—	—
	– repayment of capital	—	(50,0)	—	(203,2)	(253,2)
	– interest paid	—	(5,2)	(16,0)	(6,8)	(28,0)
	Increase due to the the change in overdraft	—	—	277,1	—	277,1
	Decrease due to the the change in overdraft	—	—	(157,5)	—	(157,5)
	Change of presentation from short to long-term	(226,0)	226,0	—	—	—
	Increase due to the acquisition of subsidiary	—	—	27,8	—	27,8
	Other non-cash changes	—	—	(4,5)	—	(4,5)
4.2	As of 31.12.2018	—	176,0	624,0	216,8	1 016,8

[in PLN million unless otherwise stated]

Liabilities from bonds include long-term liabilities in the amount of PLN 210 million

On 29.06.2018, CCC Joint-stock Company carried out the issue of 1/2018 series bonds as part of the bond issue program established by the Company. The bonds were not the subject of a public offering.

The bonds were issued on the following terms of issue:

1. Nominal value of one Bond – PLN 1,000;
2. Form of Bonds: dematerialized bearer bonds;
3. Issue price: equal to the nominal value of one Bond;
4. Number of Bonds – 210.000;
5. The total nominal value of the Bonds – PLN 210,000.000;
6. Buyback of the Bonds – one-time buy-out according to the nominal value of the Bonds on 29.06.2021;
7. Interest rate: according to the variable interest rate, based on the WIBOR 6M rate, increased by a fixed margin; interest shall be paid in half-year periods;
8. Security: surety granted by the subsidiaries of the Company, ie CCC.eu Limited Liability Company. with its headquarters in Polkowice and CCC Shoes & Bags Limited Liabiliy company based in Polkowice.

At the same time CCC S.A. on 29.06.2018, acquired 203.150. pieces of ordinary bearer series 1/2014 bonds issued by the Company, with a total par value of PLN 203.150,000, for redemption, and the Management Board of the Company adopted a resolution regarding the redemption of these bonds on 29.06.2018.

All financing was received in PLN. Interest on total financing (loans and bonds) is based on variable interest rates (WIBOR rate increased by a margin). The existing interest rate risk is associated with the existing debt. A description of the exposure to financial risks can be found in note 7.1.

Repayment of these liabilities are covered by the following collateral:

	31.12.2018	31.12.2017
	AMOUNT/OR BOOK VALUE OF GUARANTEE	
Sureties granted	129,5	96,7
Capped mortgages on property	774,0	527,1
Registered pledge on movable assets	795,0	1 650,0
Assignments of insurance policies	209,0	27,0
Statement on submission to enforcement	2,1	3,0

[in PLN million unless otherwise stated]

4.3 CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES AND LIQUIDITY MANAGEMENT POLICY

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

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

i MORE INFORMATION IN SECTION **3.2.1** (BORROWINGS) IN THE STATEMENTS OF OPERATIONS OF THE GROUP

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

Lease liabilities related to continuing operation.

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		
Borrowings	480,7	0,4	234,7	—	—	715,8	707,1
Bonds	—	6,8	212,8	—	—	219,6	210,0
Trade liabilities	235,8	—	—	—	—	235,8	235,8
Obligation to return	17,6	—	—	—	—	17,6	17,6
Obligation to repurchase non-controlling interests	—	—	—	900,4	—	900,4	777,9
Financial liabilities	734,1	7,2	447,5	900,4	—	2 089,1	1 948,4

[in PLN million unless otherwise stated]

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

NOTE		TRADE AND OTHER RECEIVABLES	TRADE AND OTHER LIABILITIES
	As of 31.12.2017	251,6	402,5
	As of 31.12.2018	430,8	1 151,2
	Change in the statement of financial position	(179,2)	748,7
	Difference arising from:		
	Change in investment liabilities/receivables	(7,1)	(12,4)
	Change due to the acquisition of subsidiary	63,6	(107,5)
	Receivables related to purchase of financial assets	27,7	—
	Liabilities related to purchase of organized part of business	—	(19,0)
	Receivables/liabilities directly associated with assets classified as held for sale	(8,6)	8,6
	Other	3,8	2,6
	Change recognized in the statement of cash flows	(99,8)	621,0
	As of 31.12.2016	187,5	312,1
	As of 31.12.2017	251,6	402,4
	Change in the statement of financial position	(64,1)	90,3
	Difference arising from:		
	Change in investment liabilities	—	(16,6)
	Other		5,0
	Change recognized in the statement of cash flows	(64,1)	78,8

The value of change in trade and other receivables for reporting year 2017 has been corrected on the value of change of loan granted. Table below presents the correction made.

NOTE		RECEIVABLES BEFORE CORRECTION	CORRECTION	RECEIVABLES AFTER CORRECTION
	As of 31.12.2016	198,7	(11,2)	187,5
	As of 31.12.2017	260,7	(9,1)	251,6
	Change in the statement of financial position	(62,0)	(2,1)	(64,1)
	Difference arising from:			
5.4	Loans granted	(2,0)	2,0	—
	Change recognized in the statement of cash flows	(64,0)	(0,1)	(64,1)

[in PLN million unless otherwise stated]

	1.2018-12.2018	1.2017-12.2017
Other profit adjustments before taxation:		
Accrued interest and exchange rate differences	28,0	10,4
Change in provisions	20,3	6,7
Change in provisions related to acquisition of subsidiary	(18,8)	—
Valuation of employee option scheme	25,4	8,2
Obligation to repurchase non-controlling interests	26,7	13,9
Acquisition of subsidiaries	(104,4)	—
Other	(0,3)	2,6
Total	(23,1)	41,8

	1.2018-12.2018	1.2017-12.2017
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	602,4	97,0
Other	—	(4,3)
	602,4	92,7

[in PLN million unless otherwise stated]

5. NOTES TO THE STATEMENTS OF FINANCIAL POSITION

5.1 INTANGIBLE ASSETS

ACCOUNTING POLICY

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

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

i MORE INFORMATION IN NOTE 5.2

	PATENTS AND LICENCES	TRADEMARKS	RELATIONS WITH CUSTOMERS	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2017	14,4	161,2	10,6	7,8	194,0
Aggregated amortization	(8,4)	—	(4,4)	—	(12,8)
Net value 01.01.2017	6,0	161,2	6,2	7,8	181,2
Exchange rate differences from the translations	(0,2)	—	—	—	(0,2)
Amortization	(4,7)	—	(3,5)	—	(8,2)
Purchase	1,3	—	—	23,2	24,5
Producing on its own	—	—	—	—	—
Liquidation and sale	—	—	—	—	—
Transfer between groups	2,1	—	—	(2,1)	—
Gross value 31.12.2017 (01.01.2018)	17,8	161,2	10,6	28,9	218,5
Aggregated amortization	(13,1)	—	(7,9)	—	(21,0)
Net value 31.12.2017 (01.01.2018)	4,7	161,2	2,7	28,9	197,5
Exchange rate differences from the translations	0,2	—	—	—	0,2
Amortization	(5,3)	(0,5)	(2,7)	—	(8,5)
Purchase	2,6	0,1	—	44,1	46,8
Producing on its own	—	—	—	—	—
Liquidation and sale	(0,2)	—	—	(4,5)	(4,7)
Transfer between groups	0,2	—	—	(0,2)	—
Increase related to acquisition of subsidiary	5,6	16,9	7,9	—	30,4
Gross value 31.12.2018	26,2	178,1	18,5	68,4	291,2
Aggregated amortization	(18,4)	(0,5)	(10,6)	—	(29,5)
Net value 31.12.2018	7,8	177,6	7,9	68,4	261,7

[in PLN million unless otherwise stated]

5.2 GOODWILL

ACCOUNTING POLICY

Goodwill on account of the acquisition of an entity is initially recognized at the purchase price, which is the amount of the surplus:
- payment made,
- the amount of any non-controlling interest in the acquiree, and
- in the case of a merger of units carried out in stages, the fair value as of the day of the takeover of the share in the capital of the acquired entity, formerly owned by the acquirer

over the net amount determined as at the date of acquisition of the values of identifiable assets acquired and liabilities assumed.

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

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating centers that may benefit from the synergy of the combination. Each center or a group of centers to which goodwill has been assigned: corresponds to the lowest level in the Group, on which goodwill is monitored for internal management needs and is no larger than one operating segment determined in accordance with IFRS 8 Operating Segments. An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill was allocated.

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

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

Goodwill as at 31.12.2018 and 31.12.2017 broken down by acquisitions:

COMPANY	DATE OF PURCHASE	AS OF 31.12.2017 (01.01.2018)	ACQUISITION	EXCHANGE RATE DIFFERENCES FROM THE TRANSLATIONS	AS OF 31.12.2018
eobuwie S.A.	01.2016	106,2	—	—	106,2
Shoe Express S.A. Group	04.2018	—	41,2		41,2
Enterprise Adler International Sp. z o.o. sp. k.	07.2018	—	48,8	—	48,8
DeeZee Sp. z o.o.	10.2018	—	6,3	—	6,3
Goodwill		106,2	96,3	—	202,5

[in PLN million unless otherwise stated]

Detailed information on settlement of acquisition and determination of goodwill of Shoe Express Joint-stock Company , DeeZee Limited Liability Companu and enterprise Adler International Limited Liability Company, Limited Partnership are described in note 7.2.

As at 31/12/2018, the Group conducted tests for impairment of the company recognized in relation to the acquisition

of subsidiaries eObuwie Joint-stock Company, Shoe Express Joint-stock Company and enterprise Adler International Limited Liability Company, Limited Partnership, where the goodwill is significant and the process of allocating the acquired assets has been completed. The tests carried out did not show the necessity to recognize impairment losses on the Company. The management believes that no reasonably possible change to any of the key assumptions set out above shall cause the carrying amount of this center to significantly exceed its recoverable amount

The impairment test was carried out based on the calculation of expected cash flows, estimated on the basis of historical results and expectations regarding future market development. Expected cash flows for identified cash-generating units have been developed based on assumptions resulting from historical experience adjusted to implemented plans. The data flows present the Management Board's best estimate of the activities of the acquired company in the next 5 years.

The main assumptions adopted to determine the value in use are as follows:

- the level of costs of selling products
- impact of changes in revenues on direct costs
- level of investment expenditures

– discount rate based on the weighted average cost of capital and reflecting the current market assessment of the time value of money and the risks related to the subject of the cash-generating unit's operations

The values assigned to each of these parameters reflect the Group's experience adjusted for expected changes in the business plan period, but may be influenced by unpredictable economic, political or legal changes.

The impairment test was carried out based on the following assumptions:

	EOBUWIE S.A.	SHOE EXPRESS S.A.	ENTERPRISE ADLER INTERNATIONAL SP. Z O.O. SP. K.
Discount rate before tax	10,50%	13,40%	10,50%
Average EBITDA margin	10,40%	31,50%	34,60%
Expected cumulative annual EBITDA growth rate	29,50%	0,90%	3,10%
Residual growth rate	2,00%	2,00%	2,00%

Additionally the Group has prepared sensitivity analysis of impairment test results on change in discount rate (before tax) and average EBITDA margin. Based on the prepared sensitivity analisys possible change in the above mentioned assumptions wouldn't lead recognition of impairment costs, meaning that carrying amount wouldn't exceed the recoverable amount.

[in PLN million unless otherwise stated]

5.3 TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

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

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

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

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

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

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

Principles of testing for impairment and accounting write-downs due to impairment of tangible fixed assets is disclosed in Note 5.2

Impairment on non-financial fixed assets

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

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

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

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

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

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

ACCOUNTING POLICY

Grants received

Grants for the purchase or production of tangible fixed assets the Group recognizes in the books of the Group at the moment of inflow or prima facie evidence of its inflow in the future (e.g. receiving a promissory note, incentive on operating lease) if there is reasonable assurance that the Group will meet the conditions necessary to receive a grant. Grants are recognized as deferred income (item "grants received"). Included in deferred income the amounts of grants gradually adjust the depreciation in cost of sales of goods, in parallel to depreciation write-offs or tangible fixed assets impairment financed from these sources.

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

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

In the event that the rental period has been increased/decreased by one year, the level of depreciation expense would be decreased/increased by PLN 15,4 million.

Fixed assets in progress mainly include investment outlays incurred in the stores.

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

The Company CCC S.A. on 23 December 2009 concluded the agreement with the Polish Agency for Enterprise Development for financing investments in fixed assets. The Company applied for a grant from the Innovative Economy Operational Programme in connection with the investment of building high-storage warehouse located in Polkowice. The final amount of the grant was fixed in the amount of PLN 38.5 million. As at the balance sheet date, the unsettled subsidy amounts to PLN 21.6 million.

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

[in PLN million unless otherwise stated]

		FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				
	INVESTMENT IN STORES	LAND, BUILDINGS AND CON-STRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	TOTAL
Gross value 01.01.2017	510,2	207,8	125,3	2,5	335,6	20,1	52,8	49,5	122,5	968,3
Aggregated depreciation	(151,5)	(25,8)	(57,9)	—	(83,7)	(2,4)	(31,0)	(19,9)	(53,3)	(288,7)
Impairment loss	(1,3)	—	—	—	—	—	—	—	—	(1,3)
Net value 01.01.2017	358,6	181,9	67,4	2,5	251,9	17,7	21,8	29,6	69,1	679,6
Exchange rate differences from the translations	(10,3)	—	—	6,8	6,8	—	(0,7)	(7,5)	(8,2)	(11,7)
Purchase	120,5	7,9	19,2	62,8	89,9	9,0	11,2	4,5	24,7	235,2
Depreciation	(56,1)	(5,9)	(13,5)	(0,9)	(20,3)	(0,4)	(8,1)	(4,0)	(12,5)	(88,9)
Liquidation and sale	(28,0)	—	(5,8)	—	(5,8)	(1,8)	(2,5)	(2,1)	(6,3)	(40,1)
Decrease	8,1	—	1,3	—	1,3	0,8	1,1	1,9	3,7	13,1
Transfers	0,2	35,4	—	(35,4)	(0,1)	(0,3)	—	—	(0,3)	(0,3)
Gross value 31.12.2017	590,7	251,1	132,4	37,4	420,9	27,0	60,0	43,5	130,5	1 142,2
Aggregated depreciation	(197,7)	(31,7)	(63,8)	(1,6)	(97,1)	(2,1)	(37,2)	(21,1)	(60,4)	(355,2)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2017	393,0	219,5	68,6	35,8	323,8	24,9	22,8	22,4	70,2	787,0
Exchange rate differences from the translations	3,5	—	—	0,5	0,5	—	0,1	—	0,1	4,1
Purchase	221,3	86,1	54,4	0,2	140,7	18,4	16,0	8,9	43,3	405,3
Depreciation	(83,0)	(6,9)	(17,5)	—	(24,4)	(2,2)	(10,2)	(5,1)	(17,5)	(124,9)
Liquidation and sale	(67,2)	(6,5)	(4,7)	—	(11,2)	(27,7)	(0,9)	(26,9)	(55,5)	(133,9)
Decrease	39,1	5,9	1,9	—	7,8	0,2	—	5,7	5,9	52,8
Transfers	(16,7)	12,9	0,9	(23,8)	(10,0)	13,1	(0,2)	13,8	26,7	—
Impairment loss	(62,6)	—	—	—	—	—	—	(1,2)	(1,2)	(63,8)
Increase related to acquisition of subsidiary	188,0	—	—	—	—	24,3	2,2	3,1	29,7	217,7
Gross value 31.12.2018	920,3	343,7	189,4	14,2	547,3	55,1	77,8	42,9	175,8	1 643,4
Aggregated depreciation	(242,3)	(32,7)	(85,8)	(1,6)	(120,1)	(4,1)	(47,7)	(21,1)	(72,9)	(435,3)
Impairment loss	(62,6)	—	—	—	—	—	—	(1,2)	(1,2)	(63,8)
Net value 31.12.2018	615,4	311,0	103,6	12,6	427,2	51,0	30,0	20,7	101,7	1 144,3

[in PLN million unless otherwise stated]

5.4 INVENTORIES

ACCOUNTING POLICY

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

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

i MORE INFORMATION IN SECTION **3.1.1.2** (FIXED ASSETS) IN THE STATEMENTS OF OPERATIONS OF THE GROUP

	31.12.2018	31.12.2017
Materials	27,6	2,4
Manufacturing in progress	66,4	49,7
Goods	1 706,1	1 331,5
Finished goods	29,8	34,7
Advance on delivery of goods	3,3	—
Assets due to returns	14,4	11,7
Total (gross)	1 847,6	1 430,0
Inventory provision	(41,5)	(12,3)
Total (net)	1 806,1	1 417,7

The increase in inventories is related to the purchase of new collections and less than expected sales of goods in 2018. The increase in the balance of materials and the decline in the balance of finished products relate to the Group's production activity.

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

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

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

[in PLN million unless otherwise stated]

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

CHANGE IN IMPAIRMENT LOSS ON INVENTORIES

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

	31.12.2018	31.12.2017
At the beginning of the period	12,2	12,5
Establishment in cost of sales of goods	5,1	10,8
Utilisation	(6,7)	(6,4)
Reversal in cost of sales of goods	—	(4,7)
Increase related to acquisition of subsidiary	30,9	—
At the end of the period	41,5	12,2

The Group presents a write-down of inventories in the amount of PLN 30.9 million, which is related to inventories acquired as part of the acquisition of Karl Voegele AG.

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

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

[in PLN million unless otherwise stated]

5.5 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.

If the amount payable can be expected within one year, receivables are classified as current assets. Otherwise, it is recognized as fixed assets.

Other receivables

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

Loans granted

Loans granted are measured initially at their fair values and are measured after initial recognition at amortized cost using the effective interest rate method less the impairment losses.

	31.12.2018	31.12.2017
Trade and other receivables	125,8	96,6
Provision for receivables	(1,4)	(0,9)
Total net receivables	124,4	95,7
Short-term loans granted	37,7	9,1
Payments on future supplies of goods	196,7	105,9
Accrued expenses	16,6	8,9
Tax receivables	20,6	11,9
Advance on purchase of shares of Gino Rossi SA	27,7	—
Receivables from fit-outs sale	3,3	11,8
Other	41,5	16,9
Total other receivables	344,1	164,5

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 7.1.

In relation to this assets of item there are not any receivables overdue

As at the balance date, receivables from loans granted amounted to PLN 37.7 mln PLN.

[in PLN million unless otherwise stated]

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

Credit risk	Policy for risk management presented in note 6.1. In the opinion of the Management Board, the credit quality of the receivables is good. The loan is unsecured and the maximum amount of exposure to credit risk is the nook value of the receivable. The receivable is not expired or no impairment is stated.
Interest rate risk	Policy for managing this risk is presented in note 6.1. Analysis of sensitivity to interest-rate changes is presented in note 6.1.
Fair value	The fair value of the receivables is close to their book value.

5.6 CASH

ACCOUNTING POLICY

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

i MORE INFORMATION IN SECTION **3.1.1.2** (CASH) IN THE STATEMENTS OF THE OPERATIONS OF THE GROUP

	31.12.2018	31.12.2017
Cash in hand	36,2	31,5
Cash at bank	289,0	185,7
Short-term deposits (up to 3 months)	50,6	294,4
Total	375,8	511,6

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

Policy for managing these risks and further information on these risks (including assessment of credit quality, the maximum exposure to credit risk, sensitivity analysis on the change rate of the exchange rate) are shown in note 7.1.

5.7
LIABILITIES TO SUPPLIERS AND OTHER LIABILITIES

ACCOUNTING POLICY

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

i MORE INFORMATION IN NOTE 4.3

	31.12.2018	31.12.2017
Trade liabilities		
* supply of goods and services	333,5	184
• investment	44,3	29
* reverse factoring	486,4	22,8
Total	864,2	235,8
Liabilities for indirect taxes, duties and other benefits	111	59,5
Liabilities to employees	44,6	46,8
Obligation to pay for acquired enterprise	19	—
Prepayments	32,2	35,6
Liabilities to returns	22,2	17,7
Other liabilities	45,3	7,3
Total	274,3	166,6

In the item other liabilities, the Group presents, among other things, a liability due to returns made by clients after the balance sheet date. The value of liabilities due to this as at the balance sheet date is 22,2 PLN million.

Liabilities to suppliers are exposed to currency risk. Management of currency risk and sensitivity analysis are presented in note 7.1.

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

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

[in PLN million unless otherwise stated]

5.8 PROVISIONS

ACCOUNTING POLICY

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

The provision for warranty repairs is created as an estimated determination determine of the average level of product returns in respect of the complaints based on historical data.

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

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

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

Under the terms of the collective labour agreement, a group of employees has the right to receive jubilee awards depending on seniority.

Eligible employees receive a lump sum constituting, after 10 years of service, the equivalent of 100% of the base salaries monthly, an amount equivalent to 150% of the base salaries monthly after 15 years of service, after 20 years of service an amount equivalent to 200% of the base salaries monthly and after 25 years of service an amount equivalent to 250% of the base monthly salaries.

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

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

	PROVISION FOR JUBILEE AWARDS AND RETIREMENT BENEFITS	PROVISIONS FOR WARRANTY REPAIRS	OTHER PROVISIONS	TOTAL
As of 31.12.2017	10,7	8,0	2,0	20,7
Current	1,5	8,0	1,8	11,3
Non-current	9,2	—	0,2	9,4
As of 01.01.2018	10,7	8,0	2,0	20,7
Establishment	2,1	5,6	2,0	9,7
Utilisation	(0,7)	(0,8)	—	(1,5)
Release	(0,1)	—	—	(0,1)
Exchange rate differences	0,1	—	—	0,1
Increase related to acquisition of subsidiary	0,4	—	—	0,4
As of 31.12.2018	12,5	12,8	4,0	29,3
Current	1,5	12,8	2,9	17,2
Non-current	11,0	—	1,1	12,1

[in PLN million unless otherwise stated]

The remaining provisions related to the reporting period relate to a write-off to the negative fair value of CCC Germany in the amount of PLN 11.7 million.

On the basis of a valuation performed by a professional actuarial company, the Group creates a provision for the current value of liabilities due to retirement benefits. Due to the fact that the balance consists mainly of provisions created in the companies CCC S.A., CCC.eu Sp. z o.o. and CCC Factory Sp. z o.o. the information on the key assumptions and the sensitivity analysis presented below present the aggregate data of the companies listed.

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

Discount rate	2,80%
Mortality tables	pttz2017
Average assumed annual increase in the basis for calculating retirement and disability benefits in 2018-2027	2,61%
Average assumed annual increase in the basis for the jubilee prizes calculation in 2018-2027	2,61%
The weighted average employee mobility ratio	6,79% – 35,28%
Average maturity of post-employment benefits (in years) – range of values for the Group	0,1 – 6,4

Sensitivity analysis of provisions for employee benefits:

TITLE OF THE PROVISION	FINANCIAL DISCOUNT RATE		PLANNED INCREASES OF THE BASIS	
	-1 P.P.	+1 P.P.	-1 P.P.	+1 P.P.
Retirement benefits	1	0,8	0,8	1
Disability benefits	0,1	0,1	0,1	0,1
Jubilee prizes	10,2	9,3	9,2	10,4
Death benefits	0,9	0,7	0,7	0,9
Total provisions	12,2	10,9	10,8	12,3

6. IMPLEMENTATION OF IFRS 16 IN THE CCC CAPITAL GROUP

Due to the implementation of IFRS 16 Leases, the Group measures leasing agreements that give the Companies the right to uutilize the leased asset during their term. The companies analyzed the concluded agreements in terms of applying IFRS 16 „Leasing". All financial leasing contracts, operating leases, short-term rent and long-term lease were its subject. In order for a contract to be classified as a leasing contract in accordance with IFRS 16, the following conditions must be met:

1. The contract must relate to an identified asset for which the supplier does not have a significant converting right.

2. It should give the beneficiary the right to control the use of the identified asset for a specified period of time. This means that the user has the right to obtain economic benefits from the use of a given component and the right to decide on its use.

3. The contract must be payable.

4. The duration of the leasing contract is defined as the irrevocable term of the lease agreement, including the possible periods of renewal of the lease if the lessee is sufficiently sure that he shall use this possibility and possible periods of termination of the lease if the lessee is sufficiently sure that he shall not take advantage of the lease. this option.

In addition, two elements of simplification concerning contracts are possible:

1. Short-term – short-term lease agreement is a contract with no option to purchase an asset, concluded for a period shorter than 12 months from the beginning of the contract. If an entity decides to use a simplification for a given asset, it must apply it consistently for the entire asset class being the subject of the lease.

2. Low-value – the basis for the assessment of the „low" value should be the value of the new asset. This applies to lease agreements regarding assets whose value did not exceed 5.000 USD (when it was new), which can be treated as the upper limit of recognition as a low value item.

The company used both simplifications described above. The simplification of the Company obliges it to apply them throughout the period of validity of the standard.

The company used the practical solution not to analyze all contracts, but only those that were treated as leasing in accordance with IAS 17 and IFRIC 4.

The simplifications used are documented by appropriate accounting policy provisions.

The Group as a lessor had concluded sublease agreements of shop premises. Lease agreements, in accordance with which the Group retains substantially all of the risk and all the benefits resulting from possessing leased asset, are classified as operating leases.

Initial direct costs incurred during the negotiation of operating lease agreements is added to the carrying amount of the asset constituting the lease subject and recognized for the duration of the lease agreement on the same base as rental income. Contingent lease payments are recognized as revenue in the period, in which they will become due. As at the balance sheet date, the Group did not have operating lease agreements

[in PLN million unless otherwise stated]

6.1 ASSETS DUE TO THE RIGHT TO USE

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

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

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

	RIGHT OF USE				
	SHOPS	STORES	VEHICLES	OTHER	TOTAL
Gross value 01.01.2018	2 063,6	10,1	2,3	0,1	2 076,1
Depreciation	—	—	—	—	—
Net value 01.01.2018	2 063,6	10,1	2,3	0,1	2 076,1
Conclusion of new leasing agreements	578,1	1,2	1,9	0,4	581,6
Changes resulting from the modification of contracts	118,1	0,2	—	—	118,3
Changes resulting from the change of the scope of the contract - shortening the period - gross value	(10,9)	—	—	—	(10,9)
Reclassification to discontinued operations	(494,8)	—	—	—	(494,8)
Gross value 31.12.2018	2 254,1	11,5	4,2	0,5	2 270,3
Depreciation	(460,1)	(1,7)	(1,8)	(0,3)	(463,9)
Changes resulting from the reclassification to discontinued operations	63,7	—	—	—	63,7
Net value 31.12.2018	1 857,7	9,8	2,4	0,2	1 870,1

[in PLN million unless otherwise stated]

6.2 LEASE LIABILITIES

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

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

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

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

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

Lease liabilities 01.01.2018	2 076,1
Accrued interest	32,6
Payment due to leasing	(467,8)
Exchange differences	28,3
Adding a new contract	666,9
Modification of the terms of the contract	60,0
Indexation	20,5
Renewal	0,3
Change of scope	(9,8)
Reclassification to discontinued operations	(497,9)
Lease liabilities 31.12.2018	1 909,2

[in PLN million unless otherwise stated]

Presented below are the aging of leasing liabilities according to the period remaining until the end of the contract:

LEASE LIABILITY	31.12.2018
from 1 to 5 years	425,2
over 5 years	1 112,6
Total	371,4
Razem	1 909,2

The Group did not identify lease agreements that were signed before the balance sheet date with the later date of lease commencement.

6.3 RECOGNITION OF LEASE AGREEMENTS IN THE CASH FLOW STATEMENT

POSITION	AS OF 31.12.2018 WITHOUT EFFECT OF LEASING RECOGNITION	THE EFFECT OF RECOGNITION OF LEASE AGREEMENTS	AS OF 31.12.2018 PUBLISHED DATA
Net cash flows from operating activities	527,2	468,6	995,8
Net cash flows from investing activities	(620,8)	—	(620,8)
Net cash flows from finance activities	(46,2)	(468,6)	(514,8)
TOTAL CASH FLOWS	(139,8)	—	(139,8)

6.4 LEASING COSTS NOT INCLUDED IN THE CALCULATION OF CARRYING AMOUNTS IN ACCORDANCE WITH IFRS 16

	1.2018-12.2018
Costs due to short-term lease agreements (concluded for up to 12 months)	12,9
Lease costs of low-value assets	1,3
Costs of rent	2,2
Total	16,4

[in PLN million unless otherwise stated]

7. OTHER NOTES

7.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Classification and valuation of financial assets

The classification and valuation of financial assets has not changed in connection with the implementation of IFRS 9. Financial assets so far valued at fair value will remain at fair value.

Loans receivables are reported as held to generate cash flows. The Group does not sell receivables as part of factoring and continues to make their valuation at amortized cost by the financial result.

Impairment of financial assets

The application of IFRS 9 fundamentally changes the approach to impairment of financial assets by departing from the concept of loss incurred in favor of expected loss, where the entire expected credit loss is recognized ex-ante.

In the case of trade receivables, the Company applies a simplified approach and measures the write-down for expected credit losses in the amount equal to the expected credit losses over the whole life using the reserve matrix. The Company uses its historical data on credit losses, adjusted, where appropriate, for the impact of information about the future.

In the case of other financial assets, the Company measures the write-down for expected credit losses in the amount equal to 12-month expected credit losses. The company investigates receivables in terms of overdue payments, which is the basis for the assessment of credit risk growth. If the credit risk related to a given financial instrument has significantly increased since the initial recognition, the Company measures the write-down for expected credit losses from the financial instrument in an amount equal to the expected credit losses over the entire lifetime.

	31.12.2018		31.12.2017	
	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES	LOANS AND RECEIVABLES	OTHER FINANCIAL LIABILITIES
Financial assets	539,2	—	616,9	—
Loans granted	37,7	—	9,1	—
Trade receivables	124,4	—	95,7	—
Cash and cash equivalents	375,8	—	511,6	—
Financial derivative instruments	1,3	—	0,5	—
Financial liabilities	—	4 710,1	—	1 948,4
Debt liabilities	—	1 016,80	—	917,1
Trade liabilities	—	864,2	—	235,8
Obligation to returns		22,2		17,6
Obligation to pay for enterprise		19		—
Obligation to repurchase non-controlling interests		878,7		777,9
Lease liabilities	—	1 909,20	—	—

FINANCIAL RISK MANAGEMENT

There are many different financial risks related to the activities carried out by the Capital Group CCC S.A. The Management Board identifies the main ones: the risk of changes in exchange rates, interest rate change, credit risk (described below) and liquidity risk (see note 4.3). The only instruments valueted at fair value are forward contracts. As at the balance sheet date, the valuation of forward contracts amounted to PLN 1.3 million. The value of contracts opened as at the balance sheet date amounted to USD 23.0 million and EUR 3.0 million, which accounted for PLN 99.1 million. The maturity dates of contracts fall on 05/03/2019. For other financial instruments, the fair value does not differ from the carrying amount.

RISK OF CHANGES IN CURRENCY EXCHANGE RATES

The Capital Group CCC S.A. operates internationally and therefore is exposed to the risk of changes in currency exchange rates, in particular USD and EUR in relation to the transaction executed in China and costs of stores lease.

The main balance sheet items exposed to foreign exchange risk refer to trade liabilities (for purchase of goods and lease of stores), trade receivables (wholesale of goods and sublease of stores) and cash.

The Group monitors exchange rate fluctuations and systematically takes steps to minimize the negative impact of exchange rate fluctuations, e.g. by including such changes in product prices. The Group does not use hedging instruments.

[in PLN million unless otherwise stated]

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

31.12.2018	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	INNE	
Financial assets	539,3	54,9	241,5	88,2	154,6
Loans granted	37,7	—	—	—	37,7
Trade receivables	124,4	5,8	45,9	29,5	43,2
Financial derivative instruments	1,3	—	—	—	1,3
Cash and cash equivalents	375,8	49,1	195,6	58,7	72,4
Financial liabilities	4 710,10	389,9	1 558,70	481	2 280,50
Debt liabilities	1 016,80	64,1	—	—	952,7
Trade liabilities	864,2	317,9	165,4	37,3	343,6
Obligation to returns	22,2	—	—	—	22,2
Obligation to pay for enterprise	19	—	—	—	19
Obligation to repurchase non-controlling interests	878,7	—	—	54,5	824,2
Lease liabilities	1 909,20	7,9	1 393,30	389,2	118,8

31.12.2017	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	INNE	
Financial assets	616,4	41,2	131,4	21,6	423,4
Loans granted	9,1	—	—	—	9,1
Trade receivables	95,7	5,3	18,4	19,3	52,8
Cash and cash equivalents	511,6	36	113	2,3	361,5
Financial liabilities	1 948,4	—	20,4	0,2	1 927,9
Debt liabilities	917,1	—	—	—	917,1
Trade liabilities	17,6	—	—	—	17,6
Obligation to returns	777,9				777,9
Obligation to repurchase non-controlling interests	235,8	—	20,4	0,2	215,3

[in PLN million unless otherwise stated]

Sensitivity analysis of exchange rate fluctuations, if exchange rates of assets/financial liabilities provided in foreign currencies movements, in particular for USD and EUR during the period of 12 months ended 31 December 2018 were higher/lower by PLN 0.05, is presented in the table below.

2018	ITEM VALUE IN USD	INCRESE / DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN EUR	INCRESE / DECREASE OF EXCHANGE RATE EUR	
		0,05	-0,05		0,05	-0,05
Financial assets	54,9	0,7	(0,7)	241,5	2,8	(2,8)
Loans granted	—	—	—	—	—	—
Trade receivables	5,8	0,1	(0,1)	45,9	0,5	(0,5)
Financial derivative instruments	—	—	—	—	—	—
Cash and cash equivalents	49,1	—	—	195,6	—	—
Financial liabilities	389,9	5,2	(5,2)	1 558,70	18,1	(18,1)
Debt liabilities	64,1	0,9	(0,9)	—	—	—
Trade and other liabilities	317,9	4,2	(4,2)	165,4	1,9	(1,9)
Lease liabilities	7,9	0,1	(0,1)	1 393,3	16,2	(16,2)
Obligation to returns	—	—	—	—	—	—
Obligation to pay for enterprise	—	—	—	—	—	—
Obligation to repurchase non-controlling interests	—	—	—	—	—	—
Impact on net result		5,9	(5,9)		20,9	(20,9)

2017	ITEM VALUE IN USD	INCRESE / DECREASE OF EXCHANGE RATE USD		ITEM VALUE IN EUR	INCRESE / DECREASE OF EXCHANGE RATE EUR	
		0,05	-0,05		0,05	-0,05
Financial assets	41,2	0,6	(0,6)	131,4	1,6	(1,6)
Trade receivables	—	—	—	—	—	—
Cash and cash equivalents	5,3	0,1	(0,1)	18,4	0,2	(0,2)
Financial liabilities	36	0,5	(0,5)	113	1,4	(1,4)
Debt liabilities	—	—	—	20,4	0,2	(0,2)
Trade liabilities	—	—	—	—	—	—
Obligation to returns	—	—	—	—	—	—
Obligation to repurchase non-controlling interests	—	—	—	—	—	—
Impact on net result	—	—	—	20,4	0,2	(0,2)
Wpływ na wynik netto		0,6	(0,6)		1,8	(1,8)

[in PLN million unless otherwise stated]

RISK OF INTEREST RATE CHANGES

The Group CCC S.A. is exposed to interest rate change risk mainly due to the debt resulting from concluded loan agreements and issued bonds, cash in bank accounts and loans granted.

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

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

If interest rates on debt in the years ended 31 December 2018 were 1 p.p. higher/lower, the profit for the period would be about PLN 6.8 million (2017: PLN 4,3 million higher/lower). The following table presents a sensitivity analysis of the risk of changes in interest rates, which in the opinion of the Group would be reasonably possible at the balance sheet date.

	AMOUNT VULNERABLE TO RISK OF INTEREST RATE CHANGE %		AS OF 31.12.2018		AS OF 31.12.2017	
	31.12.2018	31.12.2017	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	339,6	480,1	3,4	(3,4)	4,8	(4,8)
Loans granted	37,7	9,1	0,4	-0,4	0,1	(0,1)
Debt liabilities	(1 016,80)	(917,1)	(10,2)	10,2	(9,2)	9,2
Obligation to returns	(22,2)	(17,6)	(0,2)	0,2	(0,2)	0,2
Obligation to pay for enterprise	(19)	—	(0,2)	0,2	—	—
Obligation to repurchase non-controlling interests	(878,7)	(777,9)	(8,8)	8,8	(7,8)	7,8
Lease liabilities	(1 909,2)	—	(19,1)	19,1	—	—
Effect on net result	—	—	(34,7)	34,7	(12,3)	12,3

[in PLN million unless otherwise stated]

CREDIT RISK

Credit risk it is the Group's risk to incur financial losses due to a failure by the customer or counterparty to a financial instrument to meet its contractual obligations. Credit risk is mainly related to the Group's receivables from customers (due to wholesale), loans granted and cash and cash equivalents in bank accounts.

The maximum exposure to credit risk at balance sheet date (31 December 2018 and 31 December 2017) is presented in the table below:

	31.12.2018	31.12.2017
Loans granted	37,7	9,1
Trade receivables	124,4	95,7
Cash and cash equivalents	339,7	511,6
Total	501,8	616,4

The lifetime structure of receivables, together with information on impairment of receivables are presented in note 5.5

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

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.

	31.12.2018	31.12.2017
Banks with rating AAA	0,4	—
Banks with rating A	289,9	430,0
Banks with rating BBB	15,6	48,2
Banks with rating BB	1,0	—
Banks with rating B	—	1,9
Other*	27,6	—
Total cash at banks	334,5	480,1

*Banks that do not have ratings of international rating agencies

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

7.2 ACQUISITION OF SUBSIDIARIES

ACCOUNTING POLICY

Consolidation principles

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

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

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

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

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

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

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

Shares and stocks are valued at the purchase price less any impairment losses.
The impairment test is carried out in the event of impairment triggers, by comparing the carrying amount with the higher of the two amounts: the fair value less costs to sell and the value in use.

If the minority purchase of shares in subsidiaries is a variable price, calculated on the basis of EBITDA of this company, it is considered that due to such a price structure it is highly probable that the risks and benefits have not been transferred to the parent company as at the creation of options, therefore, the financial liability under the put option reduces equity.

ACQUISITION OF SHOE EXPRESS S.A.

On April 25, 2018, the Capital Group CCC S.A. (through the company CCC Shoes and Bags Sp. z o.o.) acquired from the current shareholders (Mr. Vinod Arora and Mr. Vinay Kumar Arora) the company SHOE EXPRESS S.A., based in Bucharest (Romania) ("SHOE EXPRESS") 100% of SHOE EXPRESS shares. The acquired shares constitute 100% of the share capital of SHOE EXPRESS and represent 100% of votes at the General Meeting of this company.

The payment for shares amounted to PLN 133,1 million (equivalent of EUR 31.5 million) payable in cash and consisted of the payment price from the share purchase agreement in SHOE EXPRESS S.A. in the amount of EUR 9.9 million and RON 0.1 million (PLN 41.8 million in total) and payment for the transfer of an organized part of the enterprise by Peeraj Brands International SRL to SHOE EXPRESS S.A. in the amount of EUR 23.1 million (in total PLN 91,3 million).

The date of the taking control was assumed on April 25, 2018, due to the fulfillment of all conditions precedent and the operational takeover of store stores (including stores employees) on that day.

The business of SHOE EXPRESS is the sale of footwear and fancy goods in offline stores located in shopping malls and other sales units in Romania. This transaction is the next stage of international expansion, consistent with the CCC Group strategy – entering one of the most promising markets, especially in terms of margins and profitability.

The accounting data was adopted on the basis of the financial statements of SHOE EXPRESS S.A. as at April 25, 2018, that is the date of taking control. SHOE EXPRESS S.A. Details of the estimated fair value of the acquired net assets, goodwill and purchase price as at the date of acquisition of control are presented below (in PLN million):

	BOOK VALUE ACCORDING TO THE FINANCIAL STATEMENTS OF THE ACQUIRED COMPANY (IN PLN MILLION)	FAIR VALUE ADJUSTMENTS AND OTHER ADJUSTMENTS (IN PLN MILLION)	FAIR VALUE (IN PLN MILLION)
Capitalized values of identifiable assets and liabilities acquired			
Tangible fixed assets	97,5	—	97,5
Assets due to the right of use	—	47,0	47,0
Trade receivables and other receivables	21,0	—	21,0
Prepayments	1,0	—	1,0
Cash and cash equivalents	5,0	—	5,0
Trade liabilities and other liabilities	32,0	—	32,0
Borrowings	0,5	—	0,5
Lease liabilities	—	47,0	47,0
Total identifiable net assets			92,0
Determined goodwill			41,1
Total			133,1
Remuneration for acquisition			133,1
Paid in cash			133,1
Deferred payment			—
Cash acquired, including:			5,0
restricted cash			—
Cash expenses due to acquisition			128,1

Goodwill in the amount of PLN 41,1 million due to the acquisition refers to the acquired customer base and economies of scale expected from the merger of the Company's operations with SHOE EXPRESS S.A., as well as separated unrecognized intangible assets for the purpose of settlement as at the acquisition date.

No part of the goodwill recognized will be deductible for income tax purposes.

The fair value of the acquired financial assets does not deviate from the book value and includes trade receivables in the amount of PLN 21.0 million as well as accruals in the amount of PLN 1.0 million.

As part of the acquisition, no contingent liabilities have been identified.

Costs related to the acquisition of SHOE EXPRESS S.A. amounted to PLN 364,9 thousand PLN and were recognized as general administrative expenses in the consolidated statement of financial result and other comprehensive income.

Revenues of the company SHOE EXPRESS S.A. recognized in the consolidated statement of financial result and other comprehensive income since April 25, 2018 amounted to PLN 174,4 mln PLN. SHOE EXPRESS S.A. in addition, in the same period, it generated a net profit of PLN 36,4 mln PLN. As a result of the above changes, there was an increase/decrease in the basic and diluted earnings per share attributable to the shareholders of the Parent Company for the period from January 1, 2018 to 31 December 2018 from PLN 4,67/share to PLN 5,56/share.

If SHOE EXPRESS S.A. was subject to consolidation from January 1, 2018, the consolidated statement of financial result and other comprehensive income would show "pro-forma" income of PLN 58 million and "pro-forma" profit in the amount of PLN 10.5 million.

ACQUISITION OF THE ENTERPRISE ADLER INTERNATIONAL LIMITED LIABILITY COMPANY, LIMITED PARTNERSHIP

On 11.04.2018, the CCC Joint-stock Company Capital Group (through CCC Joint-stock Company) signed a contract for the purchase of an organized part of the enterprise from Adler International Limited Liability Company, Limited Partnership.

The acquired of the enterprise is a network of stores selling footwear marked with the CCC logo in the podkarpackie, małopolskie and świętokrzyskie voivodships together with the employees of these stores.

The amount of payment for the acquired organized part of the enterprise was set at PLN 77 million payable in cash. The payment price does not take into account any conditional payments.

The date of taking control was adopted on 01.07.2018, due to the fact that on that day at CCC Joint-stock Company passed the right to run stores together with all the benefits and obligations in this respect.

The total fair value of purchased movables (including, in particular, the equipment of stores and equipment necessary to serve store customers) amounted to PLN 15.4 million, while the value of expenditure on stores (investments in foreign fixed assets) amounted to PLN 12.6 million. Pursuant to the agreement, no cash or trade receivables that arose until the acquisition date were transferred as part of the transaction. The Group also does not identify, as at the date of signing these financial statements, other significant types of receivables to be included in the purchase settlement.

Capital Group CCC Joint-stock Company made the final identification of assets of the acquired business and recognized them as at the balance sheet date in the consolidated financial statements in the amounts determined definitively. Goodwill as a result of the acquisition was specified in the amount of PLN 49.0 million.

As at the date of signing these financial statements, the Group does not identify any contingent liabilities related to the acquisition transaction.

The accounting data have been adopted on the basis of the financial statements of the organized part of the enterprise Adler International Limited Liability Company, Limited Partnership as at 01.07.2018, ie as at the date of taking control. Details of the finally estimated fair value of the acquired net assets, goodwill and purchase price as at the date of acquisition of control are presented below (in million PLN):

	FAIR VALUE (IN PLN MILLION)
Tangible fixed assets	28,0
Total identifiable net assets	28,0
Determined goodwill	49,0
Total	77,0
Remuneration for acquisition	77,0
Paid in cash	77,0
Cash acquired, including:	—
restricted cash	—
Cash expenses due to acquisition	77,0

The goodwill recognized in the amount of 49.0 million due to the acquisition is attributable to the customer base taken over and the economies of scale expected from combining the operations of the Company with the activities of the stores being part of the acquired part of the enterprise.

The fair value of the acquired assets does not deviate from the book value and includes tangible assets in the amount of PLN 28.0 million.

As part of the acquisition, no contingent liabilities have been identified.

Costs related to the acquisition of Adler International Limited Liability Company, Limited Partnership amounted to PLN 298.2 thousand and were recognized as general administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Revenues generated by the stores included in the acquired organized part of the enterprise included in the consolidated statement of profit or loss and other comprehensive income from 01.07.2018 amounted to PLN 163 million, while the net profit generated by these stores in the same period amounted to PLN 41.1 million. As a result of the above changes, the basic value and diluted earnings per share attributable to the shareholders of the Parent increased from 01.01.2018 to 31.12.2018 from PLN 4,56 / share to PLN 5,56 / share.

ACQUISITION OF KARL VOGELE AG

On June 18, 2018, NG2 Suisse GmbH, a subsidiary of CCC S.A., acquired 70% of Karl Voegele AG ("KVAG") for the amount of CHF 10 million, which represent 70% of votes at the General Meeting of this company. Thus the NG2 Suisse GmbH took control of a company with a network of shoe stores in Switzerland. This transaction is the next stage of implementation of the strategy of CCC S.A. Capital Group in the area of development of the sales network, that enables entering a new market on the basis of the second most recognizable brand with nearly 100 years of tradition on the Swiss market. The acquisition of KVAG occurred after the conditions precedent set out in the concluded preliminary sales agreement concluded on 22 May 2018 were fulfilled.

In addition, a shareholder agreement was concluded between the acquirer and Phi-Ram Holding AG (remaining non-controlling shareholder of KVAG), which provides for the option of acquiring the remaining 30% of KVAG shares by CCC S.A. If the put option is exercised by the non-controlling shareholders of KVAG or the call option by CCC S.A., the CCC Group will be required to purchase a 30% stake in KVAG for a price corresponding to 30% of the amount calculated as four times KVAG's EBITDA for 2021 less its net debt at the end of 2021. Options are executable from May 31, 2022 with the option of extending the implementation date by the Parties.

If the option is implemented by one of the parties then the options will be settled. The settlement price is the same for both parties to the agreement. The obligation to acquire a non-controlling portfolio of shares resulting from the put option was recognized in the consolidated financial statements at the current value estimated at the time of recognition of remuneration for the remaining shares and included in equity (retained earnings) in the amount of PLN 53.6 million.

The liability was estimated based on 30% of the forecasted difference for KVAG between the EBITDA ratio multiplied by the factor 4 and the net debt for 2021 (according to the put and call options).

The nominal value of the liability resulting from the 30% x (4 x EBITDA – net debt) multiplier amounted to CHF 15.1 million, which after conversion amounts to PLN 56.4 million as at the acquisition date and PLN 57.3 million as at the balance sheet date, respectively.

The nominal amount calculated in the above manner was discounted using the interest rate at the level of the average debt cost for CCC S.A. The liability value as at the acquisition date was CHF 14.4 million (PLN 53.6 million) and as at the balance sheet date PLN 54.4 million.

The liability for minority buyout of shares in KVAG is a variable price, calculated based on EBITDA and net debt of this company. Due to such a price structure, it is probable that the risks and benefits related to the non-controlling package of shares covered by the option were not transferred to CCC S.A. as at the option issue date. Therefore, the financial liability under the put option reduces equity.

If the option is re-priced, its effect will be recognized in the financial result in the position of financial costs/revenues. Clearing the discount will be recognized in subsequent periods by the financial result in the item of financial costs.

TRANSFERRED PAYMENT

The fair value of the payment transferred corresponds to the total of the amounts:

- CHF 9.5 million (PLN 35.3 million PLN) paid in cash as at the acquisition date, and
- CHF 0.5 million (PLN 1.9 million PLN) to be paid in cash after six months from the acquisition date.

FAIR VALUE OF ACQUIRED ASSETS AND LIABILITIES

The following table shows the fair values of the acquired net assets of KVAG broken down by main categories.

	FAIR VALUE FOR 18.06.2018 IN PLN MLN
Assets	
Trademark "Karl Voegele"	7,4
Customer relations	7,9
Other intangible assets	5,5
Right of use	329,8
Tangible fixed assets	89,8
Deffered tax assets	0,5
Inventory	107,1
Trade reciveables	0,3
Other reciveables	64,4
Cash and cash equivalents	21,0
Total assets	631,8
Liabilities	
Provisions	7,2
Lease liabilities	329,8
Credits and loans	27,8
Trade liabilities	24,2
Other liabilities	49,7
Total liabilities	435,7
Net assets	195,1

PROFIT ON BARGAIN ACQUISITION

Profit on bargain acquisition was determined as follows:

CALCULATION OF GAIN ON A BARGAIN PURCHASE		VALUE (IN CHF MLN)
Payment transferred	+	10,0
Non-controlling interests	+	14,4
Fair value of KVAG's assets and liabilities	—	52,6
Gain on bargain purchase		-28,1

The profit from the bargain acquisition was included in a separate line in the statement of comprehensive income.

Non-controlling interests were valued at fair value determined based on the valuation of the put and call options described earlier.

The settlement was preceded by an initial assessment of the completeness of the identified assets and liabilities acquired under the transaction in question and the verification of the methods and assumptions adopted to determine their fair values.

The economic situation of the Company at the time of acquisition influenced the specified level of the price offer and the valuation of the entity during the negotiation and conclusion of transactions. This was the direct cause of the profit on bargain acquisition described above. Additionally, the bargain acquisition profit described above includes the necessary actions that the Capital Group will have to take to improve its economic efficiency.

The Group carried out the purchase price allocation process with full analysis KVAG net assets, including in particular the valuation of its trademark. According to the Group presented settlement of the acquisition is final.

Revenues of the company KVAG recognized in the consolidated statement of financial result and other comprehensive income since June 18, 2018 amounted to PLN 309,9 million PLN. KVAG S.A. in addition, in the same period, it generated a net loss of PLN 34,8 million PLN. As a result of the above changes, there was an decrease in the basic and diluted earnings per share attributable to the shareholders of the Parent Company for the period from January 1, 2018 to June 30, 2018 from PLN 6,4/share to PLN 5,56/share.

If KVAG was subject to consolidation from January 1, 2018 the consolidated statement of financial result and other comprehensive income would show "pro-forma" income of PLN 243,3 million and "pro-forma" loss in the amount of PLN 81,8 million PLN.

ACQUISITION OF DEEZEE LIMITED LIABILITY ADDED

On 23.10.2018, the Capital Group CCC Joint-stock Company (through CCC Shoes and Bags Limited Liability Company) acquired 51% shares in DeeZee Limited Liability Company with its registered office in Kraków (Poland) ("DeeZee"), the acquired shares constitute 51% of the share capital of DeeZee and represent 51% of votes at Meeting of Shareholders of the Company. The payment for shares amounted to PLN 13.0 million payable in cash.

In addition, the investment agreement provides for 2 options to purchase the remaining 49% of shares in DeeZee by the CCC Group. In the case of a put option (through DeeZee) or a call option (by the CCC Group), the CCC Group shall be required to purchase a 49% stake according to two possible scenarios. They give the option of acquiring option 24% of shares in DeeZee share capital at option price of PLN 7 million and option II of the remaining 25% shares for 25% of the amount calculated as twelve times EBITDA for 2021 and 2023 less net debt or in the event of a breach of an obligation under the investment agreement, as 25% of the amount calculated as 16 times the EBITDA for 2021 and 2023 less net debt.

The options are enforceable from 01.07.2024, however not later than 30.09.2024.

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

The commitment was estimated on the basis of 25% of the forecast for DeeZee difference between the EBITDA ratio multiplied by the factor 12 and the net debt for 2021 and 2023.

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

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

The liability for minority buy-back of shares in DeeZee is a variable price, calculated based on EBITDA and net debt of this company. Due to such a price structure, it is probable that the risks and rewards related to the non-controlling package of shares covered by the option have not been transferred to the CCC Group as at the date of issue of the option. Therefore, the financial liability under the put option reduces equity.

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

Goodwill in the amount of PLN 6.3 million resulting from the acquisition consists mainly of synergies and economies of scale expected as a result of the merger of CCC and DeeZee activities as well as the acquired DeeZee customer base.

None of the elements of goodwill recognized shall be deductible.

Due to the ongoing process of integration, identification and measurement of risk as well as assets and liabilities of the acquired business, the final settlement and allocation of the purchase price has not yet been made. In view of the above, as at 31.12.2018, the settlement was included in the provisional version. In particular, the Group focuses on confirming the valuation of acquired intangible assets.

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

	PRE-DETERMINED FAIR VALUE (IN MILLION PLN)
Capitalized values of identifiable assets and liabilities acquired	
Tangible fixed assets	0,1
Assets due to the right of use	1,2
Intangible assets	9,2
Inventory	3,6
Trade receivables and other receivables	1,2
Cash and cash equivalents	0,8
Trade liabilities and other liabilities	(1,7)
Lease liabilities	(1,2)
Total identifiable assets	13,2
Determined goodwill	6,3
Non-controlling interests	(6,5)
Total	13,0
Remuneration for acquisition	
Paid in cash	13,0
Cash acquired, including:	0,8
restricted cash	0,8
Cash expenses due to acquisition	12,2

The fair value of the acquired financial assets does not deviate from the book value and includes trade and other receivables in the amount of PLN 1.2 million.

The costs related to the acquisition of DeeZee amounted to PLN 139.2 thousand and were fully included in the statement of comprehensive income in management costs.

Revenues of DeeZee Limited Liability Company recognized in the consolidated statement of profit or loss and other comprehensive income since 23.12.2018 amounted to PLN 4.8 million. DeeZee Sp.z o.o Limited Liability Company, there was an increase in the basic value and diluted earnings per share attributable to the shareholders of the Parent for the period from 01.01.2018 to 31.12.2018 from PLN [xxx] per share to PLN [xxx] PLN / share.

If DeeZee Limited Liability Company was subject to consolidation from 01.01.2018, the consolidated report on the financial result and other comprehensive income would show pro-forma income in the amount of PLN 16.1 million and a pro-forma loss in the amount of PLN 0.9 million.

ACQUISITION OF EOBUWIE.PL S.A.

On January 15, 2016, CCC Joint-stock Company acquired 74.99% of the share capital of eobuwie.pl Joint-stock Company for the amount of PLN 235.7 million and took control over the eobuwie.pl S.A. Group, dealing in online sales of footwear and fancy goods, operating in Poland and in other European countries.

The original purchase agreement provided for an option to purchase the remaining 25.01% shares of eobuwie.pl Joint-stock Company by CCC Joint-stock Company. If the put option was exercised by minority shareholders of eobuwie. pl SA or the call option by CCC Joint-stock Company, it was required to purchase a block of shares for a price equivalent to 25.01% of the multiplier: 12 x EBITDA eobuwie.pl SA for 2018, and if the company reaches the loss, at the EBITDA or EBITDA level shall be zero, the price shall be equal to the nominal value of the shares (ie PLN 500 200). The options were enforceable until February 28, 2020. The above put and call options are symmetrical – they are settled at the same time and at the same price. The symmetrical put and call option used to acquire a non-controlling interest (minority interest) was recognized at the time of initial recognition (01.2016) in the consolidated financial statements as a liability to pay current remuneration for other shares and recognized in equity (retained earnings) in the amount of PLN 222 million and PLN 7 million recognized in costs of the current period, being discounted (using the original effective interest rate) percentage) estimated liability.

CCC Joint-stock Company in addition, on 21.08.2017, it signed an annex to the agreement obliging the sale of shares in eobuwie. pl Joint-stock Company of 26.08.2015 concluded between CCC S.A. with its registered office in Polkowice as the buyer and shareholders of the Company eobuwie.pl Joint-stock Company as a selling party. According to the annex, if the put option is exercised by eobuwie.pl Joint-stock Company or the call option by CCC Joint-stock Company, CCC Joint-stock Company shall be required to purchase a block of shares at the price corresponding to the value of 25.01% of the multiplier: 12 x EBITDA of the eobuwie.pl SA group for 2021 In the opinion of the Management Board, the modification of the terms of the contract of the existing financial liability is significant and as a consequence the Group has included this modification as the expiration of the original financial liabilities and recognition in correspondence with retained earnings. The previous liability was excluded from the acquisition of a minority share package of eobuwie. pl S.A. In the amount of PLN 234.4m, and at the same time, a new liability at a discounted value of PLN 768.8m was recognized. Then, as at the balance sheet date, the discount for the period from 21.08.2017 to 31.12.2017 was settled, which amounted to PLN 9.1m (for the period 01.01. 2017-21.08.2017 amounted to 4.8 million).

The value of liabilities as at the balance sheet date amounted to PLN 803.6 million and the costs recognized in the current period for the entire year 2018 amounted to PLN 25.7 million in total. (discount) The nominal value of the liability resulting from the 12 x EBITDA multiplier was PLN 900.4 million. If the option is re-priced, its effect shall be recognized in the financial result under the item financial costs. The discount is settled by the financial result in the item of financial costs.

[in PLN million unless otherwise stated]

7.3 DISCONTINUED OPERATIONS

ACCOUNTING POLICY

Discontinued operations and assets held for sale

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

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

As at 31.12.2018, the Group presented the assets and liabilities of the consolidated company CCC Germany GmbH based in Germany in the statement of financial position under Non-current assets held for sale and Liabilities relating to assets held for sale. The Group has 100% shares in the said company. In previous years, CCC Germany GmbH conducted commercial activities (retail sale of footwear, bags of accessories for shoe care, small clothing accessories in stores). As at the date of this report, in accordance with the business decision, the Group allocated the Company for sale. Due to the above, the revenues and costs of CCC Germany GmbH were classified as discontinued operations. The company, after the sale transaction by CCC S.A. 100% of shares shall continue its activity in the field of retail sales of footwear under the RENO brand.

The sale transaction of 100% shares in CCC Germany GmbH was made on 30.01 and 31.01.2019 and was related to the simultaneous acquisition of a minority stake in HR Group Holding sarl based in Luxembourg. As a result of the sale transaction, CCC Limited Liability Company sold to Blitz 18-535 GmbH with its registered office in Munich, that is a subsidiary of HR Group, shares constituting 100% of the share capital of CCC Germany GmbH. As a result of the acquisition of CCC, Spółka Akcyjna acquired a total of 30.55% of shares in the share capital of HR Group, entitling to 30.55% of the total number of votes at the General Meeting of Shareholders.

In connection with discontinued operations, impairment losses on the following assets were made:

ASSETS	IMPAIRMENT VALUE
Intangible assets	(0,2)
Tangible fixed assets	(55,0)
Deferred tax assets	(0,1)

The fair value of CCC Germany reduced by the costs of selling shares as at 31.12.2018 is PLN – 11.7 million.

The Group deconsolidated the data in the current period and transformed the data for the comparative period.

[in PLN million unless otherwise stated]

The main groups of assets and liabilities of discontinued operations reported at fair value are presented below.

ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE	31.12.2018	31.12.2017
Right of use	494,8	
Total non-current assets	494,8	—
Income tax receivables	—	
Other receivables	8,6	
Total current assets	8,6	—
Total assets of disposal group held for sale	503,4	—
Lease liabilities	415,4	
Total non-current liabilities	415,4	—
Trade liabilities	8,6	
Other liabilities	11,7	
Lease liabilities	82,5	
Total current liabilities	102,8	—
Total liabilities of disposal group held for sale	518,2	—
NET ASSETS	(14,8)	—
CASH FLOWS OF DISCONTINUED OPERATIONS		
Net cash flows from operating activities	(92,9)	(41,2)
Net cash flows from investing activities	(10,4)	(4,8)
Net cash flows from finance activities	—	—
TOTAL NET CASH FLOWS FROM DISCONTINUED OPERATIONS	(103,3)	(46,0)

[in PLN million unless otherwise stated]

NOTE		1.2018-12.2018	1.2017-12.2017
	DISCONTINUED OPERATIONS		
2	Sales revenue	217,8	255,9
3.1	Cost of sale of goods	(90,1)	(109,8)
	Gross profit (loss) on sale	127,7	146,0
3.1	Cost of operating stores	(182,4)	(188,7)
3.1	Other cost of sale	(31,0)	(10,7)
3.1	Administrative expenses	(7,9)	(10,3)
3.2	Other cost and operating revenue	(66,2)	5,3
	Operating profit (loss)	(159,8)	(58,4)
3.2	Finance revenue	—	—
3.2	Finance cost	(5,2)	0,2
	Profit (loss) before tax	(165,0)	(58,2)
3.3	Income tax	(1,8)	(1,7)
	NET LOSS FROM DISCONTINUED OPERATIONS	(166,8)	(59,9)
	Other comprehensive income from discontinued operations		
	Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities	(0,4)	(0,3)
	Total net comprehensive income	(0,4)	(0,3)
	TOTAL COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS		
	Total comprehensive income from discontinued operations attributable to shareholders of the parent company:	(167,2)	(60,2)

7.4 TRANSACTIONS WITH RELATED ENTITIES

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

	31.12.2018	31.12.2017
Entities related to members of key management personnel		
Transactions in the fiscal year:		
Sale	4,6	0,8
Purchase	8,3	6,5
Transactions in the fiscal year:		
Receivables	1,7	0,9
Liabilities	0,8	0,3

Transactions with related entities were concluded under market conditions.

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL

IN '000 PLN	FIXED REMUNERATION	PROGRAM OF PAYMENTS BASED ON SHARES – FAIR VALUE AT THE MOMENT OF GRANTING	OTHER (BONUSES)	TOTAL
31.12.2018				
Members of Management Board	3 597,5	560,0	1 150,0	5 307,5
Supervisory Board	447,0	—	—	447,0
Total	4 044,5	560,0	1 150,0	5 754,5
31.12.2017				
Members of Management Board	4 304,8	1 120,0	490,0	5 914,8
Supervisory Board	388,6	—	—	388,6
Total	4 693,3	1 120,0	490,0	6 303,4

7.5 PAYMENTS IN THE FORM OF SHARES

ACCOUNTING POLICY

The Group runs a program of benefits based on shares settled in capital instruments, under which the entity receives services of employees in exchange for equity instruments (options) of the Group. The fair value of employee's services received in exchange for granting options is recognized as an expense over the period of conferring rights to exercise the option in correspondence to equity – retained earnings.

The total amount subject to recognition in cost is determined by referring to the fair value of options granted at the date of granting the option:
- taking into account any market conditions (for example entity's share price);
- excluding the impact of any related work experience and non-market conferring rights (for example, sales profitability, the goals connected with growth in sales and the indicated period of the compulsory employment of the employee in the unit); and
- taking into account the impact of any conditions unrelated to conferring the rights (for example, the requirement by the current staff to keep received instruments for a specified period).

At the end of each reporting period, the entity revises the made estimates of the expected number of options to which rights are to be conferred as a result of the conditions of conferring rights of a non-market. The Group presents the impact of a possible revision of the original estimates in the report on the financial result, with a corresponding adjustment to equity.
In addition, in certain circumstances, employees can provide services before the date of granting them the stock options. In this case, the fair value of at the date of granting stock options is estimated to recognize costs during the period from commencement of the service by the staff to the actual date of granting them the options.
Upon exercise of the options, an entity issues new shares. The funds obtained after the deduction of any costs that can be directly attributable to the transaction, increase the share capital (nominal value) and the surplus of the issue price of shares over their nominal value.
Social security contributions payable in connection with the granting of stock options are considered an integral part of the benefit granted and the cost is treated as a transaction settled in a form of cash.

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

[in PLN million unless otherwise stated]

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

THE MAIN TERMS OF THE SCHEME:	TRANCHE 2018	TRANCHE 2017
Date of conferring rights	26.08.2017	
Number of employees covered by the scheme	149	
The value of the scheme by date of conferring rights	93,3 mln PLN	
Number of warrants granted	1.097.600 pcs.	1.097.600 pcs.
The value of a warrant by the date of by date of conferring rights	211,42 PLN	211,42 PLN
Cost recognized in the financial result in 2018	25,4 mln PLN	—
Cost recognized in the financial result in 2017	—	8,2 mln PLN
Cumulative amount recognized in equity as of 31 December 2018 („retained earnings")	33,6 mln PLN	8,2 mln PLN
Terms of conferring rights		
Period of conferring rights	from 08.06.2017 until 31.12.2019	
Period of execution of warrants to which rights are conferred	until 30.06.2024	

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

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

7.6 CONSOLIDATION

ACCOUNTING POLICY

The consolidated financial statements include the financial statements of CCC S.A. and the financial statements of its subsidiaries. Financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent entity, using consistent and uniform accounting principles. In order to eliminate discrepancies in the applied accounting principles, adjustments are made. If the financial year of a subsidiary differs from the financial year of the parent company, the financial statements of the subsidiary are translated to adjust the financial data to the reporting period of the parent company. Intra-group transactions and settlements as well as unrealized profits on transactions between group entities are eliminated.

Subsidiaries these are all business entities over which the Group exercises control. Subsidiaries are subject to a full consolidation from the date of transfer of control to the Group. Consolidation ceases from the date of cessation of control.

The Group recognizes the business combination using the purchase method. The payment given for the acquisition of the venture it is the fair value of the assets given, liabilities incurred to the previous owners of the acquiree and the equity shares issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities acquired in a business combination are measured at initial recognition at their fair values at the acquisition date. The Group recognizes at the acquisition date any non-controlling shares in the acquiree either at fair value or according to the proportionate share (corresponding to the share not giving control) in identifiable recognized net assets of the acquiree.

The excess of the cost of acquisition and non-controlling shares over the fair value of net assets acquired is recorded as goodwill.

Transaction costs are recognized in the financial result when incurred.

Intra-group transactions and balances and unrealized gains on transactions between the entities of the group are eliminated.

Related entities (indirectly and directly) from CCC S.A. are presented in the table below:

[in PLN million unless otherwise stated]

SUBSIDIARIES OF CCC S.A.	HEADQUARTERS/COUNTRY	TYPE OF BUSINESS ACTIVITY	SHARES AS OF 31.12.2018	SHARES AS OF 31.12.2017
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing	100%	100%
CCC Czech s.r.o.	Prague, Czech Republic	commercial	100%	100%
CCC Slovakia s.r.o.	Bratislava, Slovakia	commercial	100%	100%
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial	100%	100%
CCC Austria Ges.m.g.H	Graz, Austria	commercial	100%	100%
CCC Obutev d.o.o.	Maribor, Slovenia	commercial	100%	100%
CCC Hrvatska d.o.o.	Zagreb, Croatia	commercial	100%	100%
CCC Germany G.m.b.h.	Frankfurt, Germany	commercial	100%	100%
CCC Shoes Ayakkabycylyk Limited Sirketi	Istambul, Turkye	commercial	100%	100%
CCC Isle of Man	Douglas, Isle of Man	service	100%	100%
CCC.eu sp. z o.o.	Polkowice, Poland	purchase and selling	100%	100%
CCC Shoes & Bags sp. z o.o.	Polkowice, Poland	investment	100%	100%
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial	100%	100%
eobuwie S.A.	Zielona Góra, Poland	commercial	74,99%	74,99%
NG2 Suisse sarl	Zug, Switzeland	service	100%	100%
CCC Shoes & Bags d.o.o. Beograd — Novi Beograd	Belgrad, Serbia	commercial	100%	100%
eschuhe.de UG	Frankfurt on the Oder, Germany	commercial	74,99%	74,99%
Traf Logistics sp. z o.o.	Zielona Góra, Poland	logistic	74,99%	74,99%
CCC Russia OOO	Moskwa, Russia	commercial	75%	75%
Shoe Express S.A.*	Bocharest, Romania	commercial	100%	—
Karl Voegele AG**	Uznach, Switzerland	commercial	70%	—
DeeZee Sp. z o.o.***	Kraków, Poland	commercial	51%	—

* Shoe Express S.A. consolidated since 25.04.2018

** Karl Voegele AG consolidated since 18.06.2018

*** DeeZee Sp. z o.o. consolidated since 23.10.2018

Organizational changes that took place in the Capital Group during the financial year are described in p. 4.1.2. Statements on the operations of the Capital Group CCC S.A.

7.7 EVENTS AFTER BALANCE SHEET DATE

With reference to the current report No. 52/2018 of 24 November 2018 and current report No. 03/2019 of 8 January 2019, considering that conditions precedent set out in the share purchase agreements have been satisfied, the Management Board of CCC S.A. (the "Issuer") hereby informs that on 30 and 31 January 2019 the following transactions were closed: (i) the Issuer acquired a minority stake in HR Group Holding S.à r.l. with its registered office in Luxembourg ("HR Group"), and (ii) the Issuer sold 100% of shares in its subsidiary, CCC Germany GmbH.

On 30 January 2019, in execution of the conditional share purchase agreement regarding the sale of shares in HR Group entered into on 24 November 2018 with Flo Mağazacılık ve Pazarlama A.Ş with its registered office in Istanbul ("Flo"), the Issuer acquired from Flo a total of: (i) 289,586,875 ordinary shares in HR Group with the nominal value of EUR 0.01 each, representing 18.32% of the share capital of HR Group and carrying 289,586,875 votes at the shareholders' meeting of HR Group (the "Shareholders' Meeting"), representing 18.32% of the total number of votes in HR Group, and (ii) 20,000,000 preferred shares in HR Group with the nominal value of EUR 0.01 each, representing 1.27% of the share capital of HR Group and carrying 20,000,000 votes at the Shareholders' Meeting, constituting 1.27% of the total number of votes in HR Group (the "Preferred Shares-Flo"), in aggregate 309,586,875 shares representing 19.59% of the HR Group share capital, for the total purchase price of EUR 11,336,521.37.On 31 January 2019, in execution of the conditional share purchase agreement regarding the shares in HR Group entered on 24 November 2018 with capiton V GmbH & Co. Beteiligungs KG with its registered office in Berlin ("capiton") (the "Share Purchase Agreement-capiton"), the Issuer acquired from capiton in total: (i) 183,890,869 ordinary shares in HR Group with the nominal value of EUR 0.01 each, representing 11.63% of the share capital of HR Group and carrying 183,890,869 votes at the Shareholders' Meeting, constituting in aggregate 11.63% of the total number of votes in HR Group, and (ii) 11,009,346 preferred shares in HR Group with the nominal value of EUR 0.01 each, representing 0.70% of the share capital of HR Group and carrying 11,009,346 votes at the Shareholders' Meeting, representing 0.70% of the total number of votes in HR Group (the "Preferred Shares-capiton"); in aggregate 194,900,215 shares representing approximately 12.33% of the share capital of HR Group for the purchase price of EUR 14,559,895.48 in total.Also in execution of the Share Purchase Agreement-capiton, the Preferred Shares-Flo and Preferred Shares-capiton were converted into HR Group's receivables due from the Issuer under a loan agreement entered into between HR Group and the Issuer on 31 January 2019 ("Loan Agreement") by way of redemption. The value of the loan granted under the Loan Agreement amounts to EUR 20,161,804.40 and corresponds to the purchase price paid by the Issuer for the Preferred Shares-Flo and Preferred Shares-capiton. The loan bears interest at 8% per annum. Additionally, in performance of the conditional share purchase agreement of 24 November 2018, the Issuer sold to Blitz 18-535 GmbH with its registered office in Munich, i.e. subsidiary of HR Group, shares constituting 100% of the share capital of CCC Germany GmbH for the purchase price of EUR 1.00. With the closing of the transaction on 31 January 2019, the remaining transaction agreements concluded by the Issuer came into force, of which the Issuer informed in current report No. 52/2018 of 24 November 2018, i.e. operational contribution agreement, shareholders' agreement and option agreement. Additionally, in performance of the operational contribution agreement, on 31 January 2019, the Issuer and HR Group entered into a loan agreement on the basis of which HR Group will be granted a loan up to EUR 41,500,000.00 which will bear interest at 8% per annum.HR Group will use such resources to effect the integration of CCC Germany GmbH with HR Group consisting in the closing down of selected loss-making shops run by CCC Germany GmbH, the rebranding of selected shops operated by CCC Germany under the "CCC" brand to the "RENO" brand, which will continue to operate, and the integration of the remaining operations of CCC Germany GmbH headquarters with HR Group. The loan will be disbursed in tranches, in accordance with the conditions provided for by the parties in the operational contribution agreement and the loan agreement. As a result of the transaction, the Issuer acquired in aggregate 30.55% shares in the share capital of HR Group carrying in total 30.55% of the total number of votes at the Shareholders' Meeting.

The Management Board of CCC S.A. (hereinafter: the Issuer) hereby informs that on 18 February 2019 they were informed on receiving, by a subsidiary CCC.eu Sp. z o.o. based in Polkowice, annexes as of February 13, 2019, to revolving loan agreements and overdraft facility as of March 3, 2009 concluded with Bank Handlowy w Warszawie Spółka Akcyjna, based in Warsaw at ul. 16 Senatorska Street. The company informed about the conclusion of the abovementioned contracts in the current report CR No. 8/2009 on March 10, 2009. Annexes to revolving loan agreements and overdraft facility have changed the final repayment date of loans by 11 February 2021 (previous date: 13 February 2019). The total value of loans has not changed and amounts to PLN 202,000,000.00, however the value of individual loans has been changed. The annex to the revolving loan agreement changed the loan amount to PLN 101,000,000.00 (previous value: PLN 176,000,000.00), whereas the annex to the overdraft facility agreement changed the loan amount to PLN 101,000,000.00 (previous value PLN 26,000,000.00). The remaining provisions of the agreements have not changed significantly and do not differ from the market conditions for this type of agreements. The Issuer's Management Board decided to publish the aforementioned information due to the significant value of the agreements.

The Management Board of CCC S.A. ("Issuer", "Inviting") hereby informs that on February 15, 2019, subscriptions for the sale of shares in Gino Rossi S.A. with its registered office in Słupsk ("Company") was finalized as part of a call to subscribe for sale of 50.333.095 ordinary bearer shares, i.e. all shares issued by the Company, entitling to 100% of the total number of votes at the general meeting of the Company at 0.55 PLN (fifty-five groszy) for each share, announced on the basis of art. 74 par. 1 of the Act of July 29, 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies (Journal of Laws of 2018, item 512) and in accordance with the Regulation of the Minister of Development and Finance as of 14 September 2017 on the templates of calls to subscribe for the sale or exchange of shares of a public company, the detailed manner of their publication and the conditions for acquiring shares as a result of such calls (Journal of Laws of 2017, item 1748) ("Call"). On February 20, 2019, as part of the settlement of the Call, transactions were concluded for the purchase of ordinary bearer shares of the Company for a total of 33,283,510 shares, marked with the ISIN code: PLGNRSI00015 ("Shares"), which were settled today ("Call Settlement"). Therefore, we hereby inform that as a result of the Call Settlement, the Issuer acquired 33,283,510 Shares representing 66.13% of the Company's share capital and entitling to 33,283,510 votes at the General Meeting of the Company representing 66.13% of the total number of votes at the General Meeting of the Company. Directly before the Call Settlement, the Issuer had not held any shares of the Company. Following the Call Settlement and as at the date of this current report, the Issuer holds 33,283,510 Shares representing in total 66.13% of the Company's share capital and entitling to 33,283,510 votes at the General Meeting of the Company, representing 66.13% of the total number of votes at the General Meeting of the Company.

The Management Board of CCC S.A. hereby informs that on February 28, 2019, Mr. Dariusz Miłek filed his resignation from the position of the President of the Management Board and from the membership in the Management Board of the Company. This shall be effective as at the date of the Extraordinary Shareholders Meeting (to be held until June 30th, 2019) that will include an appointment of supervisory board members on its agenda. The rationale for the resignation is Mr. Dariusz Miłek's intention to lead the Company's affairs from the level of the Supervisory Board, and he will propose his candidacy as the Chairman of the Supervisory Board at the above mentioned extraordinary shareholders meeting. Mr. Dariusz Miłek expects that his planned transfer to the Supervisory Board and the release of some of his current duties will have a positive impact on his involvement in key affairs of the Company. Mr. Dariusz Miłek will have the opportunity to look after the Company's matters from macro perspective and increase his focus on areas that have the greatest potential for increasing the company's value, such as product development and further expansion. The proposed changes will also allow to place greater level of operational responsibility to the members of the company's management. Simultaneously, Mr. Dariusz Miłek proposed the candidacy of Mr. Marcin Czyczerski (currently the Vice President for Finance) as the new President of the Management Board. This candidature received a general approval during the discussion of the Supervisory Board and will be formally voted on March 8th, 2019.

7.8 INFORMATION ABOUT THE REMUNERATION OF A STATUTORY AUDITOR OR AN 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 2018 and 31 December 2017, by type of services:

AUDITOR'S REMUNERATION	2018	2017
CCC S.A.		
Mandatory audit of the annual financial statements	0,7	0,5
Other certifying services	—	—
tax advisory services	—	—
Other services	—	—

The financial statements were approved for publication by the Management Board of the Company on 14 March 2019 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, 14 March 2019		