STANDALONE FINANCIAL STATEMENTS OF CCC S.A. FOR 2019

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STANDALONE STATEMENT OF COMPREHENSIVE INCOME

NOTE		01.2019-12.2019	01.2018-12.2018
3.1	Sales revenue	2 270,0	2 135,6
3.1	Cost of goods sold	(1 576,3)	(1 473,7)
	GROSS PROFIT ON SALES	693,7	661,9
3.1	Cost of operating stores	(564,4)	(533,5)
3.1	Other cost of sale	(31,2)	(26,0)
3.1	Administrative expenses	(44,5)	(60,6)
3.1	Other operating income	24,9	18,8
3.1	Other operating cost	(23,3)	(80,9)
	Profit (loss) on operating activity	55,2	(20,3)
3.1	Finance income	35,4	17,3
3.1	Finance costs	(126,2)	(28,7)
	Profit (loss) before tax	(35,6)	(31,7)
3.2	Income tax	(15,4)	(8,6)
	NET PROFIT (LOSS)	(51,0)	(40,3)
	Other comprehensive income	—	—
	Attributable to be reclassified to profit – exchange rate differences upon conversion of reports of foreign entities	—	—
	Total other net comprehensive income	—	—
	TOTAL COMPREHENSIVE INCOME	(51,0)	(40,3)
	Weighted average number of ordinary shares (mln pcs)	41,1	41,1
	Basic earnings per share (in PLN)	(1,24)	(0,98)
	Diluted earnings per share (in PLN)	(1,24)	(0,98)

i DETAILED INFORMATION ON EARNINGS PER SHARE IS PRESENTED IN NOTE **4.1**

STANDALONE STATEMENT OF FINANCIAL POSITION

NOTE		31.12.2019	31.12.2018
5.1	Intangible assets	1,4	2,2
5.1.1	Goodwill	48,8	48,8
5.2	Tangible fixed assets – investments in stores	279,9	255,1
5.2	Tangible fixed assets – factory and distribution	238,3	221,7
5.2	Tangible fixed assets – other	57,6	60,9
5.3	Right of use assets	686,9	615,0
3.2	Deferred tax assets	9,6	8,4
5.5	Loans granted	78,0	44,6
6.2	Non-current investments	511,8	441,1
6.2	Other financial assets	13,3	—
	Non-current assets	1 925,6	1 697,8
5.4	Inventories	345,5	303,8
5.5	Trade receivables	4,9	8,1
5.5	Loans granted	172,6	90,0
5.5	Other receivables	32,4	68,4
5.6	Cash and cash equivalents	95,4	104,3
	Current assets	650,8	574,6
	TOTAL ASSETS	2 576,4	2 272,4
4.2	Debt liabilities	210,0	210,0
5.8	Provisions	2,8	2,2
5.2	Grants received	19,0	19,2
	Liabilities to employees	5,5	5,5
5.3	Lease liabilities	509,0	469,5
	Non-current liabilities	746,3	706,4
4.2	Debt liabilities	111,4	7,1
5.7	Trade liabilities	456,5	184,4
5.7	Other liabilities	89,0	73,9
2.4	Income tax liabilities	9,2	6,7
5.8	Provisions	1,2	77,3
5.2	Grants received	2,4	2,4
5.3	Lease liabilities	201,4	172,3
	Current liabilities	871,1	524,1
	TOTAL LIABILITIES	1 617,4	1 230,5
	NET ASSETS	959,0	1 041,9
	Equity		
4.1	Share capital	4,1	4,1
4.1	Share premium	645,1	645,1
	Retained earnings	309,8	392,7
	TOTAL EQUITY	959,0	1 041,9
	TOTAL LIABILITIES AND EQUITY	2 576,4	2 272,4

i DETAILED INFORMATION ON GOODWILL IS PRESENTED IN NOTE **5.1.1.**

STANDALONE STATEMENT OF CASH FLOWS

NOTE		01.2019—12.2019	01.2018—12.2018
	Profit (loss) before tax	(35,6)	(31,7)
4.4	Amortization and depreciation	264,2	232,8
	Profit (loss) on investment activity	(10,1)	(9,1)
4.2	Cost of borrowings	17,3	16,8
4.4	Other adjustments to profit before tax	114,5	84,2
3.2	Income tax paid	(9.9)	17,8
	Cash flows before changes in working capital	340,4	310,8
	Changes in working capital		
5.4	Change in inventory and inventory write-downs	(41,6)	(54,0)
4.4	Change in receivables	6,0	(1,1)
4.4	Change in current liabilities, excluding loans, credits and bonds	289,0	186,6
	Net cash flows from operating activities	593,8	442,3
	Proceeds from the sale of tangible fixed assets	27,3	49,2
3.2	Repayment of loans granted and interest	87,3	232,3
5.2, 5.1	Acquisition of intangible and tangible fixed assets	(129,5)	(209,5)
3.2	Loans granted	(312,5)	(260,5)
	Expenses on capital increase in subsidiaries	—	(48,0)
	Other outflows from investing activities	(5,1)	—
	Payment related to acquisition of Adler and Gino Rossi	(25,9)	(123,4)
	Payment related to investment in associates	(118,4)	—
	Other inflows from investing activities	9,4	—
	Net cash flows from investing activities	(467,4)	(359,9)
4.2	Proceeds from borrowings	111,0	—
4.2	Issue of bonds	—	209,4
4.1	Dividends and other payments to owner	(19,7)	(94,7)
4.2	Redemption of bonds	(6,8)	(203,2)
	Lease payments	(203,4)	(179,4)
4.2	Interest paid	(16,3)	(6,8)
4.3	Increaase in net equity	—	0,2
4.4	Other finance payments	(0,1)	(4,0)
	Net cash flows from financing activities	(135,3)	(278,5)
	TOTAL CASH FLOWS	(8,9)	(196,1)
	Net increase/decrease of cash and cash equivalents	(8,9)	(196,1)
	Exchange rate differences from valuation of cash and cash equivalents	—	—
	Cash and cash equivalents at the beginning of the period	104,3	300,4
	Cash and cash equivalents at the end of the period	95,4	104,3

The item other investment inflows includes the returned amount of unused cash under the tender offer for shares in Gino Rossi S.A.

The item other capital expenditures includes expenditures related to repurchase of promissory notes of Gino Rossi S.A.

i MORE INFORMATION IN SECTION 5.1.1.3 IN REPORT ON THE OPERATIONS OF THE COMPANY

STANDALONE STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	TOTAL EQUITY
As of 31.12.2018 (01.01.2019)	4,1	392,7	645,1	1 041,90
Net profit (loss) for the period	—	(51,0)	—	(51,0)
Other comprehensive income	—	—	—	—
Total comprehensive income	—	(51,0)	—	(51,0)
Dividend resolution	—	(19,7)	—	(19,7)
Valuation of employee option program	—	(12,2)	—	(12,2)
Total transactions with owners	—	(31,9)	—	(31,9)
As of 31.12.2019 (01.01.2020)	4,1	309,8	645,1	959,0
As of 01.01.2018	4,1	502,5	644,9	1 151,5
Net profit (loss) for the period	—	(40,3)	—	(40,3)
Total comprehensive income	—	(40,3)	—	(40,3)
Dividend payment	—	(94,7)	—	(94,7)
Valuation of employee option program	—	25,2	—	25,2
Issue of shares	—	—	0,2	0,2
Total transactions with owners	—	(69,5)	0,2	(69,3)
As of 31.12.2018 (01.01.2019)	4,1	392,7	645,1	1 041,90

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)
Composition of the Management Board	President of the Management Board: Marcin Czyczerski Vice-President of the Management Board: Mariusz Gnych Vice-President of the Management Board: Karol Półtorak

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

The standalone financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") approved by the European Union (EU). As at the date of approval of these financial statements to be published, taking into account the ongoing process of adopting IFRS in the EU, the IFRS applicable to these financial statements do not differ from the EU IFRS. The financial statements were prepared on the historical cost basis, except for financial assets which are measured at fair value.

These financial statements of CCC S.A. (hereinafter: the Company) cover the year ended 31 December 2019 and provide comparative data for the period ended 31 December 2018.

The Company CCC S.A. is the parent entity in the Capital Group CCC S.A. The annual consolidated financial statements of the Capital Group have been prepared in accordance with the IFRS requirements. These statements are available on the Company's website.

These standalone financial statements have been approved to be published by the Management Board on 6 March 2020. The Company prepared consolidated financial statements for the year ended 31 December 2019, which were approved to be published on 6 March 2020.

These standalone financial statements have been prepared assuming that the Company will continue its business operations in the foreseeable future i.e. at least one year after the balance sheet date.

As at 31 December 2019, the statement of financial position of the Company shows current assets in the amount of PLN 650.8 million, including, among others: inventories in the amount of PLN 345.5 million, cash and cash equivalents in the amount of PLN 95.4 million, trade and other receivables in the amount of PLN 37.3 million and current liabilities in the amount of PLN 871.1 million, which include, among others: debt liabilities in the amount of PLN 111.4 million, trade liabilities and other in the amount of PLN 545.5 million and lease liabilities (IFRS 16) in the amount of PLN 201.4 million, which results in a surplus of current liabilities relative to current assets in the amount of PLN 220.3 million. This situation largely results from the fact that inventories are presented at purchase price, while the value of inventories at sale prices would amount to approx. PLN 1 billion with current sales margins exceeding 50%.

Operations of the Company are mainly financed by long-term and short-term financial instruments, mostly loans, factoring (reverse) and bonds. Details concerning the structure of financing of the operations are presented in point 4.2 of the explanatory notes to these standalone financial statements.

According to these agreements, the Company is obliged to meet numerous requirements, including, but not limited to,

timely servicing of debt and meeting certain financial ratios based on the Company's consolidated data in semi-annual periods, which were met as at 31 December 2019

The Management Board of the Parent Company prepared a financial forecast for the Group for 2020 as part of its strategy (GO.22 – moving towards omnichannel) presented on 29 January 2020. These financial forecasts for 2020 have been prepared for each of the Company's business segments, i.e. offline, online and wholesale, with a breakdown by country in which the Company operates. The Management Board adopted numerous assumptions in the preparation of the projections, the most important of which concern:

1. sales increase through the opening of new stores, better sales marketing support and preparation of a much better offer than in previous years,
2. increase in gross sales margin through „cleaning up" of inventories and implementation of tools and processes to improve inventory management, allocation, logistics, purchasing and pricing strategy in the first half of 2019,
3. Implementation of several initiatives defined within the GO.22 strategy concerning improvement of the Group's operations and costs,
4. Decrease in investment expenditure in relation to previous years,
5. Release of cash by optimizing inventory management processes,
6. Continuation of cooperation with the existing institutions financing the Group's operations by extending the financing of instruments due in 2020 at a level similar to the current one.

The aforementioned forecasts involve various risks. The most important include:

- issues related to the slower than assumed effect of the restructuring activities undertaken and the implementation of initiatives to optimize the Group's operations, as set out in the GO.22 strategy,
- the ongoing fashion trends,
- weather conditions,
- currency exchange rates,
- the reaction of financial institutions to possible shifts in the implementation of results in individual quarters of the year affecting the reported levels of margins and indicators
- and non-business factors, such as the further spread of coronavirus, which is mentioned below.

CORONAVIRUS

In terms of business and logistics, the Company does not suffer any consequences of coronavirus. The spring-summer 2020 collection dispatches were made before Chinese New Year's Day, and only a small percentage is currently in transit from non-Chinese destinations and is fully secured in case of delivery difficulties. A small share of uncollected goods are summer goods, which will be available for sale later, and which the Company can transport by rail more quickly if necessary. Therefore, stock-up of stores for the next spring-summer season is guaranteed.

However, there is uncertainty regarding consumer behaviour in terms of demand for consumer goods, including footwear. The Company is very cautious about consumer risk, as the Company's operations have not been affected by any similar epidemiological situation. This effect will be fully noticeable during and after the season.

Currently, the Parent Company and the CCC Group do not need to send employees from the headquarters to China, therefore there is no negative impact on the interruption of flights in this direction. The Group communicates with business partners via video conferences. CCC is constantly monitoring the situation and stays in contact with suppliers to monitor the production schedule for the next Autumn-Winter 2020 season.

As for the long-term the perspectives for the supply direction, CCC does not consider it necessary to relocate manufacturing to another country. Chinese producers have their strong specialization which are actually utilized.

Nevertheless, having in the strategy to shorten delivery times and to reduce of stock levels, CCC has established and will continue to establish cooperation with producers from new countries and regions. Examples are producers located in Turkey, from where deliveries to CCC are already scheduled for the autumn season 2020.

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 applying the accounting policies adopted by the Group. Significant estimates of the Management Board are presented in individual notes.

Data in the standalone financial statements is presented in millions of zlotys, unless in specific situations with a greater accuracy. The functional and reporting currency is Polish zloty (PLN).

The most important accounting principles applied to the preparation of these financial statements are presented under the following individual notes. Accounting principles applied by the Company do not have changed from those used in the report the financial year from 1 January to 31 December 2018 except for new or amended standards and interpretations in force for annual periods beginning on 1 January 2019 or later. A list of policies is presented below accounting and major estimates and judgements for individual items of the profit and loss account and the financial situation:

ACCOUNTING PRINCIPLES APPLIED

The most important accounting principles applied to the preparation of these financial statements are presented in the subsequent individual notes. These principles were applied in all presented years.

With the beginning of 2019, the Company changed its inventory management system in order to: improve processes related to logistics, pricing policy, collection management and increase the efficiency of inventory management in the Company compared to the previous system. The new inventory management system enables valuation of inventories only at weighted average cost (AVCO) and therefore the Company had to replace the previous method, i.e. first in, first out (FIFO). In the opinion of the Management Board of the Company, the AVCO method is widely used in the trading industry due to better presentation of cost of inventories, which provides better information for users of financial statements. The new system does not allow for converting the stock valuation according to the AVCO method for the previous reporting period, the Company is not able to present the impact of the system change as at 1 January 2018, 31 December 2018 or 31 December 2019 and for the years 2018 and 2019.

The Company has also changed the presentation of data in the consolidated statement of comprehensive income. The restatements presented below were made because in the Company's opinion, they better reflect the essence of the reclassified items.

Since January 2019, other operating costs and other operating income have been presented in a separate line instead of the net value.

Presentation adjustments are as follows:

	CONTINUING OPERATIONS	DATA APPROVED	PRESENTATION ADJUSTMENTS	CONVERTED DATA
2.3	Other operating income and costs	(62,1)	62,1	—
2.3	Other operating income	—	18,8	18,8
2.3	Other operating cost	—	(80,9)	(80,9)

Other accounting principles applied by the Company CCC S.A. have not changed in relation to those used in the financial statements for the financial year from 1 January to 31 December 2018, except for the application of new or changed standards and interpretations applicable to annual periods beginning on 1 January 2019 or later. The following list presents accounting policies and major estimates and judgments for specific items in the financial result and financial position:

NOTE	TITLE	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
2.1	Sales revenue	Y		14
2.2	Cost of goods sold	Y		16
2.2	Cost of operating stores	Y		16
2.2	Other cost of sale	Y		16
2.2	Administrative expenses	Y		16
2.3	Other operating and financial income and costs	Y		19
2.4	Income tax	Y	Y	21
2.4	Deferred tax assets	Y	Y	21
2.4	Income tax liabilities	Y		21
4.1.1	Equity	Y	Y	34
4.2	Debt liabilities	Y		36
5.1	Intangible assets	Y	Y	42
5.2	Tangible fixed assets	Y	Y	45
5.2	Grants received	Y		45
5.3	Leasing			48
5.4	Inventories	Y	Y	51
3.2	Loans granted	Y		30
5.5	Trade receivables	Y		53
5.5	Other receivables	Y		53
5.6	Cash and cash equivalents	Y		55
5.7	Trade liabilities	Y		55
5.7	Other liabilities	Y		55
5.8	Provisions	Y	Y	57
6.1	Financial instruments	Y		59
6.2	Costs of the incentive program	Y	Y	69

APPLIED NEW AND AMENDED ACCOUNTING STANDARDS

IFRIC 23 INTERPRETATION: UNCERTAINTY OVER INCOME TAX TREATMENTS

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

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

An entity must determine whether it considers each uncertain tax treatment separately or in combination with one or more other uncertain tax treatments. An approach should be followed which better provides for resolution of uncertainty. The interpretation has no material impact on the Company's standalone financial statements

AMENDMENTS TO IFRS 9: PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION

AMENDMENTS TO IAS 19: PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT

AMENDMENTS TO IAS 28: LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES

CHANGES RESULTING FROM THE REVIEW OF IFRS 2015-2017

- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income tax
- IAS 23 Borrowing costs

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

THE STANDARDS AND INTERPRETATIONS WHICH HAVE BEEN PUBLISHED BUT HAVE NOT YET ENTERED INTO FORCE AND HAVE NOT BEEN PREVIOUSLY APPLIED BY THE GROUP

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

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

- Amendments to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate/ joint venture (published on 11 September 2014) – work leading to the approval of these amendments has been deferred indefinitely by the EU – the entry into force has been deferred indefinitely by IASB;

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

- Amendments to the Conceptual Framework References in the International Financial Reporting Standards (published on 29 March 2018) – applicable to annual periods beginning on or after 1 January 2020;

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

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

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest rate benchmark reform (published on 26 September 2019) – until the date of approval of these financial statements not approved by the EU – applicable to annual periods beginning on or after 1 January 2020 .

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

1.1 SEGMENTS

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

2.
NOTES TO STATEMENT OF COMPREHENSIVE INCOME

2.1
SALES REVENUE

ACCOUNTING POLICY

Sales revenue

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

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

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.

Taking into account the cooperation agreements concluded between the Company and its subsidiary CCC.eu sp. z o.o. („CCC.eu") and the actual business model described below the Management Board of the Company carried out a comprehensive analysis to determine whether the entity acts as an agent or a principal. In accordance with the business model, CCC.eu delivers goods to CCC S.A., which then realizes sales in the chain of stores in Poland.

What may indicate that the Company could be treated as an agent 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 product ranges and quantities of goods delivered to the Company;
- The company accepts returns from retail customers and deals with post-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 agent 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 takes place under the terms of CPT delivery (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 inventories remaining in the Company are 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 discount policy and has full freedom in setting prices;
- The Company bears credit risk in relation to amounts due from the client;
- The Company bears full reputational risk related to the quality of goods sold, and potential customers' reservations may affect 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 agent within the meaning of IFRS 15.

ACCOUNTING POLICY

Revenue from sales of goods and products – retail sales

The Company sells footwear, handbags, shoe care accessories and small clothing accessories through its own chain of stores located in Poland and abroad. Revenue from sales is recognized when the goods are delivered to the customer in the store. Retail sales are usually made for cash or using payment cards. The Company accepts the customer's return policy within 7 days from the date of purchase.

Revenue from sale of goods – e-commerce sales

The Company sells footwear, handbags, shoe care accessories and small clothing accessories through an online store operating in the local and foreign markets. Revenue from sales is recognized at the time of delivery to the courier and adjusted accordingly as at the balance sheet date taking into account the date of receipt of the delivery by the customer. The Company applies the customer's return policy within 30 days from the date of receipt of the order.

Revenues from contracts with customers, broken down by categories, are as follows:

SALES REVENUE	01-12.2019	01-12.2018	CHANGE %
Shoes	1 892,6	1 830,0	3,4%
Bags	123,5	111,6	10,7%
Other	96,0	87,5	9,7%
Retail activities	2 112,1	2 029,1	4,1%
e – commerce	38,0	—	—
Other activities	119,0	106,5	12,6%
Total	2 270,0	2 135,6	6,3%

The Company runs retail sales to individual customers, however, sales to any single customer did not exceed 10% of total revenues.

2.2 COSTS BY NATURE

ACCOUNTING POLICY

Koszt własny sprzedaży

As the cost of goods sold the Company recognizes:

- value of goods sold,
- value of the packaging released for sale,
- the value of finished goods sold,
- impairments for inventories,
- write-offs for impairment of tangible and intangible assets used in the production of goods or providing services (depreciation of production machines), remuneration costs for production employees, other costs related to production.

i FOR MORE INFORMATION, SEE SECTION **5.1.1.1** (COST OF OPERATING STORES) IN REPORT ON THE OPERATIONS OF THE COMPANY.

Cost of operating stores

Costs of operating stores include the costs of maintaining stores and other retail outlets. This item includes mainly:

- costs of remuneration of store employees,
- depreciation of tangible fixed assets (investments in stores),
- costs of outsourced services (consumption of utilities),
- variable lease payments (sales-based rents),
- depreciation of assets under the right of use.

Other costs of sales

Other costs of sales include costs of sales not directly related to the maintenance of stores, concerning organizational units supporting sales. This item includes mainly:

- costs of remuneration of employees of organizational units supporting sales,
- depreciation of tangible fixed assets
- costs of outsourced services,
- other flat costs,
- low value and short-term leases.

Administrative expenses

Administrative expenses include costs related to the management of the Company's general business activities (general and administrative expenses) and the Company's overheads.

NOTE	01.2019-12.2019	COST OF GOODS SOLD	COST OF OPERATING STORES	OTHER COST OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase and manufacturing of goods sold	(1 570,8)	—	—	—	(1 570,8)
	Consumption of materials and energy	—	(13,3)	(4,1)	(1,6)	(19,0)
5.4	Write-down on inventories	(5,5)	—	—	—	(5,5)
	Remuneration and employee benefits	—	(190,6)	(21,7)	(13,4)	(225,7)
	including the reversal of the valuation of the employee incentive program	—	—	—	7,1	7,1
	pracowniczego					
6.4	Costs of the incentive program	—	—	—	—	—
	Agency services [1]	—	—	—	—	—
	Transportation services [4]	—	—	(2,5)	(0,1)	(2,6)
	Rental costs – utilities and other variable costs [2]	—	(93,0)	(0,1)	(3,9)	(97,0)
	Other outsourcing services [3]	—	(27,2)	(0,7)	(11,5)	(39,4)
5.1 5.2	Amortization and depreciation	—	(240,1)	(1,1)	(7,4)	(248,6)
	Taxes and fees	—	—	(0,1)	(4,0)	(4,1)
	Other flat costs	—	(0,2)	(0,9)	(2,6)	(3,7)
	Total	(1 576,3)	(564,4)	(31,2)	(44,5)	(2 216,4)

NOTE	01.2018–12.2018	KOSZT WŁASNY SPRZEDAŻY	KOSZTY FUNKCJONOWANIA SKLEPÓW	POZOSTAŁE KOSZTY SPRZEDAŻY	KOSZTY OGÓLNEGO ZARZĄDU	TOTAL
	Cost of purchase and manufacturing of goods sold	(1 472,1)	—	—	—	(1 472,1)
	Consumption of materials and energy	—	(19,7)	(2,7)	(1,9)	(24,3)
5.4	Write-down on inventories	(1,6)	—	—	—	(1,6)
	Remuneration and employee benefits	—	(176,8)	(19,2)	(21,2)	(217,2)
6.4	Costs of the incentive program	—	—	—	(11,1)	(11,1)
	Agency services[1]	—	(21,5)	—	—	(21,5)
	Transportation services	—	(0,1)	—	(0,1)	(0,2)
	Rental costs – utilities and other variable costs[2]	—	(83,0)	—	(3,6)	(86,6)
	Other outsourcing services	—	(15,5)	(3,3)	(11,5)	(30,3)
5.1 5.2	Amortization and depreciation	—	(216,4)	(0,1)	(5,4)	(221,9)
	Taxes and fees	—	(0,1)	—	(2,8)	(2,9)
	Other flat costs	—	(0,4)	(0,7)	(3,0)	(4,1)
	Total	(1 473,7)	(533,5)	(26,0)	(60,6)	(2 093,8)

[1] Agent services costs were incurred until the acquisition of Adler (01.07.2018).

[2] utilities and other variable costs; the increase was caused by an increase in volume.

[3] The increase in costs results from the IT services provided by CCC.eu within the CCC Group.

[4] An increase in transport services results from the implementation of e-commerce sales in 2019 (cost of delivery).

The following note presents the components of employee benefits:

EMPLOYEE BENEFITS	31.12.2019 (PLN)	31.12.2018 (PLN)
Remunerations	(167,8)	(163,1)
Social security costs	(33,3)	(30,7)
Retirement benefit costs	—	—
Other post-employment benefits	—	—
Other employee benefit costs[1]	(24,5)	(23,4)
Costs of payments to employee capital plans (PPK)	(0,1)	—
Total:	(225,7)	(217,2)

[1]Other costs of employee benefits include, among others: costs of courses, health and safety benefits, benefits from the Social Security Fund and reversal of the valuation of the employee incentive program.

TOTAL COSTS OF EMPLOYEE BENEFITS, INCLUDING	31.12.2019 (PLN)	31.12.2018 (PLN)
Items included in cost of goods sold	—	—
Items included in costs of operating stores	(190,6)	(176,8)
Items included in the other costs of sales	(21,7)	(19,2)
Items included in administrative expenses	(13,4)	(21,2)
Total:	(225,7)	(217,2)

Remuneration of the key management personnel:

In 2019, remuneration in general administrative expenses decreased due to the reversal of valuation of the employee incentive program.

IN PLN THOUSAND	FIXED REMUNERATION	PROGRAM OF PAYMENTS BASED ON SHARES – FAIR VALUE AT THE MOMENT OF GRANTING	OTHER (BONUSES)	TOTAL
31.12.2019				
Members of Management Board	2 961,5	—	1 030,0	3 991,5
Supervisory Board	444,8	—	—	444,8
Total	3 406,3	—	1 030,0	4 436,3
31.12.2018				
Members of Management Board	3 460,0	560,0	1 150,0	5 170,0
Supervisory Board	447,0	—	—	447,0
Total	3 907,0	560,0	1 150,0	5 617,0

For more information on remuneration of the key management personnel, see note 7.5.3 in report on the operations of the Company

2.3 OTHER OPERATING INCOME AND COSTS,FINANCE INCOME AND COSTS

ACCOUNTING POLICY

Other operating income and costs

Other operating income and costs include income and expenses from activities which are not the main operating activity of the entity, e.g. profits or losses from the disposal of tangible fixed assets, write-downs of receivables, penalties and fines, donations, grants, etc.

If a grant relates to a given cost item, then it is recognized as income in a manner commensurate with the costs that the grant is intended to compensate. If a subsidy concerns an asset component, then its fair value is recognized on the account of revenues of future periods and then gradually, by equal annual write-offs, recognized in profit or loss for the estimated period of use of the related asset component.

Finance income and costs

Finance income and costs resulting from the Company financial activities include, i.e.: interest, commissions, gains and losses on exchange rate differences , except for exchange rate differences concerning items other than debt, which are represented respectively under other operating income or costs.

NOTE		01.2019–12.2019	01.2018–12.2018
	Other costs		
	Loss on disposal of tangible fixed assets	—	(2,2)
5.8	Provision establishment[1]	(22,6)	(76,4)
	Other operating cost	(0,7)	(1,9)
	Loss on exchange rate differences on items other than debt	—	(0,4)
	Other costs	(23,3)	(80,9)
	Other income		
	Profit on disposal of tangible non-current assets	10,0	8,7
	Profit from exchange rate differences on items other than debt	0,9	—
	Compensations	1,2	0,6
	Subsidy of SFRDP remuneration	3,2	3,1
	Grants received	2,4	2,4
	Other operating income	7,2	4,0
	Other income	24,9	18,8
	Total other operating costs and income	1,6	(62,1)

[1] The negative fair value of CCC Germany, which adjusted the cost of the investment in the HR Group associated company.

NOTE		01.2019–12.2019	01.2018–12.2018
	Finance costs		
4.2	Interest on borrowings (recognised in costs)	(17,7)	(15,0)
	Result on exchange rates	—	(8,4)
	Commissions paid	—	(1,9)
	Other finance cost	(2,0)	(1,3)
3.1	Valuation of HRG option	(103,6)	—
	Guarantees received	(2,9)	(2,1)
	Finance costs	(126,2)	(28,7)
	Finance income		
	Received dividends	—	—
	Interest from current account and other	5,6	4,6
	Interest on loan granted to HR Group	6,2	—
	Result on exchange rates	6,8	—
	Other finance income	0,1	0,7
	Guarantees provided	16,7	12,0
	Finance income	35,4	17,3

i FOR MORE INFORMATION, SEE SECTION **5.1.1.1** (FINANCE INCOME AND COSTS) IN REPORT ON THE OPERATIONS OF THE COMPANY

2.4 TAXATION

Regulations on the value added tax, corporate income tax and social security charges are subject to frequent changes. These frequent changes result in the lack of appropriate benchmarks, inconsistent interpretations and few established precedents that could apply. The current legislation also contains ambiguities which result in differences in opinion on the legal interpretation of tax rules, both between state authorities and between state authorities and businesses as well.

Tax settlements and other areas of activity (e.g. customs or foreign exchange issues) may be subject to control by authorities that have the power to impose heavy fines and penalties, and any additional tax liabilities arising from the control must be paid along with high interest. Such conditions make the tax risk in Poland higher than in countries with a more mature tax system.

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

As of 15 July 2016, the Tax Code was amended to take into account the provisions of the General Anti-Abuse Rule (GAAR). GAAR's aim is to prevent the establishment and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an activity carried out primarily for the purpose of obtaining a tax advantage, contrary to the object and purpose of the provisions of the Tax Act in the circumstances. 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 company.

When there is uncertainty whether and to what extent the tax authority shall accept individual tax settlements of the transaction, the Company recognizes these settlements taking into account the uncertainty assessment. The above risk estimates are subject to assessment by the Management Board.

ACCOUNTING POLICY

The obligatory burdens of result include current tax (CIT) and deferred tax. Current tax is calculated on the basis of the tax result in a given reporting period in countries where the Company and its subsidiaries operate and generate taxable income based on the rates in force in the country. Changes in estimates relating to previous years are recognized as an adjustment to the burden for the current year. Deferred tax assets and liabilities are recognised as a result of differences between the carrying amount of assets and liabilities and the corresponding tax values, and on unsettled tax losses. Such differences arise in the Company when depreciation is applied differently for accounting and tax purposes, when assets (which for tax purposes will be realised in the form of tax depreciation write-offs in future periods) or provisions created for accounting purposes (which for tax purposes will be recognised when the relevant costs are incurred) are booked. The recognition excludes differences (other than acquisition transactions) related to the initial recognition of an asset or liability that affects neither the result nor the taxable profit (loss) at the time of recognition of the asset. Temporary differences also arise on intra-group acquisitions and internal reorganisations. In the case of third-party acquisitions, temporary differences arise from the fair value measurement of assets and liabilities without affecting the tax bases of those assets and liabilities – the deferred tax liability or assets arising from those differences adjust goodwill (gain on an occasional acquisition). In the case of intragroup reorganisations, deferred tax assets or liabilities arise from the recognition or change in the value of assets or liabilities for tax purposes (e.g. a trademark) without their corresponding recognition in the balance sheet due to the elimination of the result on intragroup transactions – the effects of the recognition of related deferred tax assets and liabilities are recognised in profit or loss unless the related transactions have affected other comprehensive income or capital. Positive temporary differences on goodwill are excluded from recognition, however, if the tax value of goodwill arising from a transaction is higher than its book value, deferred tax assets are recognised at the time of initial recognition of goodwill if it is probable that taxable profit will be achieved enabling the realisation of this negative temporary difference. Deferred tax assets and liabilities are calculated using the applicable (or virtually applicable) tax rates. Deferred tax assets and liabilities are offset within individual companies of the Company, which are entitled to settle current tax in the net amount. Deferred tax assets are recognised up to the amount in which it is probable that taxable profit will be available against which the deductible temporary differences and tax losses can be utilised, or when positive temporary differences are expected to be realised concurrently. Any amount exceeding this value is only subject to disclosure.

The Company carefully evaluates the nature and extent of the evidence supporting the conclusion that it is probable that future taxable profit will be sufficient to allow for the deduction of unused tax losses, unused tax credits or other negative temporary differences.

When assessing whether it is probable that future taxable profit will be achieved (probability above 50%), the Company takes into account all available evidence, including supporting evidence that it is probable or not.

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

	01.2019-12.2019	01.2018-12.2018
Current tax	(16,6)	(15,2)
Deferred tax	1,2	6,6
Income tax recognized in income statement	(15,4)	(8,6)
Current tax recognized in the result	16,6	15,2
Balance of liabilities/receivables under CIT TAX at the beginning of the period	6,7	(26,3)
Balance of liabilities/receivables under the CIT TAX at the end of the period	(9,2)	(6,7)
Other changes	(4,2)	—
Tax paid as disclosed in the statement of cash flows	9,9	(17,8)

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

	01.2019-12.2019	01.2018-12.2018
Poland	19%	19%
Income tax rate	19%	19%

TAX CALCULATED AT THE TAX RATE	01.2019-12.2019	01.2018-12.2018
Profit (loss) before tax	(35,6)	(31,7)
Weighted average tax rate	19,00%	19,00%
Tax calculated according to weighted average tax rate	6,8	6,0
Tax effects of the following items:		
• non-taxable income	2,8	0,4
• non-tax-deductible costs	(3,8)	(17,0)
• other adjustments	(21,2)	2,0
Charging financial result on income tax	(15,4)	(8,6)

Other adjustments include primarily the valuation of options to acquire shares in an associate.

The main item of non-taxable income is subsidy settlement revenue.

The non-deductible costs of the previous year include mainly the fair value of CCC Germany of PLN 76.4 million and the valuation of the employee program of PLN 5.2 million.

C.
BALANCE AND CHANGES OF DEFERRED TAX

The change in deferred tax assets and liabilities during the year is presented as follows:

NOTE	31.12.2019	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2018	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2018
Assets					
Impairment of assets	0,9	—	0,9	0,4	0,5
Provisions for liabilities	5,3	0,4	4,9	2,3	2,6
Valuation of lease contracts	4,5	2,6	1,9	1,9	—
Other	0,7	(0,7)	1,4	0,1	1,3
Total before offsetting	11,4	2,3	9,1	4,7	4,4
Liabilities					
Accelerated tax depreciation of tangible fixed assets	0,5	(0,1)	0,6	(1,8)	2,4
Other	1,3	1,2	0,1	(0,1)	0,2
Total before offsetting	1,8	1,1	0,7	(1,9)	2,6
Offsetting	(1,8)	(1,1)	(0,7)	1,9	(2,6)
Balance of deferred tax in the balance sheet:					
Assets	9,6	1,2	8,4	6,6	1,8
Liabilities	—	—	—	—	—
Charging financial result	—	3,4		2,8	

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

3.1 LONG-TERM INVESTMENTS

ACCOUNTING POLICY

Entities which the Company controls are considered subsidiaries in the Company's financial statements. The Company measures investments in subsidiaries at cost less impairment losses

Transaction costs related to the acquisition of an investment increase the carrying amount of the investment.

An impairment test is carried out when there are indications of impairment, by calculating the recoverable amount as the higher of the two amounts: fair value less sales costs or use value. The write-down is the excess of the carrying amount over the recoverable amount.

Associated entities are companies over which the Company has significant influence but does not exercise control. Investments in associated entities are recognized at historical cost after deducting impairment losses.

The Company holds shares in the following entities:

SUBSIDIARIES OF CCC S.A.	HEADQUARTERS/COUNTRY	TYPE OF BUSINESS ACTIVITY	CARRYING AMOUNT			
			SHARE	INCENTIVE PROGRAM	SHARE	INCENTIVE PROGRAM
			31.12.2019		31.12.2018	
CCC Austria Ges.m.b.H	Graz, Austria	commercial	0,4	1,5	0,4	2,3
CCC Czech s.r.o.	Prague, Czech Republic	commercial	38,0	2,1	38,0	2,7
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing	15,0	8,7	15,0	11,9
CCC Germany GmbH[1]	Frankfurt, Germany	commercial	—	—	—	2,9
CCC Hrvatska d.o.o.	Zagreb, Croatia	commercial	2,9	0,4	2,9	0,3
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial	0,1	1,2	0,1	1,5
CCC Isle of Man Ltd.	Douglas, Isle of Man	commercial	—	—	—	—
CCC Obutev d.o.o.	Maribor, Slovenia	commercial	2,1	0,2	2,1	0,3
CCC Russia sp. z o.o.	Moscow, Russia	commercial	—	0,1	—	0,4
CCC Shoes & Bags d.o.o. Beograd	Belgrad, Serbia	commercial	6,3	—	6,4	—
CCC Shoes & Bags sp. z o.o.	Polkowice, Poland	investment	280,7	—	280,7	—
CCC Shoes Ayakkabycylyk Ticaret Limited Sirketi	Istanbul, Turkye	commercial	0,1	—	0,1	—
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial	0,2	0,3	0,2	0,7
CCC Slovakia, s.r.o.	Bratislava, Slovakia	commercial	—	0,4	—	0,7
CCC.EU sp. z o.o.	Polkowice, Poland	commercial	—	15,4	—	23,0
eobuwie.pl S.A.	Zielona Góra, Poland	commercial	—	0,4	—	2,3
NG2 Suisse s.a.r.l.	Zug, Switzerland	commercial	45,5	0,8	45,5	0,7
Gino Rossi S.A.	Słupsk, Poland	commercial	88,0	—	—	—
Total			479,3	32,5	391,4	49,7

[1] In connection with the disposal of CCC Germany GmbH, an impairment loss of PLN 0.4 million was recognised in the Company's financial statements for the year ended 31 December 2018 and a provision of PLN 76.4 million was recognised in connection with the negative valuation of CCC Germany GmbH. Total impact of the disposal transaction of CCC Germany GmbH on the financial result of the Company amounted to – 76.8 million PLN.

i MORE INFORMATION IN SECTION **4.1.1** REPORT ON THE OPERATIONS OF THE COMPANY

As described in detail in note 6.2 Share-based payments, the Company has a three-year Incentive Program for 2017-2019 (the „Program"). Persons eligible to acquire are members of the Company's Management Board, members of the Management Board of the Company's subsidiaries, members of the Management Board of the Company's subsidiaries, members of the Management Board of the Company's subsidiaries. No warrants may be offered to persons directly or indirectly holding 10% or more of the Company's shares. The valuation of the program attributable to the employees of CCC S.A. is recognized in administrative expenses, while the valuation of the program attributable to the employees of the subsidiaries is recognized as an increase in the value of shares in these companies.

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

According to the information released in the Current Report No. 5/2019 of 31.01.2019, on 30-31.01.2019, considering that conditions precedent set out in the share purchase agreements have been satisfied transaction of acquisition a minority stake in HR Group Holding S.a r.l. with its registered office in Luxembourg ("HR Group" or "HRG") and disposal of 100% of shares in CCC Germany GmbH, the subsidiary of CCC S.A.

Along with the closing of the transaction on 31 January 2019, the other transaction agreements concluded by the Company, about which the Company informed in the current report no. 52/2018 of 24 November 2018, i.e. the Operational Contribution Agreement, the shareholders' agreement and the option agreement, came into force.

In performance of the operational contribution agreement, on 31 January 2019, the Company and HR Group entered into a loan agreement on the basis of which HR Group will be granted a loan up to EUR 41.5 million (discounted amount up to EUR 40.94 million) 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.

On the date of the transaction, CCC S.A. received a CALL option to acquire the rest (69.45%) of HR Group Holding S.a.r.l. shares for EUR 53.6 million in an option with a maturity of 6 months (hereinafter – „CALL 6M option") and for EUR 74.6 million in an option with a maturity of 24 months (hereinafter – „CALL 24M option"). The Management Board decided not to exercise the call option with a maturity of 6 months.

In addition, CCC S.A. issued a PUT option to the owners of HRG to sell (to CCC S.A.) 0.32% of the preference shares of HR Group Holding S.a.r.l. for an exercise amount of EUR 4.5 million.

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 price for the acquisition of 30.55% of HRG shares by CCC was set at EUR 0 million, which is PLN 0 million as of the acquisition date.

PAYMENT METHODS AND NSTRUMENTS ACQUIRED

The fair value of the payment transferred amounted to EUR 45,5 million (PLN 195,0 million), which is equal to the total amounts:

	(IN EUR MLN)	(IN PLN MLN)
acquisition of ordinary shares in HRG from Flo and Caption	4,7	21,0
acquisition of preference shares of HRG from Flo and Caption	21,2	90,1
granting of an operational contribution for the restructuring of CCC Germany[1]	40,9	175,2
transaction costs	1,7	7,1
Utilisation of provision for negative fair value of CCC Germany [2].	(23,0)	(98,4)
Total	45,5	195,0

[1] As of 31 December 2019, the CCC Group made payments to HRG in the amount of EUR 25.8 million (PLN 112.7 million) and the Group has a liability to make a contribution of PLN 62.5 million

[2] The fair value measurement of 100% of the net assets of CCC Germany was updated as at 31 January 2019 and compared to 31 December 2018 changed by EUR 5.2 million (PLN 22,0 million). The costs associated with the revaluation were presented under discontinued operations as other operating costs.

The fair value of the acquired instruments amounted to EUR 45.5 million (PLN 195.0 million), equal to the total amounts:

	(W MLN EUR)	(W MLN PLN)
Conversion of preference shares into debt to HRG[1]	18,3	78,3
Total call/put option[2]	27,2	116,7
Share of 30.55% in HR Group Holding S.a.r.l.	—	—
Total	45,5	195,0

[1] Discounted amount of CCC's liabilities to HRG with a nominal value of EUR 21.2 million. CCC S.A. paid EUR 21.29 million for the preference shares in HRG (at the time of the transaction, these shares were converted into an unconditional receivable of CCC towards HRG with a maturity of 30 September 2024). The claim in the amount of PLN 78.0 million was presented in the balance sheet item „Loans granted", after taking into account the reversal of the discount.

[2] The total value of the call/put option as at 31 December 2019 amounted to EUR 3,1 million (PLN 13,3 million) and is presented in the balance sheet item „Other financial assets". Performance of the option valuation is presented in financial expenses.

i INFORMATION ON THE EVALUATION OF OPTIONS PRESENTED ON NOTE **6.1.**

ACQUISITION OF GINO ROSSI S.A.

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

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

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

The second component of the acquisition price (the payment made) of Gino Rossi S.A. were promissory note receivables acquired by CCC (promissory notes) issued by the acquired Company to the owners. Furthermore, on 27 February 2019 CCC paid PLN 5,339 thousand (including PLN 59 thousand of interest accrued) to the former owners of Gino Rossi S.A. as repayment of their promissory note receivables arising from promissory notes issued by Gino Rossi. CCC committed to redeem the promissory notes under the condition precedent of completion and settlement of the tender offer in the agreement concluded on 7 December 2018 with the previous owners, in which they committed to submit subscriptions for the sale of shares held in Gino Rossi S.A. (representing in total 30.15% of shares in the share capital) as part of the call, and CCC agreed to repay their receivables under the promissory note.

ACQUISITION OF DEBT OF GINO ROSSI S.A.

On 18 December 2018 CCC acquired from PKO BP S.A. the bank's liabilities under loans granted to Gino Rossi in the total amount of PLN 68.5 million for the price of PLN 37.7 million. PLN. Additionally, CCC purchased the bank's receivables under the guarantees granted (the actual payments made by CCC under the guarantees amounted to PLN 1.8 million).

INCREASE IN CAPITAL OF GINO ROSSI S.A.

On 24 May 2019, CCC concluded an agreement with Gino Rossi S.A. to acquire shares in the increased share capital of Gino Rossi. Under the agreement, CCC accepted the offer to take up newly created shares in the share capital of Gino Rossi, i.e. Series K ordinary registered shares with a par value of PLN 0.50 each and a total par value of PLN 60.3 million, at an issue price of PLN 0.50 per share and a total issue price of PLN 60.3 million. The converted loans were granted by CCC S.A. after the acquisition of Gino Rossi shares. The capital increase is a result of the conversion of the debt of Gino Rossi S.A. to CCC S.A.

As a result of this transaction the Group held a total of 153,783,510 shares constituting 90.02% of the share capital of Gino Rossi S.A. and entitling to a total of 153,783,510 votes at the General Meeting of Gino Rossi S.A., i.e. 90.02% of the total number of votes in Gino Rossi.

3.2 LOANS GRANTED

ACCOUNTING POLICY

Loans granted are initially recognized at fair value, and successively at amortized cost through profit or loss.

Impairment of financial assets

As at each balance sheet date, the Company evaluates potential impairment of financial assets. For the purposes of this evaluation, the Management Board analyses the risk of loan repayment taking into account the Company's current financial standing.

The Company measures the write-down for expected credit losses in the amount equal to 12 months of expected credit losses if there is evidence of such losses. 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 on the financial instrument in the amount equal to the expected credit loss throughout its expected lifetime.

	31.12.2019	31.12.2018
As of 1 January	134,6	200,2
Granting of loans	312,5	260,5
Purchase of receivables [2]	—	37,7
Accrued interest	9,2	3,6
Payments	(87,3)	(232,3)
Settlement of claims	(7,0)	—
Result on exchange rates	1,2	—
Other changes [1]	(112,6)	(135,1)
As of 31 December	250,6	134,6
– short-term	172,6	90,0
– long-term	78,0	44,6

[1] In current period, the amount of 112.6 includes the conversion of Gino Rosi's debt into equity in the amount of PLN 49.8 million and the conversion of preference shares into debt to HRG in the amount of PLN 62.1 million; in comparative period, the amount of PLN 135.1 million includes assignments in the amount of PLN 141.0 million and balance sheet valuation in the amount of PLN 5.9 million.

[2] The amount includes the acquired debt of Gino Rossi S.A.

	31.12.2019	31.12.2018
SUBSIDIARIES OF CCC S.A.		
NG2 Suisse S.a.r.l.	7,9	7,6
CCC OBUTEV d.o.o.	0,9	—
CCC Hrvatska d.o.o.	1,0	—
CCC.EU Sp. z o.o.	34,3	9,4
CCC Shoes Bulgaria EOOD	9,2	4,7
eobuwie.pl S.A.	10,1	61,5
CCC Shoes & Bags d.oo Beograd	1,4	1,3
Karl Vogele AG	71,0	—
HR Group	82,3	—
Gino Rossi S.A.	32,5	37,7
CCC Shoes & Bags sp. z o.o.	—	12,4
Total	250,6	134,6
– short-term	172,6	90,0
– long-term	78,0	44,6

The interest rate on loans granted is based on a variable WIBOR rate plus margin (loans in PLN) or by fixed interest rates defined in contracts (loans in EURO and other currencies). Further analysis on the interest rate risk is presented in note 6.1

Credit risk analysis is presented in note 6.1

Loan receivables are exposed to credit risk, interest rate risk and foreign exchange risk.

3.3 TRANSACTIONS WITH RELATED ENTITIES

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

SUBSIDIARIES OF THE COMPANY	31.12.2019	31.12.2018
Transactions in the financial year:		
Sales of finished products/goods	—	—
Sales of services	127,9	110,4
Sureties granted	12,1	12,0
Interest on loans granted	9,1	3,4
Purchases of finished products/goods	(1 384,1)	(1 282,0)
Purchases of services	(29,6)	(13,5)
Guarantees received	(2,1)	(2,1)
Sales of fixed assets	1,6	0,9
Transaction balances shown at the balance sheet date:		
Receivables from customers	1,8	13,1
Receivables from loans	268,5	97,0
Trade and other liabilities	(358,0)	(129,5)
Debt liabilities to NG2 Suisse s.a.r.l.	(111,4)	(0,3)
Contingent assets and liabilities at the balance sheet date		
Contingent assets due to guarantees and sureties received	415,0	863,5
Contingent liabilities on account of granted collateral	(4 932,6)	(3 262,2)

[1] Contingent assets and liabilities constitute received and granted collateral for loans to Capital Group subsidiaries.

The data on loans granted to subsidiaries are presented in note 3.2.

Transactions with related parties were concluded on market terms.

ENTITIES RELATED TO MEMBERS OF KEY MANAGEMENT PERSONNEL	31.12.2019	31.12.2018
Transactions in the fiscal year:		
Sales	0,1	—
ASTRUM Sp. z o. o.	0,1	—
Purchase of services	2,3	6,5
MGC INWEST Spółka z	—	3,6
Cuprum Arena Galeria Lubińska	2,3	2,9
Balances at the balance sheet date:		
Receivables	—	—
Liabilities	—	0,4
Cuprum Arena Galeria Lubińska	—	0,4

4.
DEBT, CAPITAL AND LIQUIDITY MANAGEMENT

4.1
CAPITAL MANAGEMENT

The Company's objective in capital risk management is to secure Company's ability to continue its operations so that it can generate return for shareholders and benefits for other stakeholders and to 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 from 33% to 66% of consolidated net profit of CCC Capital Group, assigned to the shareholders of the dominant unit, with the assumption, that the ratio of net debt to EBITDA at the end of the financial year, to which the division of the profit will pertain, will be below 3.0. Detailed information on the dividend policy is described in the Report on the operations of the Group. Section 5.2.1 (financial ratios).

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

Similarly to other entities in the industry, the Company monitors capital using the debt ratio. The ratio is calculated as net debt to total equity. Net debt is calculated as the sum of loans and borrowings (including current and long-term loans and issued bonds indicated in the standalone statement of financial position) less cash and cash equivalents. The total value of capital is calculated as equity shown in the standalone statement of financial position including net debt.

NOTE		31.12.2019	31.12.2018
4.2	Credit liabilities	321,4	217,1
5.5	Cash and cash equivalents	95,4	104,3
	Net debt	226,0	112,8
4.1	Total equity	959,0	1 041,9
	Capital employed (equity and net debt)	1 185,0	1 154,7
	Debt ratio	19%	10%

The change of the ratio is consistent with the actions taken by the Company and the ratio is expected by the Management Board of the parent company.

4.1.1 EQUITY

ACCOUNTING POLICY

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

Types of equity:

- basic capital (share) is recognized in the value specified in the Articles of Association and entered in the court register,
- capital reserves arising from the issuing shares above the par value less the issue costs
- retained earnings created from the dividing of financial result, undivided financial result and profit (loss) for the period covered by the financial statements
- other capitals – based on launched stock option scheme for employees

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

SHARE CAPITAL

As at 31 December 2019, the equity capital of Parent Comapny consisted of 41,16 million shares (as at 31 December 2018 it consisted of 41,16 million shares) with a nominal value of PLN 0.1 each, including 34,51 million ordinary shares and 6,65 million voting preference shares. As at the balance sheet date, the share capital was fully paid and registered.

Shareholders have the pre-emptive right to acquire registered preference shares intended for sale.

As at 31 December 2019, the share capital amounted to PLN 4.1 million.

The entity with a significant influence on the Parent Company is ULTRO sarl, a Luxembourg-based company, holding 27.33% of shares in the Company's share capital and 34.95% of total votes. This entity is dependent on Dariusz Miłek, Chairman of the Supervisory Board of CCC S.A. Other information concerning the shareholders was included in the Statements on operations of the Group

CAPITAL RESERVES

Capital reserves mainly include capital arising from issuing shares and the settlement of share-based employee benefit plans settled in equity instruments.

As at 31 December 2019, the value of reserve capital amounted to PLN 645.1 million. For more information see note 4.1.

RETAINED EARNINGS

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

EARNINGS PER SHARE

Basic profit (loss) per share is calculated by dividing net profit for the period attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares issued during the period.

Diluted +(loss) per share is calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of issued ordinary shares remaining during the period adjusted by the weighted average number of ordinary shares that would be issued upon conversion into ordinary shares from all diluting equity instruments.

In the financial year, basic and diluted profit per share amounted to PLN 1.24. In 2018 basic and diluted loss per share amounted to 0.98 PLN. The existence of series A subscription warrants granted under the incentive program has no significant impact on the calculation of diluted earnings per share. (More information is presented in note 6.2.)

	31.12.2019	31.12.2018
Number of shares (pcs.)	41 168 000	41 168 000
Potential number of shares (pcs.)	293 730	293 730
TOTAL (pcs.)	41 461 730	41 461 730
Net profit (loss)	(51,0)	(40,3)
Profit (loss) per share (PLN)	(1,24)	(0,98)
Diluted profit (loss) (PLN)	(1,24)	(0,98)
Number of warrants (pcs.)	293 730,0	293 730,0
Price of warrants (PLN)	211,4	211,4
Average share price during the period (PLN)	110,0	234,3
Quantity at market price (pcs.)	1 742,0	265 024,0
Share price at the end of the period (in PLN)	110,0	—
Number of shares for ordinary profit (loss) per share (pcs.)	41 168 000	41 168 000
Number of dilutive shares (pcs.)	28 706	28 706
Number of shares after adjustment (pcs.)	41 196 706	41 196 706
Net profit (loss) [PLN million]	(51,0)	(40,3)
Diluted profit (loss) per share (PLN)	(1,24)	(0,98)

DIVIDEND

On 18 June 2019 the Ordinary General Meeting of Shareholders of CCC S.A. passed the resolution No. 6/ZWZA/2019 regarding allocation of part of the capital reserves in the amount of PLN 19,76 million to be distributed among shareholders by dividend payment. The Ordinary General Meeting appointed 17 September 2019 as the date according to which the list of shareholders entitled to a dividend for the financial year 2018 is made (dividend day), and the day 1 October 2019 as the dividend payment date. As of the date of approving the resolution: one share of CCC S.A. amounts to a dividend amount of 0.48 PLN, the number of shares of CCC S.A. entitled to the dividend amounts to 41,168,000.

In 2018, a dividend for 2017 in amount of PLN 94.7 million was paid.

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 related to 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).

Cash flows relating to financial liabilities may change as a result of a modification of contractual terms and conditions or expectations regarding estimated cash flows for the purposes of valuation of financial liabilities at amortized cost.

A) Change in contractual conditions

In the event of a change in the contractual terms of a financial liability, the Group analyzes whether the modification of cash flows was material or not. The Group applies both quantitative and qualitative criteria in order to identify a significant modification leading to the discontinuation of recognition of an existing financial liability.

The Group considers a significant modification to be a change in the discounted current value of cash flows resulting from new conditions, including any payments made, less payments received and discounted using the original effective interest rate, by no less than 10% from the discounted current value of other cash flows under the original financial liability.

Regardless of the quantitative criterion, the modification is considered material in the following cases:

(a) a currency conversion of a financial liability, unless the terms of the contract provide otherwise,

(b) the replacement of a creditor,

(c) a significant extension of the financing period from the original financing period,

(d) a change in the interest rate from variable to fixed and vice versa,

(e) a change in the legal form/type of the financial instrument.

A significant modification of a financial liability is recognized by the Group as expiry of the original financial liability and recognition of a new financial liability.

In the event of a modification of the contractual terms of a financial liability that does not result in the discontinuation of the recognition of the existing liability, profit or loss is recognized immediately in profit or loss. The profit or loss is calculated as the difference between the present value of the modified and original cash flows, discounted using the original effective interest rate of the liability.

B) Change in expected cash flows

In case of financial liabilities with a variable rate, a periodic revaluation of cash flows to reflect changes in market interest rates, results in a change in the effective interest rate.

If the Group changes the estimates of payments under a financial liability (except for changes in contractual cash flows), the carrying amount of the financial liability is adjusted so that it reflects actual and changed estimated contractual cash flows. The Group determines the carrying amount of a financial liability at amortized cost as the present value of estimated future contractual cash flows, which are discounted at the financial instrument's original effective interest rate. The difference in valuation is recognized as income or costs in the financial result.

The following note presents data on loans and borrowings incurred by the Company in financial institutions and within the CCC S.A. Capital Group.

Lease liabilities are described in note 5.3.

NOTE	CREDIT LIABILITIES			BOND LIABILITIES	TOTAL
	NON-CURRENT	CURRENT	IN CURRENT ACCOUNT		
As of 01.01.2018	—	0,7	—	210,0	210,7
Proceeds from contracted debts					
• financing received	—	—	—	210,0	210,0
• transactional cost	—	—	—	1,8	1,8
Charging interest	—	0,1	—	6,7	6,8
Debt payment					
• repayment of capital	—	—	—	(203,2)	(203,2)
• interest paid	—	(0,2)	—	(8,4)	(8,6)
Change in current account	—	—	—	—	—
Change of presentation from short to long-term	—	6,9	—	(6,9)	—
Other non-cash changes	—	(0,4)	—	—	(0,4)
As of 31.12.2018	—	7,1	—	210,0	217,1
Proceeds from contracted debts					
• financing received	111,7	—	—	—	111,7
• transactional cost	—	—	—	—	—
Charging interest	—	1,4	—	6,6	8,0
Debt payment					
• repayment of capital	—	(6,9)	—	—	(6,9)
• interest paid	—	(1,0)	—	(6,6)	(7,6)
Change in current account	—	—	—	—	—
Change of presentation from long to short term	(111,7)	111,7	—	—	—
Other non-cash changes – balance sheet valuation	—	(0,9)	—	—	(0,9)
As of 31.12.2019	—	111,4	—	210,0	321,4

The financing received in the amount of PLN 111.7 million (EUR 26 million) concerns the loan agreement concluded with CCC.eu sp. z o.o. (a subsidiary of the CCC Capital Group). The due date is on 31.12.2020. The interest on the loan is based on a fixed interest rate.

The existing debt is associated with interest rate risk, currency risk and liquidity risk. For a description of the financial risk exposure, see Note 6.1.

On 29 June 2018 CCC S.A. carried out the issue 1/2018 series bonds, as a 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 June 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, i.e. CCC.eu z o.o. with its headquarters in Polkowice and CCC Shoes & Bags sp. z o.o. based in Polkowice.

On 29 June 2018 CCC S.A. 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, in order to redeem, and the Management Board of the Company adopted a resolution regarding the redemption of these bonds on 29 June 2018.

On 10 July, the Company, as part of the previously issued bonds of series 1/2014 redeemed 203,150 bonds and issued 210,000 series 1/2018 bonds.

Number of bonds of series 1/2014 after the operation the withdrawal amounted to 6,850 and was redeemed in accordance with the conditions of issue dated 10 June 2019.

Liabilities under the bonds include long-term liabilities in the amount of PLN 210 million as at 31 December 2018: PLN 216.8 million, including PLN 6,8 million (presented as current liability).

In the reporting period, the Company paid the capital and interest within the deadlines specified in the agreements, there were no violations of the agreement and the Group did not renegotiate the terms of any of the agreements concerning credit and loan liabilities.

Repayment of these liabilities are covered by the following collateral:

	31.12.2019	31.12.2018
	AMOUNT/OR BOOK VALUE OF GUARANTEE	
Sureties granted	1 094,0	1 056,0
Capped mortgages on property	1 349,7	746,1
Registered pledge on movable assets	1 800,0	1 500,0
In blanco bills of exchange	709,9	797,0
Assignments of insurance policies	17,0	17,0
Bank guarantees	35,8	129,5

The Company has agreements with banks under which the banks have issued guarantees to entities renting premises in which the Company operates. The total amount of used guarantees as at 31 December 2019 was PLN 35.8 million (PLN 129.5 million as at 31 December 2018).

For more information, see report on the operations of the Company

4.3 AGREED MATURITY DATES FOR FINANCIAL LIABILITIES AND LIQUIDITY MANAGEMENT POLICY

Precautious liquidity management assumes maintaining sufficient cash and cash equivalents and the availability of further financing through guaranteed credit lines.

The table below provides information on discounted and undiscounted debt liabilities.

i FOR MORE INFORMATION, SEE SECTION 3.2 IN REPORT ON THE OPERATIONS OF THE COMPANY

NOTE	AS AT 31.12.2019	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	1,2	112,4	1,4	—	—	115,0	111,4
4.2	Bonds	—	6,4	213,2	—	—	219,6	210,0
5.7	Trade liabilities	430,4	26,1	—	—	—	456,5	456,5
	Lease liabilities	51,1	151,8	307,0	160,7	63,5	734,1	710,4
	Liability due to acquisition of Adler International Sp. z o.o.	2,5	—	—	—	—	2,5	2,5
	Liability due to acquisition of HR Group	—	32,7	—	—	—	32,7	32,7
	Financial Liabilities	485,2	329,4	521,6	160,7	63,5	1 560,4	1 523,5

NOTE	AS AT 31.12.2018	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrowings	0,3	—	—	—	—	0,3	0,3
4.2	Bonds	—	7,0	225,8	—	—	232,8	216,8
5.7	Trade liabilities	166,2	18,2	—	—	—	184,4	184,4
	Lease liabilities	47,4	137,4	275,8	144,4	59,6	664,6	641,8
	Liability due to acquisition of Adler International Sp. z o.o.	19,0	—	—	—	—	19,0	19,0
	Financial Liabilities	232,9	162,6	501,6	144,4	59,6	1 101,1	1 062,3

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

Guarantees granted to the Company by other entities within the Group, secure overdrafts.

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

NOTE		RECEIVABLES	LIABILITIES
	As of 31.12.2018	166,5	263,8
	As of 31.12.2019	209,8	550,9
	Change in the statement of financial position	(43,3)	287,1
	The difference resulting from:		
3.2	Loans	82,5	1,9
	Changes in sureties granted	(5,4)	8,9
	Changes in investment liabilities/receivables	(0,1)	3,1
6.2	Changes in receivables relating to expenditure on the acquisition of shares in Gino Rossi S.A.	(27,7)	—
6.2	Changes in liabilities due to the obligation of payment to an associated company	—	(32,7)
	Changes in liabilities due to acquisition of Adler	—	16,5
	Declared dividend	—	—
	Settlement of grants	—	2,4
	Other	—	1,8
	Change recognized in the statement of cash flows	6,0	289,0
	As of 31.12.2017	254,4	217,4
	As of 31.12.2018	166,5	263,8
	Change in the statement of financial position	87,9	46,4
	Difference arising from:		
5.4	Loans granted	(79,2)	—
	Changes in sureties granted	0,6	12,4
	Changes in investment liabilities/receivables	(7,3)	2,0
	Changes in receivables related to expenditure on acquisition of shares in Gino Rossi S.A.	27,7	—
	Change in tax receivables	(26,2)	—
	Deduction of receivables on account of loans	—	142,0
	Other	(4,6)	(16,2)
	Declared dividend	—	—
	Change in the balance recognised in the statement of cash flows	(1,1)	186,6

NOTE	RECEIVABLES BEFORE ADJUSTMENT	ADJUSTMENT	RECEIVABLES AFTER ADJUSTMENTS
As of 31.12.2018	166,5	(90,0)	76,5
As of 31.12.2019	216,0	—	216,0
Change in the statement of financial position	(49,5)	(90,0)	(139,5)
Adjustments related to:			
Loans granted	—	(90,0)	(90,0)

Receivables as at the balance sheet date include: receivables from customers, loans granted, other short-term receivables Liabilities as at the balance sheet date include: liabilities to suppliers, other current liabilities

All other differences in relation to the change in liabilities in the period from 31.12.2018 to 31.12.2019 included primarily an adjustment resulting from repayment of the liability for the acquisition of Adler in the amount of PLN 16.5 million.

	01.2019-12.2019	01.2018-12.2018
Other profit adjustments before taxation:		
Profit (loss) on exchange rate differences	1,4	-
Change in provisions	0,8	76,5
Valuation of employee option program	(7,1)	10,9
Sureties granted	(3,5)	3,8
Valuation of HR Group options	103,6	—
Fair value of CCC Germany	22,6	—
Other	(3,3)	(7,0)
	114,5	84,2

Most of the changes in provisions are realated to the establishment of a provision for the negative fair value of CCC Germany less the costs of disposal of shares worth PLN 76.5 million.

The other items mainly include the following adjustments: IFRS16 valuation of PLN 16.9 million, interest on loans granted in the amount of PLN – 3.6 million and sureties remuneration of PLN – 10.2 million.

	01.2019-12.2019	01.2018-12.2018
Amortization and depreciation resulting from changes in fixed assets		
Amortization and depreciation disclosed in note of costs by nature	248,6	221,9
Change due to re-invoicing of costs	18,3	12,0
Other	(2,7)	(1,1)
Adjustments		
Receivables after adjustments		
	264,2	232,8

5.
NOTES TO THE STATEMENTS OF FINANCIAL POSITION

5.1
INTANGIBLE ASSETS

ACCOUNTING POLICY

The Company measures intangible assets at cost less amortization and impairment losses.

Depreciation is calculated using the straight-line method by estimating the useful life of a given asset, which for selected groups is equal:

- patents and licenses – from 5 to 10 years
- trademarks – from 5 to 10 years
- other intangible assets – 5 to 10 years

If there are events or changes that indicate that the carrying amount of an intangible asset may not be recoverable, they are reviewed for impairment in accordance with the policy described in note 5.2.

Intangible assets with indefinite economic life and those that are not in use are tested for impairment annually, either for individual assets or at the level of the cash-generating unit.

	TRADEMARKS, PATENTS, LICENCES	INTANGIBLE ASSETS UNDER CONSTRUCTION	TOTAL
Gross value 01.01.2018	11,1	0,2	11,3
Aggregated amortization	(8,5)	–	(8,5)
Net value 01.01.2018	2,6	0,2	2,8
Amortization	(0,8)	—	(0,8)
Acquisition	0,2	—	0,2
Transfer between groups	0,2	(0,2)	—
Gross value 31.12.2018 (01.01.2019)	11,5	—	11,5
Aggregated amortization	(9,3)	—	(9,3)
Net value 31.12.2018 (01.01.2019)	2,2	—	2,2
Amortization	(0,8)	—	(0,8)
Acquisition	—	—	—
Gross value 31.12.2019	11,5	—	11,5
Aggregated amortization	(10,1)	—	(10,1)
Net value 31.12.2019	1,4	—	1,4

5.1.1 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 business combination achieved in stages, the acquisition-date fair value of the acquiree's previously held equity interest in the acquirer over the net amount determined as at the date of acquisition of the values of identifiable assets acquired and liabilities assumed.

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

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

	DATE OF ACQUISITION	AS OF 31.12.2018 (01.01.2019)	ACQUISITION	EXCHANGE RATE DIFFERENCES FROM THE TRANSLATIONS	AS OF 31.12.2019
Enterprise Adler International Sp. z o.o. sp. k.	07.2018	48,8	—	—	48,8
Goodwill		48,8	—	—	48,8

As at 31.12.2018 the Company performed tests for impairment of goodwill recognized in connection with the acquisition of Adler International Sp. z o.o. sp. k..

The conducted tests did not show the necessity to recognize an impairment loss of goodwill.

The impairment test was performed on the basis of calculations of expected cash flows, estimated on the basis of historical results and expectations regarding future market development. The expected cash flows for identified cash--generating units were prepared on the basis of assumptions resulting from historical experience adjusted to the existing plans. These cash flows present the Management Board's best estimates regarding the operations of the acquired company over the next 5 years.

The main assumptions used to determine their usable value are as follows:

- the level of product sales costs
- impact of changes in revenue on direct costs
- level of investment expenditures
- a discount rate based on the weighted average cost of capital and reflecting current market assessments of the time value of money and the risks associated with the cash-generating unit's operations

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

The impairment test was conducted based on the following assumptions:

2019	ADLER INTERNATIONAL SP. Z O.O. SP. K.
Discount rate before tax	9,80%
Average EBITDA profit margin	30,20%
Expected cumulative annual growth rate of EBITDA	3,56%
Residual growth rate	2%

2018	ADLER INTERNATIONAL SP. Z O.O. SP. K.
Discount rate before tax	10,50%
Average EBITDA profit margin	34,60%
Expected cumulative annual growth rate of EBITDA	3,10%
Residual growth rate	2%

In addition, the Company conducted sensitivity analysis of the impairment testing result to changes in the before-tax discount rate and the average EBITDA margin. Basing on the conducted sensitivity analysis, the change of assumptions would not lead to recognition of impairment losses, i.e. the carrying amount would not exceed the recoverable amount.

5.2 TANGIBLE FIXED ASSETS

ACCOUNTING POLICY

Tangible fixed assets include mainly: investments in third-party fixed assets (i.e. expenditures in leased premises used for retail sale of goods), lands and buildings, machines and equipment

Fixed assets are recognized at purchase price or production cost less depreciation write-offs and impairment losses, if any. Land and fixed assets under construction are not subject to depreciation.

Subsequent expenditures are included in the carrying amount of a given fixed asset or recognized as a separate fixed asset (where appropriate) only if it is probable that economic benefits will flow to the Company under this item and the cost of the given item can be reliably estimated.

The carrying amount of the aforementioned part is removed from the statement of financial position. All other expenses on repairs and maintenance are charged to the financial result in the financial period in which they were incurred.

Borrowing costs are capitalized and reported as an increase in the value of a fixed asset.

Depreciation is calculated on a straight-line basis by estimating the period of use of a given asset, which for selected groups is equal:

GROUP OF FIXED ASSETS	DEPRECIATION PERIOD
Investments in stores	Depreciation period is determined by two factors and accept lower of values: – utility period of outlays (typically 10 years) – duration of the lease agreement of the store where the fixed asset is placed (usually 10 years)
Buildings	from 10 to 40 years
Machines and equipment	from 3 to 15 years
Means of transport	from 5 to 10 years
Other tangible fixed assets	from 5 to 10 years

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

The principles of testing for impairment and recognition of impairment losses on tangible fixed assets are described in note 5.2.

Impairment of non-financial fixed assets

At each balance sheet date, the Company evaluates if there are any objective evidence of impairment of a given tangible fixed asset.

Depreciable assets are analyzed for impairment whenever certain circumstances or changes in circumstances indicate that their carrying amount may not be realized. Impairment loss is recognized in the amount by which the carrying amount of a given asset exceeds its recoverable amount. The recoverable amount is the higher of two amounts: the fair value of the assets, less sales costs, or the value in use. For the purpose of impairment analysis, assets are grouped at the lowest level in relation to which there are identifiable separate cash flows (cash-generating units). Non-financial assets which have previously been found to be impaired are assessed at each balance sheet date for any evidence that an impairment loss may be reversed.

In retail business, each store is a separate cash-generating unit. Pursuant to the above principles, in respect of investments in stores, the Company performs an analysis for impairment at each balance sheet date. The operating result generated by each of the retail units is reviewed.

In order to estimate the impairment loss on non-financial fixed assets, the Company takes into account the following premises:

- The store has been operating for at least 24 months.
- The store bears a gross loss including customs deviations in each of the last two years of operation.
- The analysis of the current value of future cash flows indicates that it is not possible to cover the investment expenditure incurred.

If an asset is considered irrecoverable, the Company makes an impairment loss in the amount of the surplus of the incurred capital expenditure over the recoverable value. The impairment loss is recognized in other operating expenses.

Grants received

Grants for the acquisition or production of property, plant and equipment are recognized by the Company when they are received or reasonably expected to be received in the future (e.g. a promissory note, lease incentives if there is reasonable assurance that the Company will meet the conditions necessary to receive the grant. Grants are recognized as deferred income (item „grants received"). The amounts of grants included in deferred income are gradually recognized in other operating income, in par with depreciation or amortization write-offs on property, plant and equipment financed from these sources.

Certain assets relating to individual outlets may be permanently attached to the leased premises (outlays in stores), which makes it impossible to use or resell them alternatively. Their estimated rental period is not always related to the lease term of the premises due to the option to extend the lease agreements. The assumed exploitation periods are described above.

Therefore, the level of depreciation costs may differ from the estimated lease period of the outlet. Changes in this period may affect the level of impairment losses.

Information on fixed assets securing the debt incurred is presented in note 4.2.

CCC S.A. concluded on 23 December 2009 an agreement with the Polish Agency for Enterprise Development for the co-financing of investment in fixed assets. The Company applied for a subsidy from the Operational Program Innovative Economy for the investment in the construction of a high storage warehouse located in Polkowice. The final amount of subsidy amounted to 38.5 million PLN.

In accordance with the Company's accounting policy, this grant was classified as deferred income in the statement of financial position.

In 2019 a subsidy of PLN 2.4 million (PLN 2.4 million in 2018) was accounted for, in the statement of comprehensive income, which was recognized in other operating income.

The amount of the grant remaining to be settled as at 31.12.2019 amounts to PLN 21.4 million, of which PLN 2.4 million relates to the short-term part, and PLN 19.0 million to long-term.

On 27 April 2018 the Company acquired a property comprising from storage and office buildings and land valued at PLN 17.4 million. In the financial statements as at 31.12.2019 the asset is presented under fixed assets.

	INVESTMENT IN STORES	FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				TOTAL
		LANDS AND BUILDINGS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS UNDER CONSTRUCTION	TOTAL	LANDS AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER STORES	TOTAL	
Gross value 01.01.2018	291,8	117,5	95,6	23,1	236,2	27,0	27,0	28,9	82,9	610,9
Aggregated depreciation	(120,8)	(15,2)	(52,2)	—	(67,4)	(2,0)	(16,6)	(12,4)	(31,0)	(219,2)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 01.01.2018	171,0	102,3	43,4	23,1	168,8	25,0	10,4	16,5	51,9	391,7
Acquisition	140,9	76,1	—	—	76,1	18,3	3,1	0,1	21,5	238,5
Produced on its own	—	—	—	—	—	—	—	—	—	—
Amortization and depreciation	(33,6)	(3,5)	(9,5)	—	(13,0)	(2,2)	(2,7)	(1,0)	(5,9)	(52,5)
Liquidation and sale	(27,5)	—	—	—	—	(3,1)	(0,7)	(21,2)	(25,0)	(52,5)
Aggregated depreciation (liquidation and sale)	4,1	—	—	—	—	0,2	0,7	7,5	8,4	12,5
Transfers	0,1	12,9	—	(23,0)	(10,1)	13,1	(3,1)	—	10,0	—
Impairment loss	—	—	—	—	—	—	—	—	—	—
Gross value 31.12.2018	405,3	206,5	95,6	0,1	302,2	55,3	26,3	7,8	89,4	796,9
Aggregated depreciation	(150,3)	(18,7)	(61,7)	—	(80,4)	(4,0)	(18,6)	(5,9)	(28,5)	(259,2)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2018	255,0	187,8	33,9	0,1	221,8	51,3	7,7	1,9	60,9	537,7
Acquisition	84,5	14,3	13,8	14,8	42,9	0,3	3,6	—	3,9	131,3
Produced on its own	—	—	—	—	—	—	—	—	—	—
Amortization and depreciation	(41,7)	(8,5)	(12,0)	—	(20,5)	(2,5)	(2,8)	(0,5)	(5,8)	(68,0)
Liquidation and sale	(25,6)	(6,1)	—	—	(6,1)	—	(4,0)	(0,1)	(4,1)	(35,8)
Aggregated depreciation (liquidation and sale)	7,7	0,2	—	—	0,2	—	2,6	0,1	2,7	10,6
Transfers	—	—	—	—	—	—	—	—	—	—
Impairment loss	—	—	—	—	—	—	—	—	—	—
Gross value 31.12.2019	464,2	214,7	109,4	14,9	339,0	55,6	25,8	7,8	89,2	892,4
Aggregated depreciation	(184,3)	(27,0)	(73,7)	—	(100,7)	(6,5)	(18,7)	(6,4)	(31,6)	(316,6)
Impairment loss	—	—	—	—	—	—	—	—	—	—
Net value 31.12.2019	279,9	187,7	35,7	14,9	238,3	49,1	7,1	1,4	57,6	575,8

5.3 RIGHT OF USE ASSETS AND LEASE LIABILITIES

ACCOUNTING POLICY

At the date of commencement, the Company CCC S.A. evaluates an asset due to the right of use at cost.

The cost of an asset due to the right of use should include:

- an initial amount of the lease liability valuation,
- any lease payments made on or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- an estimate of the costs to be incurred by the lessee to remove and dispose of the underlying asset, to refurbish the site on which it is located, or to restore the underlying asset to the condition required by the terms of the lease, unless those costs are incurred to produce inventories.

The periods adopted by the Company for the lease agreements of particular asset categories are as follows:

- Up to 3 months
- From 4 to 12 months
- 13 to 60 months
- Over 60 months

Certain lease agreements include an option for renewal or termination of the lease. The Company applies the current end date of the agreement, which is updated when it is informed about the extension / termination of the agreement. The assumed duration of the agreement is based on the business premises. If the Company decides to extend the agreement, its term is extended by the activated term of the extension option under the agreement.

The Company also concludes agreements for an unspecified period of time. The Management Board makes judgement to determine the period for which it can be assumed with sufficient certainty that such agreements would last.

The Company also has lease agreements where the lease term is 12 months or less and lease agreements for computer hardware (printers) and low value payment terminals. The Company uses a simplification for short-term leases, contracts concluded for an indefinite period of time, contracts for which the lease liability is determined only on variable (current) rent and leases for which the base asset has low value.

The Company recognizes the aforementioned costs as flat costs under „other costs of sales (low and short-term leases) and under „costs of functioning of stores" (contracts concluded for an indefinite period of time and sales-based rents).

The lessee evaluates the lease liability at the commencement date at the current amount of lease payments due at that date (discounted future payments during the lease). Lease payments are discounted using the interest rate of the lease if that rate can be easily determined. Otherwise, the lessee applies the lessee's marginal interest rate. At the commencement date, the lease payments included in the valuation of the lease liability include the following payments for the right to use of the underlying asset during the lease term, which remain due at that date:

- fixed lease payments (including generally fixed lease payments as defined in paragraph B42 of the standard) less any lease incentives receivable;
- variable lease payments, which depend on an index or rate, measured initially using that index or rate at their value at the commencement date,
- amounts expected to be paid by the lessee under the guaranteed residual value,
- the exercise price of the call option provided there is reasonable certainty that the lessee will exercise the option (measured using the criteria in paragraphs B37-B40 of the standard), and
- financial penalties for termination of the lease, if the lease terms and conditions provide that the lessee may exercise the option to terminate the lease.

Variable lease payments that depend on an index or rate referred to above include, for example, payments linked to a consumer price index, payments linked to a benchmark interest rate or payments that change to reflect the changes with respect to free market rents.

For each type of contract, the Company has estimated the amount of the discount rate applicable to the final valuation of these contracts. Given the type of contract, the duration of the contract, the currency of the contract and the potential margin that the Company would have to pay to third party financial institutions should they enter this transaction in the financial market.

The valuation of the leasing liability is periodically settled with the leasing payments.

ACCOUNTING POLICY

Expenses related to the use of leased assets are presented in „depreciation" and in financial costs as interest costs.

Assets under the right of use are depreciated on a straight-line basis, whereas liabilities under lease agreements are settled with the effective interest rate.

The Group evaluates lease agreements that meet the criteria of IFRS 16. The Company includes the following items in current costs:

- Depreciation costs of assets due to the right of use
- Costs of interests
- Exchange rate differences

The table below presents valuation of assets under the right of use as at the balance sheet date:

RIGHT TO USE LEASE ASSETS	STORES	WAREHOUSES	MEANS OF TRANSPORT	OFFICES	TOTAL
Gross value 01.01.2019	786,8	5,9	1,8		794,5
Amortization and depreciation	(177,0)	(1,6)	(0,9)	—	(179,5)
Net value 01.01.2019	609,8	4,3	0,9	—	615,0
Conclusion of new lease agreements	53,2	2,1	3,2	11,7	70,2
Changes resulting from modifications of contracts	202,2	0,8	0,6	4,7	208,3
Changes resulting from a change in a scope of the contract – shortening the period – gross value	(9,8)	(1,8)	—	—	(11,6)
Gross value 31.12.2019	1 032,4	7,0	5,6	16,4	1 061,4
Amortisation as at 01.01.2019	(177,0)	(1,6)	(0,9)		(179,5)
Amortisation in the period	(191,6)	(1,8)	(1,4)	(1,8)	(196,6)
Changes resulting from a change in the scope of the contract – shortening the period – amortization	1,0	0,6	—	—	1,6
Amortisation as at 31.12.2019	(367,6)	(2,8)	(2,3)	(1,8)	(374,5)
Net value 31.12.2019	664,8	4,2	3,3	14,6	686,9

RIGHT TO USE LEASE ASSETS	STORES	WAREHOUSES	MEANS OF TRANSPORT	OFFICES	TOTAL
Gross value 01.01.2018	621,8	3,3	1,3	—	626,4
Aggregated depreciation	—	—	—	—	—
Net value 01.01.2018	621,8	3,3	1,3	—	626,4
Conclusion of new lease agreements	126,8	2,5	0,5	—	129,8
Changes resulting from modifications of contracts	68,0	0,1	—	—	68,1
Changes resulting from a change in a scope of the contract – shortening the period – gross value	(29,8)	—	—	—	(29,8)
Amortization and depreciation	(177,0)	(1,6)	(0,9)	—	(179,5)
Gross value 31.12.2018	786,8	5,9	1,8		794,5
Amortisation as at 01.01.2018	—	—	—	—	—
Amortisation in the period	—	—	—	—	—
Amortisation as at 31.12.2018	(177,0)	(1,6)	(0,9)	—	(179,5)
Net value 31.12.2018	609,8	4,3	0,9	—	615,0

The table below shows the value of the lease liability as at the balance sheet date:

	2019	2018
Value of liabilities as at 01.01.	641,8	626,4
Accrued interest	9,7	8,6
Lease payments	(203,4)	(179,4)
Exchange rate differences	(6,0)	16,9
New agreements	69,9	126,8
Modification of contract terms	199,3	63,4
Indexation	7,0	7,8
Renewal	—	—
Changes in scope	(7,9)	(28,6)
Value of liabilities as at 31.12	710,4	641,8

The table below shows the maturities of lease liabilities according to the period remaining until the end of the agreement. Presented values are undiscounted.

LEASE LIABILITIES	31.12.2019	31.12.2018
up to 1 year	202,8	184,8
from 1 to 5 years	467,7	420,2
Over 5 years	63,5	59,6
Total	734,0	664,6

The table below presents the IFRS 16 impact on selected financial statements captions of statement of comprehensive income:

SELECTED ITEMS FROM THE STATEMENT OF COMPREHENSIVE INCOME	2019	2018
Cost of operating stores	(9,5)	(12,9)
Lease payments	(203,4)	(179,4)
Amortization and depreciation	196,6	180,7
rental costs for short-term and indefinite contracts	(2,7)	(14,2)
Other operating income and costs	—	—
Administrative expenses	—	—
Other operating income and costs	(0,7)	—
Liquidation	(0,7)	—
Operating profit/loss	(10,2)	(12,9)
Finance income	6,0	—
foreign exchange gains	6,0	—
Finance costs	(9,7)	(25,6)
Interests	(9,7)	(8,6)
foreign exchange losses	—	(17,0)
Gross profit/loss	(13,9)	(38,5)
Income tax	1,9	—
Net profit/loss	(12,0)	(38,5)

5.4 INVENTORIES

ACCOUNTING POLICY

The inventories are stated at the lower of purchase or production cost or net sales price. Net selling price is the estimated selling price in the ordinary course of business, less the related variable selling expenses.

When circumstances occur that result in a decrease the value of inventories, a write-down of inventories in the cost of goods is made. If the circumstances resulting in a decrease in the value of inventories no longer exist, the write-down is reversed by reducing the cost of goods sold.

The AVCO valuation method is used for the disbursement of all inventories of a similar type and purpose

i MORE INFORMATION IN SECTION **5.1.1.2** (FIXED ASSETS) IN REPORT ON THE OPERATIONS OF THE COMPANY

With the beginning of 2019, the Company changed its inventory management system in order to: improve processes related to logistics, pricing policy, collection management and increase the efficiency of inventory management in the Company compared to the previous system. The new inventory management system enables valuation of inventories only at weighted average cost (AVCO) and therefore the Company had to replace the previous method, i.e. first in, first out (FIFO). In the opinion of the Management Board of the Company, the AVCO method is widely used in the trading industry due to better presentation of cost of inventories, which provides better information for users of financial statements. The new system does not allow for converting the stock valuation according to the AVCO method for the previous reporting period, the Company is not able to present the impact of the system change as at 1 January 2018, 31 December 2018 or 31 December 2019 and for the years 2018 and 2019.

	31.12.2019	31.12.2018
Materials	—	—
Manufacturing in progress	—	—
Goods	350,0	307,1
Finished goods	—	—
Total (gross)	350,0	307,1
Inventory provision	(4,5)	(3,3)
Total (net)	345,5	303,8

The increase in inventories is driven by the purchase of new collections and sales of goods in 2019 lower than expected. In order to determine the amount of the write-down, the Management Board uses the most relevant historical data and sales forecasts. Footwear sales depend mainly on changing trends and customer expectations.

Inventories used to determine the amount of the write-down as at the balance sheet date are those which, due to the category of the collection assigned, are older than 2 years, beginning with the current year's collection.

Based on the probability of sales of footwear meeting the above conditions, the Company determines the ratio which is applied to calculate the value of the inventory write-down.

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

The value of the write-down for the sale of goods after the balance sheet date below the purchase price amounted to PLN 4.5 million.

The amounts of impairment write-downs on inventories and changes in such write-downs are presented below.

CHANGES IN INVENTORY WRITE-DOWNS

i FOR MORE INFORMATION, SEE SECTION **5.1.1.2** IN REPORT ON THE OPERATIONS OF THE COMPANY

	31.12.2019	31.12.2018
At the beginning of the period	(3,3)	(1,8)
Establishment in cost of sales of goods	(5,5)	(3,3)
Utilisation	4,3	1,8
Reversal in cost of goods sold	—	—
At the end of the period	(4,5)	(3,3)

In 2019, the Company made a write-down of inventories in the amount of PLN – 5.5 million.

Additional write-downs or dissolution of inventories concerns goods. Changes in write-downs result from the development of the Company's business and its sales policy.

The table below shows the maturity structure of inventories:

	31.12.2019	31.12.2018
to 1 years	206,7	194,9
from 1 to 2 years	108,7	87,2
from 2 to 3 years	26,0	19,7
over 3 years	4,2	2,0
Total (gross)	345,5	303,8

The value of inventories forming a collateral for loan repayment is presented in note 4.2.

5.5 TRADE RECEIVABLES AND OTHER

ACCOUNTING POLICY

Trade receivables

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

Other receivables

Receivables other than financial assets are initially recognized at nominal value and measured as at the end of the reporting period at the amount due.

	31.12.2019	31.12.2018
Trade receivables	6,7	9,0
Provision for receivables	(1,8)	(0,9)
Total net receivables	4,9	8,1
Advance on delivery of goods	0,7	4,4
Accrued expenses	6,6	6,4
Tax receivables	18,4	10,3
Guarantees provided	0,3	12,3
Receivables due to redemption of Gino Rossi	—	27,7
Other	6,4	7,3
Total other receivables	32,4	68,4

The value of other receivables includes, among others, receivables from the disposal of expenditures in third-party fixed assets.

The receivables from customers are exposed to credit risk and currency exchange risk.

Details in note **6.1.**

OVERDUE TRADE RECEIVABLES DIVIDED INTO RECEIVABLES NOT PAID IN THE PERIOD AND A WRITE-DOWN:

	31.12.2019	31.12.2018
a) current	2,0	3,9
b) up to 1 month	1,2	1,9
c) from 1 month to 3 months	0,7	0,8
d) over 3 months to 6 months	0,2	0,1
e) over 6 months	2,6	2,3
Total trade receivables (gross)	6,7	9,0
Write-downs on overdue trade receivables		
Opening balance	(0,9)	(0,8)
a) increases	(1,2)	(2,2)
b) reduction-utilisation	—	—
c) reduction-reversal	0,3	2,1
Balance at the end of the period	(1,8)	(0,9)
Total trade receivables (net)	4,9	8,1

5.6 CASH AND CASH EQUIVALENTS

ACCOUNTING POLICY

Cash and cash equivalents include cash in hand and bank deposits on demand. Overdrafts are presented in the statement of financial position as a component of current debt liabilities. For the purposes of the statement of cash flows, loans in the current account do not decrease the balance of cash and cash equivalents.

i FOR MORE INFORMATION SEE **5.1.1.2** (CASH AND CASH EQUIVALENTS) IN THE REPORT OF THE OPERATIONS OF THE COMPANY

	31.12.2019	31.12.2018
Cash in hand	9,6	20,7
Cash at bank	23,0	54,6
Short-term deposits (up to 3 months)	62,8	29,0
Total	95,4	104,3

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

Policy for managing these risks and further information on these risks (credit quality assessment, exchange rate sensitivity analysis and interest rate sensitivity analysis) are shown in note **6.1.**

5.7 TRADE LIABILITIES AND OTHER

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 the due date falls within one year. Otherwise, liabilities are shown as non-current.

Other liabilities are measured at the amount of the payment due.

The Company incurs costs related to the functioning of the Employee Capital Plans („PPK") by making payments to the pension fund. These are post-employment benefits in the form of a defined contribution plan. The Group recognizes the costs of payments to the PPK in the same cost item in which it recognizes the costs of remunerations, upon which they are calculated. Liabilities due to PPK are presented under other non-financial liabilities in the item „Other liabilities".

	31.12.2019	31.12.2018
Commitments to suppliers:		
• on account of deliveries of goods and services – without balances covered by reverse factoring	408,4	145,2
• fon account of deliveries of goods and services – covered by reverse factoring	30,9	18,2
• investment	17,2	21,0
Total	456,5	184,4
Long-term liabilities		
• to employees	5,5	5,5
Total	5,5	5,5
Liabilities arising from indirect taxes, duties and other benefits	2,3	3,1
Employee benefit liabilities	23,0	28,4
Accrued expenses	21,6	19,3
Sureties received	2,6	2,1
Liability for the obligation to make payments to an associate	32,7	—
Liability due to acquisition of Adler International Sp. z o.o.	2,5	19,0
Other liabilities	4,3	2,0
Total	89,0	73,9

Most of the liabilities due to suppliers concern liabilities to the company CCC.eu of the CCC Group and amount to PLN 354.1 million (as at 31.12.2018: PLN 126.1 million).

Trade liabilities and other are exposed to currency risk. Currency exchange risk management and sensitivity analysis are presented in note **6.1.**

Liquidity risk is also associated with the liabilities (see note **4.3** for further information).

The fair value of liabilities to suppliers approximates their carrying amount.

The Company uses the reverse factoring service, under which, upon presentation of an invoice for the purchases made, the factor's bank repays the liabilities to suppliers within 7 business days. The Company's opinion is that the nature of these liabilities remains unchanged and therefore their presentation as trade payables continues.

The Company pays off its liabilities towards the factor's bank within the time limit originally provided for in the invoices, therefore, from the Company's perspective, there is no extension of payment terms in relation to the previously applied settlements with suppliers. The Company does not incur costs of prior repayment of liabilities to suppliersby the factor.

The Company pays off its liabilities towards the factor's bank within the time limit originally provided for in the invoices, therefore, from the Company's perspective, there is no extension of payment terms in relation to the previously applied settlements with suppliers. The Company does not incur costs of prior repayment of liabilities to suppliers by the factor.

As at the balance sheet date, the Company had no commitments to incur expenditures or other obligations to be incurred in the future.

5.8 PROVISIONS

ACCOUNTING POLICY

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

In accordance with the Company's remuneration plans, the Group's employees are entitled to jubilee awards and retirement benefits. Retirement benefits are paid once, at the time of retiring. The amount of retirement benefits and jubilee awards depends on the employee's years of employment and average remuneration. The Company creates a provision for future liabilities due to retirement benefits and jubilee awards in order to allocate costs to the periods to which they relate.

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

The Company calculates the reserve for future jubilee awards on the basis of actuarial valuation with the method of forecasted unitary benefits.

	PROVISION FOR JUBILEE AWARDS AND RETIREMENT BENEFITS	OTHER PROVISIONS	TOTAL
As of 01.01.2018	2,8	—	2,8
Establishment	0,4	76,4	76,8
Utilisation	—	—	—
Release	(0,1)	—	(0,1)
Exchange rate differences	—	—	—
As of 31.12.2018	3,1	76,4	79,5
Current	0,9	76,4	77,3
Non-current	2,2	—	2,2
As of 01.01.2019	3,1	76,4	79,5
Establishment	0,9	22,0	22,9
Utilisation	—	(98,4)[1]	(98,4)
Release	—	—	—
Exchange rate differences	—	—	—
As of 31.12.2019	4,0	—	4,0
Current	1,2	—	1,2
Non-current	2,8	—	2,8

[1] Other provisions include only a provision due to the negative valuation of goodwill of CCC Germany GmbH. In the reporting period, the use of the provision adjusted the cost of investment in the HR Group's associated entity. For details, see Note 3.1

Based on the valuation made by a professional actuarial firm, the Company creates a provision for the current value of liabilities under retirement benefits.

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

	2019	2018
Discount rate	2,00%	2,80%
Mortality tables	pttz2018	pttz2017
Assumed average annual increase in the basis for calculation of retirement benefits between 2018-2027	2,54%	2,61%
Assumed average annual increase in the basis for calculating anniversary benefits between 2018-2027	2,54%	2,61%
Weighted average employee mobility coefficient (Group value range)	37,37%	35,28%
Average maturity of post-employment benefits (in years) – value range for the Group	2,76	0,91

Sensitivity analysis of provisions for employee benefits

31.12.2019:

PROVISION	FINANCIAL DISCOUNT RATE		PLANNED BASE GROWTHS	
	-1 P.P.	+ 1 P.P.	-1 P.P.	+ 1 P.P.
Retirement benefits	0,1	0,1	0,1	0,1
Severance pay	0	0	0	0
Anniversary benefits	3,8	3,6	3,6	3,8
Post-mortem allowances	0,1	0,1	0,1	0,1
Total provisions	4,1	3,9	3,8	4,1

31.12.2018:

PROVISION	FINANCIAL DISCOUNT RATE		PLANNED BASE GROWTHS	
	-1 P.P.	+ 1 P.P.	-1 P.P.	+ 1 P.P.
Retirement benefits	0,1	0,1	0,1	0,1
Severance pay	0	0	0	0
Anniversary benefits	3,5	3,3	3,3	3,6
Post-mortem allowances	0,1	0,1	0,1	0,1
Total provisions	3,7	3,5	3,5	3,8

6. OTHER NOTES

6.1 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

ACCOUNTING POLICY

Financial assets

Classification of financial assets

Financial assets are classified into the following valuation categories:

- measured at amortized cost,
- measured at fair value through profit or loss,
- measured at fair value through other comprehensive income.

The Company classifies a given financial asset on the basis of the Company's business model for financial asset management and the contractual cash flow characteristics of the financial asset (the so-called „SPPI criterion"). The Company reclassifies investments into debt instruments if and only if the management model of these assets is changed.

Measurement at initial recognition

Except for some trade receivables, the Company measures the financial asset at its fair value upon initial recognition, which in the case of financial assets other than those measured at fair value through profit or loss is increased by transaction costs directly attributable to the acquisition of those financial assets.

Discontinuation of recognition

Financial assets are derecognized from the books when:

- The rights to obtain cash flows from financial assets have expired, or
- The rights to receive cash flows from financial assets have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Measurement after initial recognition

For valuation purposes after initial recognition, financial assets are classified into one of four categories:

- debt instruments measured at amortized cost,
- debt instruments measured at fair value through other comprehensive income,
- equity instruments measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

Debt instruments – financial assets measured at amortized cost

A given financial asset is measured at amortized cost if both of the following conditions are met:

a) the financial asset is held in accordance with a business model that aims to hold the financial asset to earn the contractual cash flows; and

b) the terms of the contract for the financial asset generate cash flows on specified dates that are merely the repayment of principal and interest on the principal outstanding.

The Company classifies financial assets measured at amortized cost into the category of financial assets:

- trade receivables,
- loans granted that meet the SPPI classification test, which according to the business model are reported as held for cash flow,
- cash and cash equivalents.

Interest income is calculated using the effective interest rate method and disclosed in the profit and loss account/ statement of comprehensive income under „Interest income".

ACCOUNTING POLICY

Debt instruments – financial assets at fair value through other comprehensive income

financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

a) a financial asset is held under the business model that aims both to receive contractual cash flows and to sell the financial asset; and

b) terms of a financial asset's contract result in cash flows on specified dates that are merely the repayment of principal and interest on the principal outstanding.

Interest income, foreign exchange differences and impairment gains and losses are recognized in profit or loss and calculated in the same way as financial assets measured at amortized cost. Other changes in fair value are recognized in other comprehensive income. At the moment of discontinuation of recognition of a component of financial assets, the total profit or loss previously recognized in other comprehensive income is reclassified from the equity item to the financial result.

Interest income is calculated using the effective interest rate method and disclosed in the profit and loss account/ statement of comprehensive income under „Interest income".

The Company classifies into the category of debt instruments measured at fair value through other comprehensive income.

Equity instruments – financial assets measured at fair value through other comprehensive income

At the time of initial recognition, the Company has an irrevocable option to recognize in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for sale nor a contingent consideration recognized by the acquirer in a business combination to which IFRS 3 applies. This option is made separately for each equity instrument. A cumulative gain or loss previously recognized in other comprehensive income shall not be reclassified to profit or loss. Dividends are recognized in profit or loss/ statement of comprehensive income when an entity's entitlement to receive a dividend arises, unless the dividends are clearly a recovery of part of the investment costs.

The Company classifies the following into the category of equity instruments measured at fair value through other comprehensive income.

Financial assets measured at fair value through profit or loss

Financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The Group classifies derivative financial instruments as financial assets measured at fair value through profit or loss. The Company classifies derivative financial instruments, quoted equity instruments which have not been irrevocably assigned for measurement at fair value through other comprehensive income.

Profit or loss on the measurement of these assets at fair value is recognized in the financial result.

Dividends are recognized in the profit and loss account/ statement of comprehensive income when the entity's right to receive a dividend arises.

Offsetting financial assets and financial liabilities

In a situation where the Company:

- has a legal right to set off the recognized amounts and
- intends to settle on a net basis or realize the asset and settle the liability concurrently,

The financial asset and the financial liability are offset and presented in the statement of financial position on a net basis.

Impairment of financial assets

The Group assesses expected credit losses („ECL") related to debt instruments measured at amortized cost and fair value through other comprehensive income, regardless of whether there is any indication of impairment.

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

In case of other financial assets, the Company measures the expected credit loss write-off at the amount equal to 12 months of expected credit loss. If the credit risk associated with a financial instrument has increased significantly since the initial recognition, the Company measures the expected credit loss write-off for the financial instrument at an amount equal to the expected credit loss over its lifetime.

The Company estimates that the credit risk associated with a financial instrument has increased significantly since its initial recognition if the delay in payment exceeds 60 days]. At the same time, the Company estimates that a debtor's default occurs if the delay in payment exceeds 180 days.

The Company creates a write-down of financial assets in the amount of the difference between the value of these assets resulting from the books as at the valuation date and the recoverable amount.

ACCOUNTING POLICY

Fair value of financial assets and liabilities

Fair value is defined as the price that would be received from the sale of the asset or paid to transfer the liability in a transaction conducted on normal terms for the sale of the asset between market participants at the measurement date in current market conditions.

The Company measures financial instruments such as derivatives: FORWARD currency contracts and PUT options at fair value at each balance sheet date. Derivatives are recognized as assets when their value is positive and as liabilities when their value is negative.

Profits and losses resulting from changes in the fair value of derivatives that do not meet the hedge accounting principles are directly charged to the net profit or loss of the financial year. The fair value of currency forward contracts is determined by applying current forward rates for contracts with a similar maturity date.

All assets and liabilities which are measured at fair value or their fair value is disclosed in the financial statements are classified in the fair value hierarchy in the manner described below based on the lowest level of input data, which is significant for the measurement to fair value treated as a whole:

LEVEL INPUT OF THE FAIR VALUE HIERARCHY	DESCRIPTION
Level 1 inputs	Quoted prices for identical assets or liabilities in active markets
Level 2 inputs	Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly
Level 3 inputs	Inputs to measure an asset or liability that are not based on observable market data (unobservable inputs)

	31.12.2019 UNAUDITED		31.12.2018	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
Financial assets measured at amortised cost	350,9	—	247,0	—
Loans granted	250,6	—	134,6	—
Trade receivables	2,0	—	8,1	—
Receivables from fit-outs sale	2,9		—	—
Cash and cash equivalents	95,4	—	104,3	—
Financial assets measured at fair value through profit or loss	13,3	—	—	—
Other financial assets	13,3	—	—	—
Financial liabilities measured at amortised cost	—	1 523,5	—	1 062,3
Debt liabilities	—	321,4	—	217,1
Trade and other liabilities	—	456,5	—	184,4
Lease liabilities	—	710,4		641,8
Obligation to pay for aquired company	—	2,5		19,0
Obligation to pay to the associate		32,7		—
Financial liabilities measured at fair value through profit or loss	—	—	—	—

In the item other financial assets the Company presents valuation of option to acquire shares in HRG Group amounting to 13.2 million with the maturity date of 31.01.2021. Independent experts are involved in the above mentioned valuation of options.

For concluded option agreement to acquire shares in HR Group Holding S.à r.l. the forecasts received from the above mentioned companies, which are the main parameter influencing the valuation of financial instruments under the share acquisition option, were revised.

In case of the valuation of the redemption of interests in the Hamm Reno Group, a binomial tree model was used, which was created using the historical volatility of share prices. The tree was created using discount factors calculated from the EUR 1M curve from the Reuters market data source. The value of a compound option is determined through the valuation of call 24M and put options.

See note 3.1 for details on the options long-term investments.

For other financial instruments fair value does not differ from the carrying amount.

The levels of hierarchy of assets and liabilities valuation are as follows

COMPANY	Value as at 31.12.2018	VALUE AS AT 31.01.2019 (INITIAL RECOGNITION)	VALUE AS AT 31.12.2019 BEFORE FAIR VALUE MEASUREMENT	VALUE AS AT 31.12.2019	DATE OF IMPLEMENTATION
HR Group	—	116,9	103,6	13,3	31.01.2021

31.12.2019	TOTAL BOOK VALUE	HIERARCHY LEVEL OF FAIR VALUE
Financial assets measured at fair value through profit or loss	13,3	—
Other financial assets	—	3
Derivative financial instruments	13,3	—

FINANCIAL RISK MANAGEMENT

There are many different financial risks related to the activities carried out by the Company. 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).

As at 31 December 2018, the Company did not hold any financial assets or liabilities measured at fair value through profit or loss.

EXCHANGE RATE RISK

CCC S.A. operates internationally and therefore is exposed to currency exchange rate risk, in particular EUR in relation to transactions of store rents and loans granted.

The main balance sheet items exposed to the currency risk are trade payables (lease of stores), trade receivables (due to sublease of stores), loans granted and cash.

The Company monitors currency exchange rate fluctuations and takes steps to minimize the negative impact of currency exchange rate fluctuations on a regular basis, e.g. by taking account of these changes in commodity prices. The Company does not use hedging instruments.

The values were converted into the functional currency according to the exchange rate as of the last day of the reporting period:

- the exchange rate as of 31.12.2019 was 1 EUR – 4,2585 PLN
- the exchange rate as of 31.12.2018 was 1 EUR – 4,3000 PLN
- the exchange rate as of 31.12.2019 was 1 USD – 3,7977 PLN
- the exchange rate as of 31.12.2018 was 1 USD – 3,7597 PLN

The conversion was made according to the previously indicated exchange rates by dividing the values expressed in millions of PLN by the exchange rate.

The table below presents the Company's exposure to foreign exchange risk:

31.12.2019	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets measured at amortised cost	350,9	35,6	102,6	89,1	126,5
Loans granted	250,6	34,3	84,6	89,1	42,6
Trade receivables	2,0	—	—	—	2,0
Receivables from the sales of fixed assets	2,9	—	—	—	2,9
Cash and cash equivalents	95,4	1,3	18	—	76,1
Financial assets measured at fair value through profit or loss	13,3	—	13,3	—	—
Other financial assets	13,3	—	13,3	—	—
Financial liabilities measured at amortised cost	1 523,50	—	752,4	0,3	770,8
Debt liabilities	321,4	—	111,1	—	210,3
Trade and other liabilities	456,5	—	1,9	0,3	454,3
Lease liabilities	710,4	—	606,7	—	103,7
Obligation to pay for aquired company	2,5	—	—	—	2,5
Obligation to pay to the associate	32,7	—	32,7	—	—

31.12.2018	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets measured at amortised cost	247,00	34,50	28,30	14,50	169,70
Loans granted	134,60	9,40	1,30	12,30	111,60
Trade receivables	8,10	—	—	2,20	5,90
Cash and cash equivalents	104,30	25,10	27,00	—	52,20
Financial liabilities measured at amortised cost	1043,30	0,70	527,40	1,00	514,20
Trade and other liabilities	184,40	0,70	2,40	—	181,30
Debt liabilities	217,10	—	—	—	217,10
Lease liabilities	641,80	—	525,00	1,00	115,80

The sensitivity analysis in respect of the foreign exchange risk is presented in the table below. If the exchange rates of financial assets/liabilities denominated in foreign currencies, in particular for USD and EUR during the 12-month period ended 31 December 2019 were higher/lower by PLN 0.05, the impact on the gross result would be as follows:

31.12.2019	USD POSITION VALUE	USD EXCHANGE RATE INCREASE/DECREASE		EUR POSITION VALUE	EUR EXCHANGE RATE INCREASE/DECREASE	
		0,05	-0,05		0,05	-0,05
Financial assets measured at amortised cost	35,6	0,5	(0,5)	102,6	1,2	(1,2)
Loans granted	34,3	0,6	(0,6)	84,6	1,0	(1,0)
Trade receivables	—	—	—	—	—	—
Cash and cash equivalents	1,3	0,0	(0,0)	18,0	0,2	(0,2)
Financial assets measured at fair value through profit or loss	—	—	—	13,3	0,2	(0,2)
Other financial assets	—	—	—	13,3	0,2	(0,2)
Financial liabilities measured at amortised cost	—	—	—	752,4	8,8	(8,8)
Debt liabilities	—	—	—	111,1	1,3	(1,3)
Trade and other liabilities	—	—	—	1,9	0,0	0,0
Lease liabilities	—	—	—	606,7	7,1	(7,1)
Obligation to pay to the associate				32,7	0,4	(0,4)
Net effect on net result	—	0,5	(0,5)	—	10,2	(10,2)

31.12.2018	USD POSITION VALUE	USD EXCHANGE RATE INCREASE/DECREASE		EUR POSITION VALUE	EUR EXCHANGE RATE INCREASE/DECREASE	
		0,05	-0,05		0,05	-0,05
Financial assets measured at amortised cost	34,5	0,4	(0,4)	28,3	0,3	(0,3)
Loans granted	9,4	0,1	(0,1)	1,3	0,0	(0,0)
Trade receivables	—	—	—	—	—	—
Cash and cash equivalents	25,1	0,3	(0,3)	27,0	0,3	(0,3)
Financial liabilities measured at amortised cost	(0,7)	—	—	527,4	6,1	(6,1)
Debt liabilities	—	—	—	—	—	—
Trade and other liabilities	(0,7)	—	—	2,4	—	—
Lease liabilities	—	—	—	525,0	6,1	(6,1)
Net effect on net result	—	0,4	(0,4)	—	6,4	(6,4)

INTEREST RATE RISK

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

The entire debt bears interest at a variable interest rate based on WIBOR. An increase in interest rates affects the cost of debt service, which is partially offset by cash deposits and variable-rate loans granted. The loans granted in PLN are subject to interest at a variable WIBOR rate plus a margin.

Items bearing interest at a variable rate expose the Company to the risk of changes in cash flows as a result of changes in rates.

The Company does not use hedging to limit the impact of changes in cash flows resulting from interest rate fluctuations.

If the debt interest rates in the 12-month period ended 31 December 2019 were 1 p.p. higher/lower, the profit for this period would not change significantly, as in 2018.

The table below presents an analysis of interest rate risk sensitivity, which in the Company's opinion would be reasonably possible as at the balance sheet date.

	AMOUNT VULNERABLE TO RISK OF INTEREST RATE CHANGE %		AS AT 31.12.2019		AS AT 31.12.2018	
	31.12.2019	31.12.2018	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	23,0	54,6	0,2	(0,2)	0,5	(0,5)
Loans granted	250,6	134,6	3,1	(3,1)	1,3	(1,3)
Other financial assets	13,3	—	0,1	(0,1)	—	—
Credit and bond liabilities	(321,4)	(217,1)	(3,2)	3,2	(2,2)	2,2
Lease liabilities	(710,4)	(641,8)	(7,1)	7,1	(6,4)	6,4
Impact on net result	—	—	(6,9)	6,9	(6,8)	6,8

CREDIT RISK

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

The maximum exposure to credit risk at balance sheet date (31 December 2019 and 31 December 2018) is presented in the table below:

	31.12.2019	31.12.2018
Loans granted	250,6	134,6
Trade receivables	4,9	8,1
Cash and cash equivalents	95,4	104,3
Guarantees granted	1 121,9	658,7
Total	1 472,8	905,7

The write-down for expected credit losses is immaterial in the Company's assessment.

The table below presents the value of collaterals granted by CCC S.A. to subsidiaries:

	31.12.2019	31.12.2018
	AMOUNT/OR BOOK VALUE OF GUARANTEE	
Sureties granted	1 422,0	1 056,0
Capped mortgages on property	1 323,5	746,1
Registered pledge on movable assets	1 141,0	1 500,0
In blanco bills of exchange	564,8	797,0

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.

	31.12.2019	31.12.2018
A rated banks	85,8	82,3
Other – not classified [1]	—	1,2
Total cash at banks	85,8	83,5

[1] Banks not rated by international rating agencies

MOODY'S CREDIT RISK GRADES	
AAA	The lowest level of credit risk
AA	Very low credit risk
A	Low credit risk
BAA	Moderate credit risk and may possess certain speculative characteristics
BA	Substantial credit risk judged to be speculative
B	High credit risk considered speculative
CAA	Very high credit risk, speculations of poor standing
CA	Highly speculative and likely in, or very near, default, with some prospect of recovery of principal and interest
C	The Lowest rated and typically in default, with little prospect for recovery of principal or interest

The Company has no significant concentration of credit risk. The risk is spread over a large number of banks whose services the Group uses and customers with whom it cooperates.

6.2 SHARE-BASED PAYMENTS

ACCOUNTING POLICY

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

The total amount subject to recognition in costs is determined by referring to the fair value of options granted at the date of granting the option:

- taking into account any market conditions (for example entity's share price);
- excluding the impact of any related work experience and non-market conferring rights (for example, sales profitability, the goals connected with growth in sales and the indicated period of the compulsory employment of the employee in the unit); and
- taking into account the impact of any conditions unrelated to conferring the rights (for example, the requirement by the current staff to keep received instruments for a specified period).

At the end of each reporting period, the entity revises the made estimates of the expected number of options to which rights are to be conferred as a result of the conditions of conferring rights of a non-market. The Company presents the impact of a possible revision of the original estimates in the report on the financial result, with a corresponding adjustment to equity.

In addition, in certain circumstances, employees can provide services before the date of granting them the stock options. In this case, the fair value of at the date of granting stock options is estimated to recognize costs during the period from commencement of the service by the staff to the actual date of granting them the options.

Upon exercise of the options, an entity issues new shares. The funds obtained after the deduction of any costs that can be directly attributable to the transaction, increase the share capital (nominal value) and the surplus of the issue price of shares over their nominal value.

Social security contributions payable in connection with the granting of stock options are considered an integral part of the benefit granted and the cost is treated as a transaction settled in a form of cash.

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

In 2018 and 2019, the conditions for reaching the EBITDA threshold, which were one of the conditions for the granting of allowances, were not met. The Company assumed that the changes related to the implementation of IFRS 16, which directly affect the level of EBITDA (recognition of depreciation), will not affect the conditions for granting the rights.

VALUATION OF THE INCENTIVE PROGRAM

The EBITDA for 2019 was lower than the forecast for that year and the programme was not implemented in the part concerning that period.

The EBITDA for 2018 was lower than the forecast for that year and the programme was not implemented in the part concerning that period.

The EBITDA for 2017 was lower than the forecast for that year and the programme was not implemented in the part concerning that period and the Supervisory Board, at the request of the President of the Management Board, decided to reduce the exercise of rights to cover for 2017 by 25%.

In connection with the above, the Company has eliminated the costs of the programme for 2018 and 2018, leaving a tranche for 2017 as part of the programme. For the current year, the surplus of valuation over warrants due was recognized as an adjustment of remuneration costs.

Details concerning the purpose and detailed rules of issuing and obtaining shares are described in the report on the activities of CCC S.A. on page 70.

THE MAIN TERMS OF THE PROGRAM	TRANSH 2019	TRANSH 2018	TRANSH 2017
Date of conferring rights		26.08.2017	
Number of employees covered by the program		149 persons	
The value of the program by date of conferring rights		93,3	
Number of warrants granted	0	705.960	1.097.600
The value of a warrant by the date of by date of conferring rights	211,42	211,42	211,42
Cost included in the financial result in 2019	– 12,2	—	—
Cost included in the financial result in 2018	—	25,4	9,5
Cost included in the financial result in 2017	—	—	8,2
Cumulative amount recognised in equity as at 31 December ("retained earnings")	21,4	33,6	8,2
Period of conferring rights		from 8 June 2017 to 30 June 2020	
Period of execution of warrants to which rights are conferred		until 30 June 2024	

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

6.3 EVENTS AFTER THE BALANCE SHEET DATE

On 29 January 2020 the Management Board of CCC S.A. informed that on 29 January 2020 adopted the strategy of the CCC Capital Group for the years 2020-2022 „GO.22", including a summary of the main directions of its development (Current Report 4/2020).

In connection with the refinancing of HR Group's debt transaction conducted in February 2020, the parties agreed on an amend their contractual arrangements in respect of CALL and PUT options granted to each other so that they terminated the PUT option agreement entitling HRG to sell 0.32% of preference shares in HR Group Holding S.a.r.l. to CCC S.A. for the amount of EUR 4.5 million, and the right of CCC S.A. to execute call option (CALL) to acquire the remaining (69.45%) of HR shares Group Holding S.a.r.l. for EUR 74.6 million with a 24-month maturity („CALL 24M option") was materially limited.

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

The table below shows the remuneration of the entity authorized to audit the financial statements paid or due for the year ended 31 December 2019 and 31 December 2018 by type of service:

AUDITOR'S REMUNERATION	YEAR ENDED 31 DECEMBER 2019	YEAR ENDED 31 DECEMBER 2018
Obligatory audit of the annual financial statements and consolidated financial statements	0,4	0,3
Other assurance services		
Tax consultancy services		
Other services		
Total	0,4	0,3

THE STANDALONE FINANCIAL STATEMENTS WERE APPROVED FOR PUBLICATION BY THE MANAGEMENT BOARD OF THE COMPANY ON 6 MARCH 2020 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		
Marcin Czyczerski	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Karol Półtorak	Vice-President of the Management Board	
Polkowice, 6 March 2020		