INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS OF CCC S.A.

FOR THE PERIOD OF 6 MONTHS ENDED 30.06.2020

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INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

NOTE		01.2020-06.2020	04.2020 - 06.2020	01.2019-06.2019	04.2019 - 06.2019
		unaudited	unaudited	unaudited	unaudited
3.1	Sales revenue	706,7	431,8	1 059,2	682,0
3.2	Cost of goods sold	(406,7)	(294,3)	(701,8)	(494,2)
	Gross profit on sales	300,0	137,5	357,4	187,8
3.2	Costs of operating stores	(232,6)	(88,7)	(282,7)	(144,4)
3.2	Other costs of sale	(20,4)	(13,3)	(14,7)	(7,3)
3.2	Administrative expenses	(18,6)	(9,2)	(28,0)	(8,5)
3.3	Other operating income	13,4	7,2	10,5	10,0
3.3	Other operating costs	(24,1)	(22,4)	(26,5)	(26,1)
	Operating profit (loss)	17,7	11,1	16,0	11,5
3.3	Finance income	16,8	12,1	19,3	16,3
3.3	Write-offs on account of expected credit losses	(340,6)	(340,6)	-	-
3.3	Write-offs for impairment of shares	(45,5)	(45,5)	-	-
3.3	Other finance costs	(62,9)	(18,3)	(34,0)	(28,7)
	Profit (loss) before tax	(414,5)	(381,2)	1,3	(0,9)
3.4	Income tax	4,5	(14,8)	(5,8)	(5,3)
	NET PROFIT (LOSS)	(410,0)	(396,0)	(4,5)	(6,2)
	Other comprehensive income				
	Other comprehensive income	-	-	-	-
	Total net comprehensive income	-	-	-	-
	TOTAL COMPREHENSIVE INCOME	(410,0)	(396,0)	(4,5)	(6,2)
	Weighted average number of ordinary shares (mln pcs)	44,0	41,1	41,1	41,1
	Basic earnings per share (in PLN)	(9,31)	(9,64)	(0,11)	(0,15)
	Diluted earnings per share (in PLN)	(9,31)	(9,64)	(0,11)	(0,15)

[in PLN million unless otherwise stated]

INTERIM CONDENSED SEPARATE STATEMENT OF FINANCIAL POSITION

NOTE		30.06.2020	31.12.2019
		unaudited	
5.1	Intangible assets	1,0	1,4
5.1.1	Goodwill	46,3	48,8
5.2	Tangible fixed assets - investments in stores	312,5	279,9
5.2	Tangible fixed assets - factory and distribution	233,7	238,3
5.2	Tangible fixed assets - other	49,0	57,6
5.3	Right to use	655,1	686,9
3.4	Deferred tax assets	17,0	9,6
6.3	Loans granted	-	78,0
6.2	Long-term investments	466,2	511,8
6.1	Other financial assets	-	13,3
5.5	Lease receivables	63,5	-
	Total non-current assets	1 844,3	1 925,6
5.4	Inventories	357,6	345,5
5.5	Trade receivables	43,1	4,9
6.3	Loans granted	84,5	172,6
5.5	Other receivables	35,2	32,4
5.6	Cash and cash equivalents	158,0	95,4
5.5	Lease receivables	14,5	-
	Total current assets	692,9	650,8
	TOTAL ASSETS	2 537,2	2 576,4
4.2	Debt liabilities	-	210,0
5.8	Provisions	2,8	2,8
5.2	Grants received	16,1	19,0
5.7	Employees liabilities	-	5,5
5.3	Lease liabilities	692,7	509,0
	Total non-current liabilities	711,6	746,3
4.2	Debt liabilities	210,0	111,4
5.7	Trade liabilities	98,9	456,5
5.7	Other liabilities	120,4	89,0
3.4	Income tax liabilities	11,0	9,2
5.8	Provisions	144,5	1,2
5.2	Grants received	3,7	2,4
5.3	Lease liabilities	183,9	201,4
	Total current liabilities	772,4	871,1
	TOTAL LIABILITIES	1 484,0	1 617,4
	NET ASSETS	1 053,2	959,0
	Equity		
4.1	Share capital	5,5	4,1
4.1	Share premium	1 148,0	645,1
	Retained earnings	(100,3)	309,8
	TOTAL EQUITY	1 053,2	959,0
	TOTAL LIABILITIES AND EQUITY	2 537,2	2 576,4

[in PLN million unless otherwise stated]

INTERIM CONDENSED SEPARATE STATEMENT OF CASH FLOWS

NOTE		01.2020-06.2020	01.2019-06.2019
		unaudited	unaudited
	Profit (loss) before tax	(414,5)	1,3
4.4	Amortization and depreciation	121,3	129,6
	Profit (loss) on investment activity	(0,4)	(5,4)
4.2	Cost of borrowings	8,9	8,7
4.4	Other adjustments to profit before tax	419,7	36,3
3.4	Income tax paid	(1,9)	(7,1)
	Cash flow before changes in working capital	133,1	163,4
	Changes in working capital		
5.4	Change in inventory and inventory write-downs	(12,1)	(10,0)
4.4	Change in receivables	(35,3)	(5,5)
4.4	Change in current liabilities, excluding borrowings and bonds	(303,4)	319,2
	Net cash flows from operating activities	(217,7)	467,1
	Proceeds from the sale of tangible fixed assets	1,0	9,7
5.5, 6.3	Repayment of loans granted and interest	10,0	21,5
5.1, 5.2	Purchase of intangible and tangible fixed assets	(20,5)	(64,9)
6.3	Loans granted	(0,9)	(215,8)
	Other outflows from investing activity	(31,6)	(5,3)
	Payment related to acquisition of Adler enterprise	-	(16,5)
	Purchase of investment in associates	-	(118,4)
	Other inflows from investing activities	1,5	9,4
	Net cash flows from investing activities	(40,5)	(380,3)
4.2	Proceeds from borrowings	-	111,7
4.1	Issue of bonds	506,9	-
	Other financial proceeds	0,8	-
4.2	Repayment of bonds	-	(6,9)
5.3	Lease payments	(63,4)	(95,1)
4.2,5.3	Interest paid	(9,2)	(8,1)
4.2	Net increase of equity	(111,7)	
	Other financial exspenses	(2,6)	(0,1)
	Net cash flows from financing activities	320,8	1,5
	TOTAL CASH FLOWS	62,6	88,3
	Net increase/decrease of cash and cash equivalents	62,6	88,3
	Cash and cash equivalents at the beginning of period	95,4	104,3
	Cash and cash equivalents at the end of period	158,0	192,6

[in PLN million unless otherwise stated]

INTERIM CONDENSED SEPARATE STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	TOTAL EQUITY
As of 31.12.2019 (01.01.2020)	4,1	309,7	645,1	959,0
Net profit (loss) for the period	-	(410,0)	-	(410,0)
Exchange rate differences from the translations	-	-	-	-
Total comprehensive income	-	(410,0)	-	(410,0)
Issue of shares	1,4	-	502,9	504,3
Total transactions with owners	1,4	-	502,9	504,3
As of 30.06.2020 (01.07.2020)	5,5	(100,3)	1 148,0	1 053,2
As of 01.01.2019	4,1	392,7	645,1	1 041,9
Net profit (loss) for the period	-	(4,5)	-	(4,5)
Exchange rate differences from the translations	-	-	-	-
Total comprehensive income	-	(4,5)	-	(4,5)
Dividend resolution	-	(19,8)	-	(19,8)
Valuation of employee option scheme	-	11,6	-	11,6
Total transactions with owners	-	(8,2)	-	(8,2)
As of 30.06.2020 (01.07.2020)	4,1	380,0	645,1	1 029,2

	SHARE CAPITAL	RETAINED EARNINGS	SHARE PREMIUM	TOTAL EQUITY
As of 01.01.2019	4,1	392,7	645,1	1 041,9
Net profit (loss) for the period	-	(51,0)	-	(51,0)
Exchange rate differences from the translations	-	-	-	-
Total comprehensive income	-	(51,0)	-	(51,0)
Dividend resolution	-	(19,7)	-	(19,7)
Valuation of employee option scheme	-	(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

EXPLANATORY 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:	211692	
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: Vice-President of the Management Board: Vice-President of the Management Board:	Marcin Czyczerski Karol Półtorak Mariusz Gnych

Company CCC S.A. (hereinafter referred to as the Company, CCC Company) has been listed on the Warsaw Stock Exchange S.A. since 2004.

Mid-year condensed separate financial statements of the Company cover the period of 6 months ended 30 June 2020 and contain comparative data for the period of 6 months ended 30 June 2019 and as at 31 December 2019. The statement of comprehensive income and notes to the statement of comprehensive income covering the period of 3 months ended 30 June 2020 and comparative data for the period of 3 months ended 30 June 2019, these data were not subject to review or audit by a statutory auditor.

These separate interim condensed financial statements of CCC for the period of 6 months ended 30 June 2020 were approved for publication by the Management board of the Company on 30 September 2020.

The Company is a parent company of CCC S.A. Capital Group. The Company also prepared the consolidated interim condensed financial statements for the period of 6 months ended 30 June 2020, which were approved for publication by the Board on 30 September 2020. The consolidated interim financial statements of the CCC S.A. Capital Group were prepared in accordance with the IFRS requirements. The reports are available on the Company's website.

The Company's interim financial result may not fully reflect the financial result for the financial year.

BASIS FOR PREPARATION

These interim condensed separate financial statements have been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" approved by the EU ("IAS 34").
The interim condensed separate financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's separate financial statements for the year ended 31 December 2019 approved for publication on 6 March 2020.

The financial statements have been prepared in accordance with the historical cost principle and at fair value if the historical cost principle could not be applied (i.e. for investment properties, financial instruments measured at fair value).

The data in the separate financial statements are presented in millions of PLN, unless in specific situations they have been provided with greater accuracy. The functional and reporting currency is the Polish zloty (PLN).

GOING CONCERN

These interim condensed separate financial statements have been prepared on the assumption that the Company remain a going concern in the foreseeable future, i.e. at least 12 months from the balance sheet date.

As at 30.06.2020, the Company's separate statement of financial position shows current assets in the amount of PLN 692.9 million, which include, among others: inventories in the amount of PLN 357.6 million, cash in the amount of PLN 158.0 million, trade and other receivables in the amount of PLN 78.3 million, and short-term liabilities in the amount of PLN 772.4 million, which include, among others: debt on account of credits and bonds in the amount of PLN 210 million, liability to suppliers and other in the amount of PLN 219.3 million and lease liabilities (IFRS 16) in the amount of PLN 183.9 million, which results in the surplus of short-term liabilities to current assets in the amount of PLN 79.5 million. This situation results to a large extent from the fact that the right of use is presented in the long-term part of the assets, while the lease liabilities are presented in the short-term and long-term part, the financial debt is presented in the short-term part and inventories are presented (valued) at purchase price, while the value of inventories at sales prices would be higher with the current sales margins of about 40-50%.

As part of the 3-year GO.22 strategy published on 29 January 2020. The Management Board of the Company prepared a financial plan. The financial plan has been prepared by the main business segments in the CCC S.A. Capital Group. According to this plan, the Parent Company and the Capital Group were to achieve positive cash flows in particular years of projection, which was to translate into a reduction in the level of debts. During preparations, the Management Board adopted a numer of assumptions, the most important of which were related:

1. increase in sales in digital channels by developing existing and launching new e-commerce platforms (including mobile)
2. increase in sales per m2 in offline stores through the increase in conversion rate, the average number of items per receipt and the average receipt value, while a moderate decrease in the number of visits in stores (so-called traffic)
3. moderate expansion of the store chain (compared to previous years) through a selective approach to opening new stores on selected markets
4. development of the product offer, including the implementation of attractive spring-summer and autumn-winter collections of own brands, as well as supplementation of the offer with selected foreign brands
5. implementation of a new communication strategy and consequently, among others, broadening the range of the Group's clients
6. improve product life cycle management, including maximizing sales of products at first prices
7. implementation of advanced data analysis solutions in order to personalize communication to customers
8. decrease in investment expenditure in relation to previous years
9. improvement of working capital management and shortening the cash conversion period
10. continuation of cooperation with the existing institutions financing the Group's activities by extending the financing of instruments due in 2020 at a similar level.

As a result of the outbreak of the COVID 19 pandemic and the introduction of a temporary restrictions on retail trade in the countries where the Group operates, the implementation of the above mentioned strategy and financial plans has been significantly disrupted.

The most important events related to the development of the pandemic affecting the Company's and the Group's operations and the presented results, described in detail in the following paragraph "IMPACT OF COVID 19 EPIDEMIC ON THE GROUP’S ACTIVITIES", include the following:

- concluding agreements with banks financing the Group's operations ensuring a stable level of financing for the following months, i.e. until April 2021 and with bondholders ensuring financing until the end of June 2021,
- issue of shares and the Group's capital increase of about PLN 506 million,
- renegotiation of commercial space lease agreements,
- recognition of significant write-downs of assets and creation of additional provisions.

The Company's and the Group's operations are to a large extent financed by financial instruments, mainly in the form of loans, bonds and reverse factoring. Details concerning the structure of financing of the activity are presented in par. 4.2 of the explanatory notes to this financial statement.

As a result of the pandemic, as mentioned above, the Company's Management Board concluded agreements with the banks financing the Group's operations and concluded an agreement with the Group's bondholders to ensure a safe level of financing for the Group for the next months, i.e. until April 2021 and until June 2021 in the case of bonds. One of the conditions of the signed agreements was recapitalization of the Group at the level of at least PLN 300 million, maintaining cash at the minimum level of PLN 40 million, preparation of financial projections for subsequent months and years, verified by an independent financial advisor and monitoring their performance on a monthly basis also by an independent financial advisor and signing agreements refinancing the Group's operations after the standstill period.

The above mentioned financial forecasts were based on a number of assumptions, from which the most important ones concern:
- Achieving the assumed sales levels and margins in individual months of exiting the pandemic,
- signing agreements for new financing in the amount of about PLN 250 million guaranteed by BGK S.A. and for extending the financing period for the Group's operations beyond the period covered by the current agreements, i.e. beyond April 2021,
- appropriate adjustment of the assortment in the context of changes in fashion trends and weather conditions,
- maintaining appropriate relationships with suppliers who have partially lost their insurance limits for the Group,
- no further significant negative factors resulting from the spread of the COVID-19 pandemic.

There are various risks associated with the implementation of these forecasts. Among the most important are issues related to:
- potentially negative reaction of financial institutions to possible shifts in performance in particular periods of the year affecting the reported levels of margins and indicators,
- failure to sign contracts to provide new financing as foreseen in the prepared projections or required due to potentially worse than expected results,
- actions taken by the Group's competitors,
- unplanned / unforeseen changes in fashion trends and weather conditions,
- significant changes in consumers' behaviour under the influence of the COVID-19 pandemic,
- suspension of financing by institutions financing the Company's and Group's activities in case of failure to implement the financial parameters adopted in the prepared projections, including the obligation to maintain cash at a specified minimum level,
- non-business factors, including the further spread of the COVID-19 pandemic, described in paragraph "THE IMPACT OF COVID 19 EPIDEMIC ON GROUP ACTIVITIES”.

Bearing in mind the above, the Company's Management Board, when preparing this financial statement, identified a number of the above-mentioned risks and circumstances that may significantly affect the results and liquidity situation of the Company and the Group, as well as the risk of failure to meet the agreement signed with the institutions financing its operations. This would result in the financial institutions expecting the Company and the Group to settle their liabilities. This may indicate significant uncertainty related to the risks and circumstances described above, which may raise serious doubts as to the Company's ability to continue operations.

Despite the above risks, the Management Board of the Company, based on the current financial results, consistent with or even in some areas better than planned, believes that appropriate measures have been taken and are being taken to ensure the implementation of the adopted plans of the Company and the Group and has therefore prepared the attached financial statements on a going concern basis.

IMPACT OF THE COVID-19 EPIDEMIC ON THE COMPANY'S OPERATIONS

Since the fourth quarter of 2019, the COVID-19 virus (coronavirus) has been spreading worldwide.
In response to the pandemic, in order to limit its negative effects, the governments of individual countries took specific countermeasures.
During the first quarter of 2020 until the date of these financial statements, the COVID-19 pandemic had a very significant negative impact on the global economy and the economies of individual countries, including those cooperating with the Company and the Group.

The COVID-19 pandemic also had a negative impact on the supply chain. Many of the Group's major suppliers are located in Asia. In the first phase of the pandemic, the start of production of the autumn-winter 2020 collection in China was delayed. In the following weeks, the situation in China stabilized and manufacturers resumed their work. At the same time, production difficulties emerged in other countries, including India and Bangladesh, where the Group's suppliers are located. As a result of the actions taken, as of the day of preparing this report, the Group has a secured assortment of goods for sale in the autumn-winter 2020 season.

In response to the pandemic, the Group has prepared a comprehensive plan to stabilize its operations, including operational, financial and strategic dimensions. Key actions included maintaining the Group's functioning processes in the environment of widely used remote work, strengthening e-commerce logistics processes, accelerating the launch of e-commerce platforms in new markets, starting negotiations with landlords in terms of adjusting the lease conditions to the circumstances of the pandemic and the expected decrease in the number of people visiting the stores after their opening, applying for and receiving support from available public aid programs in terms of labor costs and others.

In financial terms, the Company began negotiations with bondholders, banks and financing institutions in order to maintain the stability of long-term financing and announced the issue of new shares in order to secure additional capital for financial support of the Group's operations, in particular orders for the following seasons. The Group is also engaged in activities aimed at obtaining additional financing under the guarantee of the BGK Liquidity Guarantee Fund and the Polish Development Fund.

In the strategic dimension, the Company assumes restrictions and transfers of investment expenditures, while maintaining the assumptions of the GO.22 strategy.

In the medium and long term, the Group expects: a significant drop in the value of the footwear market in 2020 and its reconstruction in 2021 (assuming no administrative closures at the end of 2020 or in 2021), an increase in the share of the e-commerce channel in revenues, a shift in consumer demand towards goods with the best possible price/quality ratio due to reductions in disposable income.

ANALYSIS OF THE IMPACT OF CHANGES IN THE ECONOMIC SITUATION ON THE VALUATION OF ASSETS AND LIABILITIES OF CCC S.A. CAPITAL GROUP.

Inventory write-downs
See note 5.4 for additional information.

Evaluation of expected ECL credit loss
As of June 30, 2020, the Company has made a detailed analysis of the impact of changes in the economic environment associated with the coronavirus pandemic on the calculation of expected credit losses in terms of the potential need to modify the assumptions made in the estimates made and taking into account an additional element of risk associated with the current economic situation and forecasts for the future.
The Company's activity is mainly related to retail activities, hence the level of trade receivables is not significant. The economic situation in the period from March to May 2020 caused significant drops in sales in the retail segment.
Moreover, receivables from entities which, in the Company's opinion have the highest risk of default in the short term were covered by write-downs. Therefore, the Company expects that the payment of the receivables shown in the statement of financial position as of 30 June 2020, which fall due in the coming months, will remain unchanged significantly. The Company estimates that despite the coronavirus pandemic, the risk of non-payment of receivables by contractors has not changed significantly.
The second group of assets exposed to credit losses are loans and guarantees granted. The Company has identified the risk of default on the loans granted, therefore it has created an impairment in the amount of 200.3 million PLN and has recognized a write-down for expected credit losses on financial guarantee agreements in the amount of PLN 140.3 million.
Additional description of the created write-offs and provisions for the expected losses is included in note 3.3 and 6.1.

The Company is currently analyzing the situation on the markets and signals from contractors that may indicate a deterioration of the financial situation and, if necessary, will update the adopted estimates for the calculation of ECL for the purpose of preparing the financial statement for the third quarter of 2020.

Impairment of property, plant and equipment, company goodwill and assets due to rights of use
The outbreak of the COVID-19 epidemic caused significant changes in business conditions and economic situation, therefore the Company considered it as a premise for impairment testing of assets at the end of the second quarter of 2020. Additional information is provided in note 5.1.1., 5.2 and 5.3.

Other accounting estimates

At the moment of preparing these half-year condensed consolidated financial statements, the Group does not identify any significant risks related to potential breach of the terms of signed trade agreements and supply contracts.

Liquidity situation

Through the issue of shares, the Company has secured the funds necessary to stock the AW20 season, and the funds obtained from current operations and from the planned new financing secured by a guarantee from BGK will be enough to back up the SS21 season while maintaining a safe level of liquidity. The company has taken additional steps to improve liquidity in the next 12 months. Such measures include:

- renegotiation of rental agreements,
- introduction of a savings program,
- strong development of the e-commerce channel,
- Improvment in planning and inventory management process.

The risks that could affect liquidity in the indicated period include the following in point „Going concern" in note 1 to these Financial Statements.

[in PLN million unless otherwise stated]

In the strategic dimension, the CCC Group and the Company assumes restrictions and shifts of investment expenditure, while maintaining the assumptions of the GO.22 strategy. In the medium and long term, the Group expects:

- significant drop in the footwear market value in 2020 and its reconstruction in 2021. (assuming no administrative closure of stores in 2021)
- increase of the e-commerce channel in revenues,
- the shift in consumer demand towards goods with the best price/quality ratio due to the reduction of their disposable income.

ACCOUNTING PRINCIPLES APPLIED

The accounting principles applied by CCC S.A. have not changed in relation to those applied in the financial statements for the financial year from 1 January to 31 December 2019, except for the application of new or amended standards and interpretations applicable to annual periods beginning on 1 January 2020 or later.
From January 2019, other operating costs and other operating income are presented in a separate form and not in the net value so far. Presentation of data, including data for comparable periods in this report is continued according to this principle.

MAJOR ESTIMATES AND JUDGEMENTS

Preparation of the 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 within the framework of applying the accounting principles adopted by the Company. Significant estimates of the Management Board are presented in particular notes.

Below is a list of accounting policies and major estimates and judgments for particular items of the financial result and financial situation reports:

NOTE	TITLE	ACCOUNTING POLICIES (Y/N)	CRITICAL ESTIMATES AND JUDGEMENTS (Y/N)	PAGE
3.1	Sales revenue	Y	N	16
3.2	Cost of goods sold	Y	N	18
3.2	Costs of operating stores	Y	N	18
3.2	Other costs of sale	Y	N	18
3.2	Administrative expenses	Y	N	18
5.3	Leasing	Y	Y	42
3.3	Other operating and financial income and costs	Y	N	21
3.4	Income tax	Y	Y	23
3.4	Deferred tax assets	Y	Y	23
3.4	Income tax liabilities	Y	N	23
4.1	Equity	Y	Y	27
4.2	Debt liabilities	Y	N	30
5.1	Intangible assets	Y	Y	36
5.2	Tangible fixed assets	Y	Y	39
5.2	Grants received	Y	N	39
5.4	Inventories	Y	Y	46
6.3	Loans granted	Y	N	65
5,5	Trade receivables	Y	N	48
5,5	Other receivables	Y	N	48
5,6	Cash and cash equivalents	Y	N	50
5.7	Trade and other liabilities	Y	N	50
5.7	Other liabilities	Y	N	50
5.8	Provisions	Y	Y	52
6.1	Financial instruments	Y	Y	53
6.4	Costs of the incentive program	Y	Y	71

New and amended accounting standards applied

The amended standards and interpretations, which apply for the first time in 2020, do not have a significant impact on the interim condensed separate financial statements of the Company

1. Changes to IFRS 3: Definition of a Business The changes to IFRS 3 clarify that in order to be considered a business, an integrated set of activities and assets must include at least one input and one significant process that together significantly contribute to the ability to create a product. The changes also clarify that a project could exist without all the inputs and processes necessary to produce products.
2. Amendments to IFRS 7, IFRS 9 and IAS 39: Reform of interest rate benchmarks. The amendments to IFRS 9 and IAS 39 introduce a number of derogations for all hedging relationships directly affected by the IBOR reform. The IBOR reform affects securing links if it leads to uncertainty as to the timing and/or amount of cash flows based on the interest rate reference index resulting from the hedged item or the hedging instrument based on the interest rate reference index.
3. Amendments to IFRS 1 and IFRS 8: Definition of "material". The amendments to IAS 1 and IAS 8 introduce a new definition of "material" which states that "information is significant if its omission, misstatement or opaque nature may reasonably be expected to influence the decisions of major users of general purpose financial statements based on such statements containing financial information about a particular reporting entity". The amendments clarify that materiality will depend on the nature or amount of the information, individually or in combination with other information, in the context of the overall financial statements.
4. Conceptual assumptions of financial reporting as of 29 March 2018. The conceptual assumptions do not constitute a separate standard and none of the terms presented therein supersedes or repeals the terms presented in any standard or the requirements of any standard. The purpose of the Conceptual Assumptions is to support the IASB in the development of standards, to help prepare financial statements in the development of coherent accounting principles (policies) where there is no relevant standard, and to support all parties in financial reporting in understanding and applying the standards. The updated conceptual framework includes some new concepts, updates the definitions and recognition criteria for assets and liabilities, and clarifies some important concepts.

The Company has not decided to apply earlier any standard, interpretation or amendment that has been published but has not yet entered into force under European Union regulations.

Published standards and interpretations not yet in force and not previously applied by the Group

The standards and interpretations published by the International Accounting Standards Board are listed below, but have not yet entered into effect. In the opinion of the Management Board, they would not have a significant impact on the financial statement if they had been applied by the Company as of the balance sheet date.

- IFRS 14 Regulatory Accruals and Deferred Tax (published on 30 January 2014) - in accordance with the decision of the European Commission, the process of approval of the standard in its initial version will not be initiated before the publication of the standard in its final version - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2016 or later;
- Changes to IFRS 10 and IAS 28: Transactions of sale or contribution of assets between an investor and its associate or joint venture (published on 11 September 2014) - the work leading to the approval of these changes has been postponed by the EU permanently - the effective date has been delayed by the IASB for an indefinite period;
- IFRS 17 Insurance Contracts (published on 18 May 2017) including Amendments to IFRS 17 (published on 25 June 2020) - not approved by EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later;
- Amendments to IAS 1: Presentation of Financial Statements - Division of Liabilities into Short-term and Long-term Liabilities and Division of Liabilities into Short-term and Long-term Liabilities - Deferral of the effective date (published on 23 January 2020 and 15 July 2020 respectively) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2023 or later;
- Amendments to IFRS 3 Amendments to references to Conceptual Assumptions (published on 14 May 2020) - not approved by EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2022 or later;
- Amendments to IAS 16 Property, Plant and Equipment: Revenues generated before commissioning (published on 14 May 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2022 or later;
- Amendments to IAS 37 Borrowing Contracts - Costs of fulfilling contractual obligations (published on 14 May 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2022 or later;
- Amendments resulting from the review of IFRS 2018-2020 (published on 14 May 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2022 or later;
- Amendment to IFRS 16 Leasing: Rental concessions related to Covid-19 (published on 28 May 2020) - not approved by EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 June 2020 or later. Earlier application is permitted, including for financial statements not approved for publication on 28 May 2020;
- Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9 (published on 25 June 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2021 or later;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Reform of Reference Interest Rate Indices - Phase 2 (published on 27 August 2020) - not approved by the EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 January 2021 or later;
- Amendment to IFRS 16 Leasing: Rental concessions related to Covid-19 (published on 28 May 2020) - not approved by EU until the date of approval of these financial statements - applicable to annual periods beginning on 1 June 2020 or later. Earlier application is permitted, including for financial statements not approved for publication on 28 May 2020.

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

2. SEGMENTS

The Company uses the exemption for segment performance disclosures under IFRS 8 par. 4, therefore the analysis of the Company's operating segments was presented in the consolidated financial statements of CCC S.A. Capital Group.

3. EXPLANATORY NOTES TO THE INTERIM CONDENSED SEPARATE STATEMENT OF COMPREHENSIVE INCOME

3.1 SALES REVENUE

Accounting policy

Revenue from sales
IFRS 15 establishes the so-called Five Steps Model for recognising revenue from contracts with customers.
According to the above standard, revenues are recognized in the amount of payment that the entity is entitled to in return for the delivery of the promised goods or services to the customer.
The Company recognizes revenue at the moment of handing over the goods to the customer in the value reflecting the price expected by the entity in return for the handover of those goods and services.

The Management Board of the Company carried out a comprehensive analysis to determine whether a given entity acts as an agent or principal, 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. According to the business model, CCC.eu delivers goods to CCC SA, which then carries out sales in the chain of stores in Poland.
Elements which may indicate that the Company could be treated as an intermediary are the following conditions resulting from the concluded contracts:
- according to the adopted model of settlements, the Company is to ensure a fixed operating margin;
- the goods, which the Company has not managed to sell in a given season, can be returned to CCC.eu, at the same time CCC.eu can demand the return of the goods from the Company, and the cost of this return is covered by CCC.eu;
- CCC.eu sets standards and supports the Company in the field of pricing policy, promotion and pricing in stores, including recommendations for retail prices, rules for discounts and increases, as well as discounts and promotions for customers;
- CCC.eu decides on assortments and quantities of goods supplied to the Company;
- The Company accepts returns from retail customers and considers after-sales complaints, while the cost of these complaints in full coverage of CCC.eu

In the opinion of the 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 that the Company plays. In the opinion of the Management Board, the Company does not act as an intermediary because it is exposed to significant risks of the business and benefits from the sale of goods purchased from CCC.eu. Confirmation of such an assessment of the role of the Company is the following conditions of mutual cooperation:
- The Company is primarily responsible for the delivery of 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 in its own name and on its own account, purchase from CCC.eu takes place under the terms of delivery CPT (transfer of ownership at the time of loading on the means of transport);
- The Company assumes the risk associated with the stocks before and after placing an order by the customer, during the implementation of supplies or returns, and the stocks remaining in the Company are its property and the Company assumes the risk associated with their possible loss;
- The Company receives only recommendations from CCC.eu for pricing, bonus, discount policy and has full freedom in setting prices;
- The Company assumes the credit risk associated with the amounts due from the customer;
- The Company assumes the full reputational risk associated with the quality of the goods sold, and potential objections from customers may translate into a negative situation of the Company.

In connection with the above, the Management Board considers that CCC S.A. should not be treated as an agent within the meaning of the provisions of IFRS 15. The Company shows all of its sales revenues.

Revenues from sales of goods and products - retail sales
The Company sells shoes, handbags, shoe care accessories and small clothing accessories through its own chain of stores located in Poland and abroad. Revenues from sales are recognized at the moment of handing over the goods to the customer in the store. Retail sale is usually conducted for cash or using payment cards. The company applies the policy of returning the goods by the customer within 14 days from the date of purchase. In order to estimate the volume of returns, the historical rate of returns of goods to the volume of sales is used. Based on this estimation, the sales revenue is adjusted.

Revenues from sales of goods - e-commerce sales
The company sells shoes, handbags, shoe care accessories, small clothing accessories through an online store operating on the local and foreign market. Revenue from sales is recognized at the time of delivery to the courier and corrected accordingly on the balance sheet date taking into account the date of receipt of the consignment by the customer. The company applies the policy of returning the goods by the customer within 30 days from the date of receiving the order. In addition, also on the balance sheet date is estimated the value of potential returns due to the consumer's right to return.
In order to estimate the volume of returns and create an obligation for them, the previous experience is used.

[in PLN million unless otherwise stated]

Revenues from contracts with customers, divided into categories, are as follows:

Sales revenue	01-06.2020	01-06.2019	Change %
shoes	544,2	906,3	-40%
bags	31,2	49,4	-37%
other	38,3	45,4	-16%
retail activity	613,7	1 001,1	-39%
shoes	74,4	0,8	>100%
bags	4,5	-	0%
other	1,1	-	0%
e-commerce	80,0	0,8	>100%
wholesale / service	13,0	57,3	-77%
total	706,7	1 059,2	-33%

Sales revenue	04-06.2020	04-06.2019	Change %
shoes	331,1	592,8	-44%
bags	19,1	32,5	-41%
other	22,2	27,4	-19%
retail activity	372,4	652,7	-43%
shoes	52,3	0,8	>100%
bags	3,4	-	0%
other	0,8	-	0%
e-commerce	56,5	0,8	>100%
wholesale / service	2,9	28,4	-90%
total	431,8	682,0	-37%

The company conducts retail sales to individual recipients, sales to no single recipient exceeded 10% of total revenues.

In the first half of 2020 there was a 39% decrease in revenue from retail operations compared to the first half of 2019 due to the closure of points of sale in the period from 15 March to 7 May 2020 in connection with the spreading COVID-19 pandemic. After the lockdown period, a slow return of customers to stationary stores was observed, as well as the shift of some customers to shopping through the e-commerce channel and the sale of goods after the peak season, which was associated with discounts.

The company recorded a dynamic increase in the share of revenue in the e-commerce channel from 0.1% in the first half of 2019 to 11.3% (the e-commerce channel was launched in June 2019). The increase in revenue in this segment was driven by the closure of stationary sales points due to the impact of the COVID-19 epidemic and the shift of some customers to shopping through the e-commerce channel instead of shopping in stores after the opening of stores.

3.2 COSTS BY NATURE

Accounting policy

Cost of goods sold
As the cost of goods sold the Company recognizes:
- value of goods sold,
- the value of the packaging released for sale,
- value of the finished products sold,
- inventory write-down,
- write-offs for impairment of tangible and intangible fixed assets used in the production of goods or services (depreciation of production machines), costs of salaries of production employees.

Costs 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),
- depreciation of the asset due to the right of use,
- costs of third party services (e.g. agent's remuneration, consumption of utilities),),
- variable payments concerning leasing (sales-based rents).

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 salaries of employees of organizational units supporting sales,
- amortisation of property, plant and equipment,
- costs of external services,
- other generic costs,
- low value and short-term leasing.

Administrative expenses
Administrative expenses include costs related to the management of the entire business activity of the Company (general and administrative costs) and general costs of the Company.

Government grants are recognized using the income method (they reduce costs).

[in PLN million unless otherwise stated]

NOTE	01.2020-06.2020	COST OF GOODS SOLD	COSTS OF OPERATING STORES	OTHER COSTS OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase and manufacturing of goods sold	(402,5)	-	-	-	(402,5)
	Consumption of materials and energy	-	(7,5)	(0,3)	(1,8)	(9,6)
5.4	Write-down on inventories	(4,2)	-	-	-	(4,2)
	Remuneration and employees benefits	-	(64,3)	(5,8)	(4,7)	(74,7)
6.4	Cost of incentive program	-	-	-	-	-
	Transportation services	-	(0,3)	(6,6)	-	(6,9)
	Lease costs - utilities and other variable costs	-	(33,5)	(0,1)	(1,6)	(35,2)
	Other outsourcing services	-	(9,2)	(2,0)	(7,9)	(19,1)
5.1 5.2	Amortization and depreciation	-	(117,8)	(3,9)	(1,4)	(123,1)
	Taxes and charges	-	-	(1,4)	(0,4)	(1,8)
	Other flat costs	-	-	(0,3)	(0,8)	(1,1)
	Total	(406,7)	(232,6)	(20,4)	(18,6)	(678,2)

NOTE	01.2019-06.2019	COST OF GOODS SOLD	COSTS OF OPERATING STORES	OTHER COSTS OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
	Cost of purchase of goods sold	(697,5)	-	-	-	(697,5)
	Consumption of materials and energy	-	(7,0)	(2,2)	(0,6)	(9,8)
5.4	Provision for inventories	(4,3)	-	-	-	(4,3)
	Remuneration and employees benefits	-	(97,4)	(9,4)	(7,6)	(114,4)
6.4	Cost of incentive program	-	-	-	(5,2)	(5,2)
	Transportation services	-	-	-	-	-
	Lease costs - utilities and other variable costs	-	(45,5)	-	(1,8)	(47,3)
	Other outsourcing services	-	(14,5)	(2,6)	(6,1)	(23,2)
5.1 5.2	Amortization and depreciation	-	(118,2)	(0,1)	(3,6)	(121,9)
	Taxes and charges	-	-	-	(2,0)	(2,0)
	Other flat costs	-	(0,1)	(0,4)	(1,1)	(1,6)
	Total	(701,8)	(282,7)	(14,7)	(28,0)	(1 027,2)

The cost of goods sold dropped by 42.6% compared to the same period last year. This decrease is mainly due to the COVID-19 pandemic. Analyzing the gross profit on sales, first-degree margins in the first half of 2020 are observed to increase from 33.7% to 42.5%. The margin increase is disproportionate to the decrease in revenue and the market situation caused by the COVID-19 pandemic and the forced closure of stores. This increase results from the applied transfer pricing policy in the Capital Group of CCC S.A., which in the case of transactions of purchase of goods by CCC S.A. is based on the resale price method.

The costs of operating stores dropped by 17.7% compared to the same period last year. This decrease was mainly due to lower cost of remuneration and employee benefits, which is a result of store closures during the lockdown period and the government subsidy received for remuneration and employee benefits in the amount of PLN 12.4 million, as well as lower lease costs (variables: utilities, electricity, etc.) due to store closures during the lockdown period and renegotiations of lease agreements.
The total value of the public aid received to employee wages and benefits costs amounted to PLN 16.9 million in the first half of 2020.

[in PLN million unless otherwise stated]

04.2020-06.2020	COST OF GOODS SOLD	COSTS OF OPERATING STORES	OTHER COSTS OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
Cost of purchase and manufacturing of goods sold	(290,1)	-	-	-	(290,1)
Consumption of materials and energy	-	(2,2)	0,6	(1,4)	(3,0)
Provision for inventories	(4,2)	-	-	-	(4,2)
Remuneration and employees benefits	-	(16,3)	(0,9)	(1,3)	(18,5)
Cost of incentive program	-	-	-	-	-
Transportation services	-	1,2	(6,6)	-	(5,4)
Lease costs - utilities and other variable costs	-	(10,2)	(0,1)	(1,3)	(11,6)
Other outsourcing services	-	(4,8)	(1,2)	(5,6)	(11,6)
Amortization and depreciation	-	(56,4)	(2,6)	0,2	(58,8)
Taxes and charges	-	-	(1,4)	0,5	(0,9)
Other flat costs	-	-	-	(0,3)	(0,3)
Write-down	-	-	(1,1)	-	(1,1)
Total	(294,3)	(88,7)	(13,3)	(9,2)	(405,5)

04.2019-06.2019	COST OF GOODS SOLD	COSTS OF OPERATING STORES	OTHER COSTS OF SALE	ADMINISTRATIVE EXPENSES	TOTAL
Cost of purchase of goods sold	(489,9)	-	-	-	(489,9)
Consumption of materials and energy	-	(4,4)	(1,1)	(0,5)	(6,0)
Provision for inventories	(4,3)	-	-	-	(4,3)
Remuneration and employees benefits	-	(49,9)	(4,4)	(3,3)	(57,6)
Cost of incentive program	-	-	-	(1,0)	(1,0)
Transportation services	-	-	-	-	-
Lease costs - utilities and other variable costs	-	(24,0)	-	(0,9)	(24,9)
Other outsourcing services	-	(6,3)	(1,5)	(0,6)	(8,4)
Amortization and depreciation	-	(59,8)	(0,1)	(1,8)	(61,7)
Taxes and charges	-	-	-	(1,3)	(1,3)
Other flat costs	-	-	(0,2)	0,9	0,7
Total	(494,2)	(144,4)	(7,3)	(8,5)	(654,4)

[in PLN million unless otherwise stated]

3.3 OTHER OPERATING AND FINANCIAL INCOME AND COSTS

Accounting policy

Other operating income and costs
Other operating income and costs include income and expenses from activities that are not the core business of the entity, e.g. profits or losses on disposal of property, plant and equipment, penalties and fines, donations, etc.

Finance income and costs
Finance income and costs resulting from the Company's financial activity include among others: interest, commissions, profits and losses on exchange rate differences.

NOTE		01.2020-06.2020	04.2020-06.2020	01.2019-06.2019	04.2019-06.2019
	Total other operating costs	unaudited	unaudited	unaudited	unaudited
	Stocktaking net losses	-	-	(0,5)	(0,2)
5.8	Provision establishment	-	-	(22,0)	(22,0)
	Other operating cost	(24,1)	(22,4)	(3,2)	(3,1)
	Loss on exchange rate differences on items other than debt	-	-	(0,8)	(0,8)
	Total other operating costs	(24,1)	(22,4)	(26,5)	(26,1)
	Total other operating income				
	Profit on disposal of tangible fixed assets	0,2	(2,9)	5,4	7,0
	Profit from exchange rate differences on items other than debt	-	(0,1)	-	-
	Compensations	-	-	0,6	0,3
	Subsidy of SFRDP remuneration	1,4	0,6	1,6	0,8
	Release of provisions	4,7	4,7	-	-
	Other operating income	7,1	4,9	2,9	1,9
	Total other operating income	13,4	7,2	10,5	10,0
	Total other operating costs and income	(10,7)	(15,2)	(16,0)	(16,1)

[in PLN million unless otherwise stated]

NOTE	01.2020-06.2020	04.2020-06.2020	01.2019-06.2019	04.2019-06.2019
Total finance costs	unaudited	unaudited	unaudited	unaudited
Interest on borrowings (recognised in costs)	(9,2)	(5,0)	(8,7)	(3,9)
Result on exchange rates	(35,5)	(8,9)	-	-
Commissions	(1,7)	(1,7)	-	-
Write-down of loans granted	(200,3)	(200,3)	-	-
Provision for bank guarantees	(140,3)	(140,3)	-	-
Write-down of shares	(45,5)	(45,5)	-	-
Valuation of HRG call option	(13,3)	-	(23,1)	(23,1)
Other finance costs	(3,2)	(2,7)	(1,1)	(0,6)
Guaranties received	-	-	(1,1)	(1,1)
Total finance costs	(449,0)	(404,4)	(34,0)	(28,7)
Total finance income				
Interest from current account and other	9,1	4,7	4,2	3,1
Result on exchange rates	-	-	8,1	6,9
Other finance income	1,4	1,1	1,6	0,9
Guaranties granted	6,3	6,3	5,4	5,4
Total finance income	16,8	12,1	19,3	16,3

The ongoing COVID-19 pandemic had a significant impact on Karl Voegele AG's operating results in the first half of 2020 and its future prospects. The business process optimization started after the acquisition of this entity did not bring the expected results. As a result, the strategic options were reviewed. The Management Board decided to sell the shares in this entity. The company held shares in Karl Voegele AG through NG2 Suisse s.a.r.l., owned by CCC S.A. After the sale of Karl Voegele AG, NG2 Suisse s.a.r.l. will not generate sufficient cash flow that would cover the value of shares held in NG2 Suisse s.a.r.l. by CCC S.A. Therefore, in the first half of 2020, an impairment of these shares was identified and a write-down covering 100% of the value of shares held in NG2 Suisse s.a.r.l. was recognized.
As a result of the above, a significant risk of lack of recoverability of the loans granted by CCC S.A. to the following entities Karl Voegele AG, NG2 Suisse s.a.r.l. was identified This is a change in the Management Board's estimation of the classification of these loans - there was a change from level 1 to level 3. As a result, the write-downs of these loans were created in the amounts of 75.9 million PLN and 8.4 million PLN respectively. These write-offs cover 100% of the value of the loans granted.
Additionally, the Company recognized a write-off for expected credit losses on financial guarantee agreements granted to Karl Vogele AG in the amount of PLN 70.4 million. This provision covers 100% of the value of granted guarantees.

In addition to the above mentioned impairment for loans granted, in the first half of 2020, as a result of the deterioration of the financial situation caused by COVID-19, the Company identified impairment of the loans granted in HRG's associated company. In case of this capital group of the entity, the entire credit exposure to which the Capital Group of CCC S.A. is exposed was analysed. Then, the value of the exposure was compared with the valuation of this capital group and the revaluation write-offs were created up to the amount of the company valuation. The company covered the revaluation write-down of the loan granted to HRG in the amount of PLN 116.0 million.

A detailed list of granted loans and sureties, with a division into gross value / credit exposure, impairment allowance, level is presented in note 6.1.

3.4 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 mended 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 group.

The Company recognizes and measures current and deferred income tax assets or liabilities, applying the requirements of IAS 12 Income tax based on profit (tax loss), tax base, unsettled tax losses, unused tax credits and tax rates, including uncertainty assessments related to tax settlements. When there is uncertainty whether and to what extent the tax authority shall accept individual tax settlements of the transaction, the Group recognizes these settlements taking into account the uncertainty assessment. The above risk estimates are subject to assessment by the Management Board.

ACCOUNTING POLICIES

Mandatory charges to the result consist of current tax (CIT) and deferred tax. The current tax burden is calculated based on the tax result of a given reporting period in the countries where the company and its subsidiaries operate and generate taxable income based on the rates applicable in a given country. Changes in estimates relating to previous years are recognized as an adjustment of the charge for the current year.

Uncertainty related to income tax recognition

If, in the Company's opinion, it is likely that the Company's approach to a tax issue or group of tax issues will be accepted by the tax authority, the Company determines the taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in its tax return. In assessing this possibility, the Company assumes that the tax authorities authorized to audit and challenge the tax treatment will conduct such audit and have access to all information. If the Company determines that it is unlikely that the tax authority will accept the Company's approach to a tax issue or a group of tax issues, then the Company reflects the effects of the uncertainty in the accounting treatment of the tax during the period in which it has determined this. The Company captures the income tax liability using one of the two methods listed below, whichever better reflects how the uncertainty may materialize:

- The Company determines the most probable scenario - it is a single amount among possible results or
- The Company recognizes the expected value - this is the sum of probability-weighted amounts from among possible results.

Deferred tax assets and liabilities are recognized as a result of differences between the carrying values of assets and liabilities and the corresponding tax values, as well as on unsettled tax losses. Such differences arise in the Company when depreciation is accounted for differently for accounting and tax purposes, when the value of assets (which will be realized for tax purposes in the form of tax depreciation in future periods) or provisions created for accounting purposes (which will be recognized for tax purposes when the relevant costs are incurred). The recognition excludes differences (other than acquisition transactions) related to the initial recognition of an asset or liability, which at the time of recognition of a given asset or liability affects neither the result nor the tax income (loss).

Differences in transition also arise in takeovers and internal reorganisations within the group. In the case of acquisitions of external entities, temporary differences arise from the measurement of assets and liabilities to their fair values without affecting the tax values of those assets and liabilities - the deferred tax liability or assets arising from those differences adjust the goodwill (profit 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 simultaneous 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 affected other comprehensive income or capital. Positive temporary differences relating to goodwill are excluded from recognition, however, if the tax value of goodwill arising in a transaction is higher than its carrying amount, then deferred tax assets are recognised at the moment of initial recognition of goodwill if it is probable that tax income will be generated which will allow to realize this negative temporary difference.

Deferred tax assets and liabilities are calculated using the applicable (or practically applicable) tax rates. Deferred tax assets and liabilities are subject to offsetting within particular titles, which have the right to settle the current tax in the net amount.
Deferred income tax assets are recognized up to the amount in which it is probable that tax income will be generated that will allow realization of negative temporary differences and tax losses, or when positive temporary differences are expected to be realized simultaneously. Amounts above this amount are only subject to disclosure.
The Company carefully assesses the nature and extent of the evidence supporting the conclusion that it is likely that sufficient future taxable profit will be available to allow for the deduction of unused tax losses, unused tax credits or other negative temporary differences.
In assessing whether it is probable that future taxable income will be achieved (probability above 50%), the Company takes into account all available evidence, both the evidence of probability and the evidence of lack of probability.

[in PLN million unless otherwise stated]

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

	01.2020-06.2020	04.2020-06.2020	01.2019-06.2019	04.2019-06.2019
	unaudited	unaudited	unaudited	unaudited
Current tax	(3,0)	1,8	(10,4)	(9,9)
Deferred tax	7,4	(11,1)	4,6	4,6
Income tax recognized in the statement of comprehensive income	4,5	(9,3)	(5,8)	(5,3)
Current tax recognized in the result	2,9	-	10,4	9,9
Balance of liabilities/receivables due to CIT tax at beginning of period	9,2	-	6,7	-
Balance of liabilities/receivables due to CIT tax at the end of the period	(11,0)	(0,8)	(10,0)	(5,0)
Other changes	0,8	0,8	-	-
Tax paid recognized in statement of cash flows	1,9	-	7,1	4,8

INFORMATION ON APPLIED TAX RATES AND RECONCILIATION FOR CHARGING THE RESULT

	01.2020-06.2020	04.2020-06.2020	01.2019-06.2019	04.2019-06.2019
Poland	19%	19%	19%	19%
Income tax rate	19%	19%	19%	19%

	01.2020-06.2020	04.2020-06.2020	01.2019-06.2019	04.2019-06.2019
Profit (loss) before tax	(414,5)	(380,3)	1,3	(0,9)
Income tax rate	19,00%	19,00%	19,00%	19,00%
Tax calculated according to income tax rate	78,8	72,3	(0,2)	0,2
Tax effects of the following items:		-		-
• income not allowable for tax income	3,7	0,3	(0,2)	(0,2)
• non-tax-deductible expenses	(78,0)	(63,9)	(5,2)	(5,3)
• other adjustments	-	(18,0)	(0,2)	(0,2)
Charging financial result on income tax	4,5	(9,3)	(5,8)	(5,3)

Main item of non-taxable revenues were revenue concerning the settlement of subsidies.
Non-deductible costs include mainly write-offs for expected credit losses in the amount of 200.3 million PLN, write-offs for loss of value of NG2 Suisse s.a.r.l. shareholding in the amount of 45.5 million PLN, reserve for bank guarantees in the amount of 140.3 million PLN, as well as valuation of HRG options in the amount of 13.3 million PLN.

[in PLN million unless otherwise stated]

BALANCES AND CHANGES IN DEFERRED TAX

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

	30.06.2020	CREDITING TO / (CHARGING) FINANCIAL RESULT	31.12.2019	CREDITING TO / (CHARGING) FINANCIAL RESULT	01.01.2019
Assets					
Impairment of assets	0,8	(0,1)	0,9	-	0,9
Provisions for liabilities	4,9	(0,4)	5,3	0,4	4,9
Others	0,9	0,2	0,7	(0,7)	1,4
Valuation of leasing contracts	12,6	8,1	4,5	2,6	1,9
Total before offsetting	19,2	7,8	11,4	2,3	9,1
Liabilities					
Accelerated tax depreciation of tangible fixed assets	-	(0,5)	0,5	(0,1)	0,6
Others	2,1	0,8	1,3	1,2	0,1
Total before offsetting	2,1	0,3	1,8	1,1	0,7
Offsetting	(2,1)	(0,3)	(1,8)	(1,1)	(0,7)
Balance of deferred tax in the balance sheet:	17,0	7,5	9,6	1,2	8,4
Assets	17,0	7,5	9,6	1,2	8,4
Liabilities	-	-	-	-	-

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 costs.
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 parent company, 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 7.2

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.

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:
- share capital 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

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

SHARE CAPITAL

As at 30 June 2020, the equity capital of Parent Company consisted of 54,87 million shares (as at 31 December 2019 it consisted of 41,16 million shares) with a nominal value of PLN 0.10 each, including 48,22 million ordinary shares and 6,65 million voting preference shares. As at 30 June 2020, the share capital amounted to PLN 5.5 million (as at 31 December 2019: PLN 4.1 million) 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.
The entity with a significant influence on the Parent Company is ULTRO s.a.r.l., a Luxembourg-based company, holding 31.12% of shares in the Company's share capital and 38.22% 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

[in PLN million unless otherwise stated]

CAPITAL RESERVES FROM THE SALE OF SHARES ABOVE THEIR NOMINAL VALUE

Capital reserves mainly include capital from the share premium and the settlement of share-based employee benefit plans settled in equity instruments. As at 30 June 2020, the value of reserve capital amounted to PLN 1 152.0 million. (as at 31 December 2019: PLN 645.1 million).

RETAINED EARNINGS

Retained earnings include: retained earnings (loss) 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 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 profit 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 first half of 2020, basic and diluted loss per share amounted to PLN 9.31. In the first half of 2019 basic and diluted loss per share amounted to 0.11 PLN.

	30.06.2020	30.06.2019
Number of shares (units)	44 040 581	41 168 000
Potential number of shares (units)	293 730	293 730
TOTAL (units)	44 334 311	41 461 730
Net profit (loss)	(410,0)	(4,5)
Earnings per share (PLN)	(9,31)	(0,11)
Diluted earnings (PLN)	(9,25)	(0,11)
Number of w arrants (units)	293 730	293 730
Price of w arrants (PLN)	211,42	211,42
Weighted average share price during the period (PLN)	64,37	195,93
Share price at the end of the period (in PLN)	59,68	168,60
Number of shares for ordinary earnings per share (units)	44 040 581	41 168 000
Number of shares after adjustment (units)	44 040 581	41 168 000
Net profit [million PLN]	(410,0)	(4,5)
Diluted earnings per share (PLN)	(9,31)	(0,11)

DIVIDEND

On 24 June 2020 the Ordinary General Meeting of Shareholders of CCC S.A. passed the resolution No. 5/ZWZA/2020 regarding covering the loss for the financial year 2019 in the amount of 50.8 million PLN from the reserve capital.

On 18 June 2019, the General Meeting of Shareholders of CCC S.A. adopted Resolution No. 6/ZWZA/2019 on the allocation of part of the reserve capital in the amount of PLN 19.76 million to be distributed to shareholders through the payment of dividends. The Ordinary General Meeting of Shareholders appointed 17 September 2019 as the day on which the list of shareholders entitled to dividend for the financial year 2018 is established (the dividend day), and 1 October 2019 as the dividend payment date. As of the date of the resolution, one share of CCC S.A. is entitled to the amount of 0,48 PLN due to the dividend, the number of shares of CCC S.A. entitled to the dividend amounts to 41 168 000.

ISSUANCE OF SHARES

On 19 May 2020 the District Court for Wrocław-Fabryczna in Wrocław, 9th Business Division (National Court Register) recorded in the register of entrepreneurs kept for the Company an increase of the Company's share capital from the amount of PLN 4,116,800.00 to the amount of PLN 5,486,800.00 through the issue of 6,850,000 Series I ordinary bearer shares of the Company with the nominal value of PLN 0.10 each and of 6,850,000 Series J ordinary registered shares of the Company with the nominal value of PLN 0.10 each, issued pursuant to Resolution No. 3/NWZA/2020 of the Extraordinary General Meeting of the Company of 17 April 2020 regarding an increase of the Company's share capital by way of issuing Series I and Series J ordinary shares, excluding the existing shareholders' preemptive rights with respect to all Series I and Series J shares, seeking the admission and introduction of the Series I and Series J shares and Series I and Series J Shares Rights to Shares to trading on the regulated market operated by the Warsaw Stock Exchange, dematerialization of the Series I and Series J shares and the Series I Rights to Shares and authorization to execute an agreement for the registration of the Series I and Series J shares and Series I and Series J Rights to Shares in the national depository of securities, as well as amending the Articles of Association of the Company and to register the relevant amendments to the Articles of Association of the Company.
As at the date of this current report, the total number of votes attached to all the shares issued by the Company (after the Registration) is 61,518,000 with the share capital being represented by 54,868,000 shares in the Company with the nominal value of PLN 0.10 (ten grosz) each, including:

– 6,650,000 Series A1 preferred registered shares;
– 13,600,000 Series A2 ordinary bearer shares;
– 9,750,000 Series B ordinary bearer shares;
– 2,000,000 Series C ordinary bearer shares;
– 6,400,000 Series D ordinary bearer shares;
– 768,000 Series E ordinary bearer shares;
– 2,000,000 Series H ordinary bearer shares;
– 6,850,000 Series I ordinary bearer shares; and
– 6,850,000 Series J ordinary registered shares in the Company.

The Company has placed all 13.7 million of its new shares. The issue price was set at PLN 37 per share, which means that the Company has raised PLN 506.9 million from the issue. The proceeds will be used to reinforce the Company's working capital, including purchase of products for the autumn/winter 2020 season. The Company incurred transaction costs in the amount of PLN 2.6 million, which reduced the AGIO.

The Company's share capital amounts to 5,486,800.00 PLN and is divided into 54,868,000 shares with a nominal value of 0.10 PLN each, including 6,650,000 registered preference shares, so that there are two votes for each share. The Issuer's share capital consists of 54 868 000 shares.

4.2 DEBT DUE TO LOANS AND BONDS

ACCOUNTING POLICY

Debt liabilities cover mainly bank loans, lease liabilities 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 5.3).
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) currency conversion of a financial liability, unless the terms of the contract provide otherwise,
b) Replacement of a creditor,
c) significant extension of the financing period from the original financing period,
d) change in the interest rate from variable to fixed and vice versa,
e) 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.

[in PLN million unless otherwise stated]

LIABILITIES DUE TO LOANS AND BONDS

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	DEBT LIABILITIES			BONDS PAYABLE	TOTAL
	NON-CURRENT	CURRENT	IN CURRENT ACCOUNT		
As of 01.01.2019	-	7,1	-	210,0	217,1
Proceeds from debt contracted					
- financing received	111,7	-	-	-	111,7
- transactional cost	-	-	-	-	-
Charging interest	-	1,4	-	6,6	8,0
Repayment of debt					-
- 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	-	(0,9)	-	-	(0,9)
As of 31.12.2019	-	111,4	-	210,0	321,4
Proceeds from debt contracted					
- financing received	-	-	-	-	-
- transactional cost	-	-	-	-	-
Charging interest	-	0,5	-	3,2	3,7
Repayment of debt	-	-	-	-	-
- repayment of capital	-	(111,7)	-	-	(111,7)
- interest paid	-	(0,8)	-	(3,2)	(4,0)
Change in current account	-	-	-	-	-
Change of presentation from short to long-term	-	-	-	-	-
Other non-cash changes	-	0,6	-	-	0,6
As of 30.06.2020	-	-	-	210,0	210,0

In the first half of 2020, total financing received in the amount of 111.7 million PLN of 29 January 2019 concluded with CCC.eu sp. z o.o. (a company from the CCC Capital Group) was repaid in full.
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.

As a result of the coronavirus pandemic, the Company concluded an agreement with the institutions financing the activities of the Capital Group and the Company - a more detailed description is included in the section "Continued operations" in explanatory note 1 to these Financial Statements.

In the Company's opinion, changes in contractual terms of the above financial liabilities are not material and do not result in discontinuation of recognition of the existing liabilities.

[in PLN million unless otherwise stated]

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.

Repayment of these liabilities are covered by the following collateral:

	30.06.2020	31.12.2019
	AMOUNT/OR BOOK VALUE OF GUARANTEE	
Sureties granted	125,6	1 094,0
Capped mortgages on property	1 814,7	1 349,7
Registered pledge on movable assets	1 440,1	1 800,0
In blanco bills of exchange	267,3	709,9
Assignments of insurance policies	-	17,0
Bank guarantees	-	35,8

The Company has agreements with banks under which the banks have issued guarantees to entities renting premises in which the Company operates.

[in PLN million unless otherwise stated]

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.

NOTE	As of 30.06.2020	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Bonds	-	212,5	-	-	-	212,5	210,0
5.7	Trade liabilities	94,9	3,1	0,9	-	-	98,9	98,9
5.3	Lease liabilities	54,1	131,6	421,4	210,7	114,1	931,9	876,6
6.1	Guarantees granted	140,3	-	-	-	-	140,3	140,3
	Liabilities on acquisition of HR Group	3,2	-	-	-	-	3,2	3,2
	Financial liabilities	292,5	347,2	422,3	210,7	114,1	1 386,7	1 329,0

NOTE	As of 30.06.2020	CONTRACTUAL MATURITIES FOR FINANCIAL LIABILITIES FROM THE END OF THE REPORTING PERIOD					TOTAL UNDISCOUNTED	BOOK VALUE
		UP TO 3 MONTHS	3-12 MONTHS	1-3 YEARS	3-5 YEARS	OVER 5 YEARS		
4.2	Borrow ings	1,2	112,4	1,4	-	-	115,0	111,4
5.7	Bonds	-	6,4	213,2	-	-	219,6	210,0
5.3	Liabilities to suppliers	430,4	26,1	-	-	-	456,5	456,5
5.3	Lease liabilities	51,1	151,8	307,0	160,7	63,5	734,1	710,4
	Liabilities on acquisition of Adler International	2,5	-	-			2,5	2,5
	Liabilities on 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

The guarantees granted are described in detail in note 6.1 and in the Report on operations of the Management Board.

[in PLN million unless otherwise stated]

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

NOTE	TRADE RECEIVABLES, OTHER RECEIVABLES	LIABILITIES TO SUPPLIERS, OTHER LIABILITIES, LIABILITIES TO EMPLOYEES
As of 31.12.2019	37,3	550,9
As of 30.06.2020	78,4	219,3
Change in the statement of financial position	(41,0)	(331,5)
Difference arising from:		
Change in sureties granted	6,4	-
Change in investment liabilities/receivables	(0,8)	2,7
Change in liabilities related to obligation to pay to associates	-	29,4
Other	0,1	(4,0)
Change recognized in the statement of cash flows	(35,3)	(303,4)
As of 31.12.2018	76,5	258,3
As of 30.06.2019	53,7	671,8
Change in the statement of financial position	22,8	413,5
Difference arising from:		
Change in sureties granted	(5,4)	11,0
Change in investment liabilities/receivables	4,9	(2,7)
Change in receivables related to payment for the aquisition of Gino Rossi S.A. shares	(27,7)	-
Change in liabilities related to obligation to pay to associates	-	(101,4)
Declared dividend	-	(19,8)
Other	(0,1)	18,6
Change recognized in the statement of cash flows	(5,5)	319,2

[in PLN million unless otherwise stated]

	01.2020-06.2020	01.2019-06.2019
Other profit adjustments before taxation:		
Profit (loss) on exchange rates differences	-	(8,2)
Change in provisions	3,4	-
Change in provisions for loan guarantees	140,0	-
Write-off on account of expected credit losses	200,3	-
Valuation of employee option scheme	-	5,2
Sureties granted	(6,4)	(5,5)
Write-off revaluating shares in NG2 Suisse s.a.r.l.	45,5	-
Valuation of HR Group option	13,3	23,1
Valuation of the fair value of CCC Germany	-	22,0
Other	23,7	(0,3)
Total	419,7	36,3

	01.2020-06.2020	01.2019-06.2019
Amortization and depreciation disclosed in note of costs by nature		
Change due to re-invoicing of costs	123,1	121,9
Other	-	9,0
Grants	(1,8)	(1,3)
Total	121,3	129,6

[in PLN million unless otherwise stated]

5. NOTES TO THE INTERIM CONDENSED STATEMENT 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 AND LICENCES	INTANGIBLE ASSETS IN PROGRESS	TOTAL
Gross value 01.01.2019	11,5	-	11,5
Aggregated amortization	(9,3)	-	(9,3)
Net value 01.01.2019	2,2	-	2,2
Amortization	(0,8)	-	(0,8)
Gross value 31.12.2019 (01.01.2020)	11,5	-	11,5
Aggregated amortization	(10,1)	-	(10,1)
Net value 31.12.2019 (01.01.2020)	1,4	-	1,4
Amortization	(0,4)	-	(0,4)
Gross value 30.06.2020	11,4	-	11,4
Aggregated amortization	(10,5)	-	(10,5)
Net value 30.06.2020	1,0	-	1,0

[in PLN million unless otherwise stated]

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 implemented in stages, the fair value at the acquisition date of the share in the capital of the acquiree previously held by the acquirer over the net amount determined at the acquisition date of the values of the identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is recognized at acquisition price less any accumulated impairment losses. An impairment test is carried out once a year or more frequently if there are any indications thereof. Goodwill is not amortized.

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.

Company	Date of acquisition	As at 31.12.2019 (01.01.2020)	Adjustments - final settlement	Acquisition	Foreign exchange differences from conversion	As at 30.06.2020
Adler International Sp. z o.o. sp. k.	07.2018	48,8	(2,5)	-	-	46,3
Goodwill	-	48,8	(2,5)	-	-	46,3

[in PLN million unless otherwise stated]

As at 30.06.2020 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. Management is certain that no reasonably possible change in any of the key assumptions made as part of the test will cause the carrying value of the tested facility to significantly exceed its recoverable amount.

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 individual parameters were adjusted to the situation resulting from COVID-19 and the increase parameters were adopted at a more conservative level compared to the tests of 31.12.2019 in order to take into account the uncertainties resulting from the pandemic.

The impairment test was conducted based on the following assumptions:

31.12.2019	Adler International Sp. z o.o. sp. k.
Discount rate before tax	9,8%
Average EBITDA profit margin	30,2%
Expected cumulative annual EBITDA growth rate	3,6%
Residual growth rate	2,0%

30.06.2020	Adler International Sp. z o.o. sp. k.
Discount rate before tax	7,23%
Average EBITDA profit margin	28,0%
Expected cumulative annual EBITDA growth rate	2,0%
Residual growth rate	2,0%

The Company also conducted a sensitivity analysis of the results to changes in the discount rate (+/- 5 p.p.) and to the level of realized EBITDA (+/- 5%). The results of the analysis indicate that there is no risk of value loss with respect to such a change of parameters.

[in PLN million unless otherwise stated]

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	REMAINING TIME OF USE
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)	
Factory and distribution	* Buildings * Machines and equipment * Means of transport * Other tangible fixed assets	* from 10 to 40 years * from 10 to 40 years * from 5 to 10 years * from 5 to 10 years
Other	* Machines and equipment * Means of transport * Other assets	* from 3 to 15 years * from 5 to 10 years * from 5 to 10 years

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

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.

[in PLN million unless otherwise stated]

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.
Fixed assets under construction include primarily capital expenditures incurred in stores.

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. As at the balance sheet date, the value of the unsettled grant amounts to PLN 19.8 million. According to the Company's accounting policy, this grant is presented in the "Grants received" item in the statement of financial position.

	INVESTMENT IN STORES	FACTORY AND DISTRIBUTION				OTHER TANGIBLE FIXED ASSETS				TOTAL
		LAND, BUILDINGS AND CONSTRUCTIONS	MACHINES AND EQUIPMENT	TANGIBLE FIXED ASSETS IN PROGRESS	TOTAL	LAND AND BUILDINGS	MACHINES AND EQUIPMENT	OTHER	TOTAL	
Gross value 01.01.2019	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 01.01.2019	255,0	187,8	33,9	0,1	221,8	51,3	7,7	1,9	60,9	537,7
Purchase	84,5	14,3	13,8	14,8	42,9	0,3	3,6	-	3,9	131,3
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)
Depreciation (liquidation and sale)	7,7	0,2	-	-	0,2	-	2,6	0,1	2,7	10,6
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
Purchase	56,5	-	-	0,5	0,5	(0,2)	-	0,1	(0,1)	56,9
Depreciation	(25,4)	(1,5)	(7,8)	-	(9,3)	(2,7)	(0,3)	(0,2)	(3,2)	(37,9)
Liquidation and sale	(4,5)	-	(0,1)	-	(0,1)	-	-	-	-	(4,6)
Depreciation (liquidation and sale)	4,5	-	0,1	-	0,1	-	-	-	-	4,6
Transfers	11,0	15,7	9,6	(14,9)	10,4	1,3	(24,0)	(1,6)	(24,3)	(2,9)
Transfers-depreciation	(9,5)	(0,6)	(5,8)	-	(6,5)	0,5	17,6	0,9	18,9	2,9
Gross value 30.06.2020	527,2	230,3	119,1	0,5	349,9	56,5	1,8	6,3	64,6	941,7
Aggregated depreciation	(214,7)	(29,1)	(87,1)	-	(116,2)	(8,6)	(1,3)	(5,7)	(15,6)	(346,5)
Impairment loss	-	-	-	-	-	-	-	-	-	-
Net value 30.06.2020	312,5	201,2	32,0	0,5	233,7	47,9	0,5	0,6	49,0	595,2

[in PLN million unless otherwise stated]

In connection with the prevailing COVID-19 pandemic, the Company has identified the reasons for impairment testing. The main assets exposed to impairment are investments in stores and rights of use. The Company tested individual stores for impairment as at 30 June 2020. In accordance with the Company's approach, the stores that generated losses in 2018 and 2019 and those whose results in the first half of 2020 differed from the average for a given market were tested. As a result, the number of stores meeting the prerequisites for the impairment test amounted to 5. In the case of the remaining stores which were not subject to the impairment tests, the Company has reassessed the results for the first half of 2020 and the results in July and August. For this group of assets, the Company did not identify any risk of impairment.

The forecast for each of the tested stores covered the duration of individual current agreements in order to correctly calculate the recoverable amount. The discount rate for Poland was 7.23%.
The main assumptions adopted to determine the use value are as follows:
- level of product sales costs
- impact of revenue changes on direct costs
- a discount rate based on the weighted average cost of capital and reflecting the current market assessment of the time value of money and the risk associated with the business of the cash generating unit.

The assumptions adopted for estimating the revenues were based on conservative assumptions of demand reconstruction and gradual achievement of the GO.22 strategy. The revenues in the second half of 2020 were assumed at the level of the second half of 2019. For 2021 an increase of 12% compared to 2019 was assumed, and for 2022-2026 an increase of 5%. The values of write-offs are presented below:

Chain	Number of stores tested	Number of stores with write offs	Write-down [PLN]
Poland	5	0	-
Total	**5**	**0**	**-**

In the case of tangible fixed assets classified as factory, distribution and other, the Company has not identified any evidence of impairment.
The assets associated with the first group ("factory and distribution") concerns:
- distribution, which concerns both retail and e-commerce activities. During the COVID-19 pandemic, there was a significant increase in revenue from the e-commerce distribution channel,
- production that was not significantly affected by the COVID-19 pandemic.

The assets related to the other segment concern mainly land and buildings located in the Company's headquarters.

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.
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 Group recognizes the change of lease as a separate lease if:
a) the change increases the scope of the lease by granting the right to use one or more underlying assets and
b) remuneration for the lease shall be increased by an amount commensurate with the unit price for the extension and any appropriate adjustments to that unit price to take account of the circumstances of the agreement. In case of a change in the lease, which is not recognized as a separate lease, at the date of agreeing the change (date of signing the annex/agreement by the last party to the agreement) the Group:
a) allocates remuneration in the modified agreement,
b) determines the period of the modified lease, and
c) revaluates the lease liability by discounting the updated lease payments using the updated discount rate. The updated discount rate is determined as the lease interest rate for the remainder of the lease term when that rate can be clearly determined, or the lessee's incremental interest rate applicable at the date the change is agreed upon if the lease interest rate cannot be easily determined.
In the case of a change in the lease, which is not recognized as a separate lease, the Group recognizes the revaluation of the lease liability through:
a) reducing the balance sheet value of the asset by virtue of the right of use in order to take into account the partial or total termination of the lease in the case of changes in the lease that reduce the scope of the lease. As a result, the Group recognizes every profit or loss related to the partial or total termination of the lease,
b) adjusting the lease asset for the right of use for all other lease changes.

[in PLN million unless otherwise stated]

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

	RIGHT TO USE LEASED ASSETS				
	Stores	Warehouses	Means of transport	Offices	Total
Gross value 01.01.2020	1 032,4	7,0	5,6	16,4	1 061,4
Depreciation as of 01.01.2020	(367,6)	(2,8)	(2,3)	(1,8)	(374,5)
Net value 01.01.2020	664,8	4,2	3,3	14,6	686,9
Conclusion of new lease agreements	17,4	0,2	1,5	-	19,2
Changes resulting from modifications to contracts	51,9	0,0	0,1	0,2	52,2
Changes resulting from the change in the scope of the contract - shortening the period - gross value	(15,3)	(0,7)	-	-	(15,9)
Gross value 30.06.2020	1 086,5	6,6	7,2	16,6	1 116,8
Depreciation as of 01.01.2020	(367,6)	(2,8)	(2,3)	(1,8)	(374,5)
Depreciation in the period	(91,5)	(0,6)	(0,9)	(1,0)	(94,0)
Changes resulting from a change in the scope of the agreement - shortening the period - depreciation	6,3	0,5	-	-	6,8
Depreciation as of 30.06.2020	(452,8)	(2,9)	(3,2)	(2,8)	(461,7)
Net value 30.06.2020	633,6	3,7	4,0	13,8	655,1

	RIGHT TO USE LEASED ASSETS				
	Stores	Warehouses	Means of transport	Offices	Total
Gross value 01.01.2019	786,8	5,9	1,8	-	794,5
Depreciation as of 01.01.2019	(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 to contracts	202,2	0,8	0,6	4,7	208,3
Changes resulting from the change in the 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
Depreciation as of 01.01.2019	(177,0)	(1,6)	(0,9)	-	(179,5)
Depreciation in the period	(191,6)	(1,8)	(1,4)	(1,8)	(196,6)
Changes resulting from a change in the scope of the agreement - shortening the period - depreciation	1,0	0,6	-	-	1,6
Depreciation as of 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

As a result of the COVID-19 pandemic, the Company has renegotiated its lease agreements, resulting in significant changes in the value of the right of use and lease obligations. As a result of the negotiations, various conditions of the agreements were changed, including: rent rate, lease period, floor space. The Company recognized these changes as modifications to the agreements at the time of signing the annexes to the agreements by the last party. Until the balance sheet date, the negotiations of all the contracts were not completed, hence in the following periods, the value of the right of use and the lease obligation will be affected by the signed annexes.

[in PLN million unless otherwise stated]

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

	2020
As of 01.01.2020	710,4
Interest accrued	5,6
Lease payment	(68,6)
Exchange rate differences	31,1
New agreement added	91,0
Modification of contract terms	115,3
Indexation	0,4
Renewal	0,1
Change of scope	(8,8)
As of 30.06.2020	876,6

	2019
As of 01.01.2019	641,8
Interest accrued	9,7
Lease payment	(203,4)
Exchange rate differences	(6,0)
New agreement added	69,9
Modification of contract terms	199,3
Indexation	7,0
Renewal	-
Change of scope	(7,9)
As of 31.12.2019	710,4

The table below shows the maturities of lease liabilities according to the period remaining until the end of the agreement. For the purposes of this note, undiscounted values are presented.

Lease liabilities	2020-06-30	2019-12-31
up to 1 year	185,8	202,8
1 to 5 years	632,1	467,7
over 5 years	114,0	63,5
Total	931,9	734,0

5.4 INVENTORIES

ACCOUNTING POLICY

Inventories are recognized at the lower of purchase price or production cost and net selling price. Cost of finished goods and work in progress includes design costs, raw materials, direct labour, other direct costs and related manufacturing overheads (based on normal operating capacity), excluding external financing costs. Net selling price is the estimated selling price in the normal course of business, less the related variable selling costs.

Trade goods are reported in terms of quantity and value and are measured:
- in relation to imported goods - at purchase prices, including the purchase price, transportation costs on the foreign section and on the domestic section to the first place of unloading in the country, insurance and customs duty; to convert the value in foreign currency the rate resulting from the customs document is used,
- in relation to goods purchased domestically - at purchase prices; the costs associated with the purchase of these goods, due to their insignificant size, are directly charged to the costs of operation at the time they are incurred.

In the event of circumstances resulting in a decrease in the value of inventories, an inventory write-down is made to the cost of sales. In the case of cessation of circumstances which resulted in a decrease in the value of inventories, the write-down is reversed by reducing the cost of sales.

In order to determine the amount of inventory revaluation write-offs, the Company applies a calculation model based on inventory aging, taking into account the sales forecast for particular assortment. These forecasts are the result of the analysis of historical data as well as the current situation of the Company and its micro- and macroeconomic environment, which may affect the level of uncertainty in determining these forecasts.

As part of significant estimations and judgments, the analysis includes, among others, possible sales margins, planned future sales prices, inventory turnover, additional sales costs necessary to realize the sale of inventory and effectiveness of marketing activities. During the current inventory management, the Company controls the current stock levels by age and proactively supports sales through appropriate sales actions. Moreover, taking into account the situation caused by the pandemic (closing of sales outlets and cessation of sales in the offline channel) and the uncertainty related thereby, involving the estimation of the possibility of selling goods in stores, the Company additionally draws attention to any changes that may occur in the parameters adopted to determine the amount of write-downs on inventories. The sensitivity of these parameters is the basis for further analysis in the scope of evaluation of the inventory value presented in the financial statement and thus for estimating the level of write-offs updating the inventory value. As a result of the analysis of the situation caused by the COVID-19 pandemic, the Company made the inventory write-down at a higher level than it would result from the rules adopted so far. The increase in the level of recognized write-downs was proportional to the decrease in sales.

When analyzing the level and value of stock, the Company distinguishes the main assortment category, which is footwear and other assortments (mainly handbags and accessories). For the main category, the Company verifies the factors influencing its value, such as, among others: the expected level of sales, the expected level of margin on sales, planned discounts, product life span, compliance with fashion trends and compliance with the customer's needs, the level of additional costs connected with adapting the goods to sales in the following seasons. For the category of the remaining assortment, the Company performs an analysis mainly in the scope of the product life cycle length and the level of planned discounts. Average discounts granted for the remaining assortment are lower than for shoes, this product does not require additional costs connected with adapting it for sale in subsequent periods.

The above analyses are reflected in the estimation of inventory write-downs. For the main assortment, the revaluation write-offs are recognized at a higher level mainly due to faster obsolescence than in case of other assortments. Moreover, the process of replacement of the main assortment between seasons, which is subject to cyclical shifts between central warehouses and stores and shifts from stores to central warehouses generating costs of additional service related to this process, also has an impact on the increase in the level of write-downs on footwear. For other assortment, this process is not realized and moreover, this stock is subject to a faster rotation, so it is justified to write off this stock at a lower level.

When analyzing the age of the main assortment category, the Company determines the appropriate level of the write-off expressed as a percentage. On this basis, the amount of the write-off is calculated. As a result of the analysis made with regard to the inventory to be written off, taking into account the COVID-19 pandemic, the Company decided to write off the inventory for two-year and older stocks. Under the current criteria, the write-downs were made for stocks older than 2 years.

[in PLN million unless otherwise stated]

The main assumptions of the discount policy affecting the estimation of inventory value to the net realisable value are indicated below:
a) the amount of rebates (level of discounts) depends on the age of the stock in such a way that with the passage of time their level increases, which is mainly due to the decrease in the quality of footwear resulting from the process of storage and display in stores, limited access to popular sizes, which is less attractive in relation to the customer's needs,
b) Discount campaigns are adjusted to the whole collection or assortment group in order to appropriately enhance the expected effect,
c) goods that correlate with current fashion trends are subject to a greater loss of value over time due to the shorter life cycle of such a (fashion) product in relation to a more universal and classical one,
d) the expected level of rotation of the goods decreases with time and therefore the level of discount is increased in order to improve the price attractiveness of the goods for the customer.

	30.06.2020	31.12.2019
	unaudited	
Materials	-	-
Manufacturing in progress	-	-
Goods	359,9	350,0
Finished goods	-	-
Estimated return assets	1,9	-
Total (gross)	361,9	350,0
Inventory provision	(4,3)	(4,5)
Total (net)	357,6	345,5

The increase in inventories, despite the high dynamics of e-commerce development, remained at a similar level in relation to the comparative period.
The aim of the CCC S.A. Group is to minimize stock levels while maintaining an appropriate amount of goods to maximize sales levels.

Considering the customer's right to return unused goods, the Company calculates the liability and assets on this account. Deliveries made after the balance sheet date are assigned to revenues of the next period, while the value of returns decreases revenues of the current period. The value of assets is presented in the value of inventories and the value of liabilities is presented in other liabilities. As at the balance sheet date, the value of the asset was PLN 1.9 million and the value of the liability was PLN 2.8 million.

	30.06.2020	31.12.2019
	unaudited	
At the beginning of the period	(4,5)	(3,3)
Establishment in cost of sales of goods	(4,2)	(5,5)
Utilisation	4,4	4,3
Reversal in cost of sales of goods	-	-
At the end of the period	(4,3)	(4,5)

[in PLN million unless otherwise stated]

5.5 TRADE RECEIVABLES, OTHER RECEIVABLES AND LEASE RECEIVABLES

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.

	30.06.2020	31.12.2019
	unaudited	
Trade and other receivables	44,0	6,7
Provision for receivables	(0,9)	(1,8)
Total net receivables	43,1	4,9
Payments on future supplies of goods	0,9	0,7
Accrued expenses	7,7	6,6
Tax receivables	1,1	18,4
Sureties granted	5,9	0,3
Receivables on account of cession of receivables	13,6	-
Investment receivables	2,0	-
Other	4,0	6,4
Total other receivables	35,2	32,4

The increase in receivables from customers is mainly an increase in the invoicing of logistics services within the Group, which cost and revenue is compensated in the statement of comprehensive income.

Details concerning risks are presented in note 6.1.
Conditions of transactions with related entities are presented in note 6.5.
Receivables from customers are non-interest bearing and usually have a commercial maturity. As a result, in the opinion of the management, there is no additional credit risk, above the level determined by the write-off for expected credit losses appropriate for the Company's trade receivables.

[in PLN million unless otherwise stated]

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

	30.06.2020	31.12.2019
a) current	14,0	2,0
b) up to 1 month	4,1	1,2
c) from 1 month to 3 months	19,7	0,7
d) over 3 months to 6 months	5,1	0,2
e) over 6 months	1,1	2,6
Total trade receivables (gross)	44,0	6,7
Write-offs for overdue trade receivables		
Balance at the beginning of the period	(1,8)	0,9
a) increases	(0,2)	(1,2)
b) decreases - release	1,1	0,3
Status at the end of the period	(0,9)	(1,8)
Trade receivables total (net)	43,1	4,9

Lease receivables	
As of 01.01.2020	-
Conclusion of new lease agreements	83,6
Repayment of receivables	(5,6)
As of 30.06.2020	78,0

Lease receivable	2020-06-30
up to 1 year	14,5
1 to 5 years	54,5
over 5 years	9,0
Total	78,0

[in PLN million unless otherwise stated]

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.

	30.06.2020	31.12.2019
	unaudited	
Cash in hand	5,6	9,6
Cash at bank	152,4	23,0
Short-term deposits (up to 3 months)	-	62,8
Total	158,0	95,4

Cash is exposed to credit risk, currency risk and interest rate risk. The policy of managing these risks and further risk disclosures (i.e. credit quality assessment, sensitivity analysis of exposure to currency and interest rate risks) is presented in note 6.1 as well as in the Company's activity report in chapter 5.

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”.

[in PLN million unless otherwise stated]

	30.06.2020	31.12.2019
	unaudited	
Trade liabilities		
• on account of deliveries of goods and services - excluding balances covered by reverse factoring	81,2	408,4
• on account of supplies of goods and services - covered by reverse factoring	3,8	30,9
• investment	13,9	17,2
Total	98,9	456,5
Long-term liabilities		
• to employees	-	5,5
Total	-	5,5
Liabilities for indirect taxes, duties and other benefits	54,0	2,3
Liabilities for employee benefits	34,2	23,0
Accrued expenses	16,0	21,6
Sureties received	4,0	2,6
Liabilities related to obligation to pay to associate	3,2	32,7
Liabilities related to purchase of Adler enterprise	-	2,5
Liabilities on account of returns	2,8	-
Other liabilities	6,2	4,3
Total	120,4	89,0

Liabilities to suppliers mostly concern liabilities to the companies of the CCC S.A. Group, and mainly to CCC.eu Sp. z o.o. and amount to 67.3 million PLN (as of 31.12.2019 it was PLN 354.1 million).

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 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. The Company's opinion is that the nature of these liabilities remains unchanged and therefore their presentation as trade payables continues.

As at the balance sheet date, i.e. 30 June 2020, there was a significant decrease in liabilities to suppliers on account of supplies and services - excluding balances covered by reverse factoring in comparison with 31 December 2019. The high level of liabilities as at 31 December 2019 results from the stocking up the winter collection. The spring-summer collection was delivered at the turn of the first and second quarter and was largely settled.

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 6.1 for further information).

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

EXPENDITURE COMMITMENTS AND OTHER COMMITMENTS TO BE INCURRED IN THE FUTURE

As of the balance sheet date 30 June 2020. The Company has no commitments to incur expenditures or other liabilities in the future.

[in PLN million unless otherwise stated]

5.8 PROVISIONS

ACCOUNTING POLICY

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

The provision for litigation is created in the amount representing the most accurate estimate of the amount necessary to settle the resulting obligation.

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	PROVISION FOR EXPECTED CREDIT LOSSES	TOTAL
As of 01.01.2019	3,1	76,4	-	79,5
Establishment	0,9	22,0	-	22,9
Utilisation	-	(98,4)	-	(98,4)
As of 31.12.2019	4,0	-	-	4,0
Current	1,2	-	-	1,2
Non-current	2,8	-	-	2,8
As of 01.01.2020	4,0	-	-	4,0
Establishment	-	3,0	140,3	143,3
As of 30.06.2020	4,0	3,0	140,3	147,3
Current	1,2	3,0	140,3	144,5
Non-current	2,8	-	-	2,8

For a description of the provision for expected credit losses, see notes 3.3 and 6.1.

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".

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".

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.

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.

[in PLN million unless otherwise stated]

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	Quoted prices for identical assets or liabilities in active markets
Level 2	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 to measure an asset or liability that are not based on observable market data (unobservable inputs)

	30.06.2020 unaudited		31.12.2019	
	FINANCIAL ASSETS	FINANCIAL LIABILITIES	FINANCIAL ASSETS	FINANCIAL LIABILITIES
Financial assets measured at amortised cost	363,6	-	350,9	-
Loans granted	84,5	-	250,6	-
Trade receivables	43,1	-	2,0	-
Lease receivables	78,0	-	2,9	-
Cash and cash equivalents	158,0	-	95,4	-
Financial assets measured at fair value through profit or loss	-	-	13,3	-
Other financial assets	-	-	13,3	-
Financial liabilities measured at amortised cost	-	1 188,7	-	1 523,5
Debt liabilities	-	210,0	-	321,4
Trade and other liabilities	-	98,9	-	456,5
Lease liabilities	-	876,6	-	710,4
Obligation to pay for aquired company	-	-	-	2,5
Liabilities related to obligation to pay to associate	-	3,2	-	32,7
Financial liabilities measured at fair value through profit or loss	-	-	-	-

[in PLN million unless otherwise stated]

In the item other financial assets, the Company presents the valuation of options to acquire shares in HRG Group in the value of PLN 0.0 million as of 30.06.2020, compared to PLN 13.3 million as of 31.12.2019. 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. based in Luxembourg, 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.

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 31.12.2019	Impact of fair value measurement	Value as of 30.06. 2020	Date of implementation
HR Group	13,3	(13,3)	-	2021-01-31

2020-06-30	Total carrying amount	Level of fair value hierarchy
Financial assets measured at fair value through profit or loss	-	
Other financial assets	-	3

2019-12-31	Total carrying amount	Level of fair value hierarchy
Financial assets measured at fair value through profit or loss	13,3	
Other financial assets	13,3	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).

The policy for managing these risks and further information on the risks (including credit quality assessment, maximum exposure to credit risk, sensitivity analysis to exchange rate changes) is presented below.

EXCHANGE RATE RISK

CCC S.A. operates internationally and therefore is exposed to currency exchange rate risk, in particular EUR in relations 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:
• exchange rate as of 30.06.2020 was 1 EUR – 4,4660 PLN
• exchange rate as of 31.12.2019 was 1 EUR – 4,2585 PLN
• exchange rate as of 30.06.2020 was 1 USD – 3,9806 PLN
• exchange rate as of 31.12.2019 was 1 USD – 3,7977 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:

30.06.2020	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY CONVERTED INTO PLN			POSITIONS IN FUNCTIONAL CURRENCY
		USD	EUR	OTHER	
Financial assets measured at amortised cost	363,6	0,1	3,9	12,1	347,5
Loans granted	84,5	-	3,2	11,3	70,0
Trade receivables	43,1	0,1	0,1	0,8	42,1
Lease receivables	78,0	-	-	-	78,0
Cash and cash equivalents	158,0	-	0,6	-	157,4
Financial assets measured at fair value through profit or loss	-	-	-	-	-
Other financial assets	-	-	-	-	-
Financial liabilities measured at amortised cost	1 188,7	0,1	667,7	0,6	520,3
Debt liabilities	210,0	-	-	-	210,0
Trade liabilities	98,9	0,1	0,5	0,7	97,7
Lease liabilities	876,6	-	667,2	-	209,4
Liabilities related to obligation to pay to associate	3,2	-	3,2	-	3,2
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-

[in PLN million unless otherwise stated]

31.12.2019	TOTAL BOOK VALUE	POSITIONS IN FOREIGN CURRENCY CONVERTED INTO PLN			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
Lease receivables	2,9	-	-	-	2,9
Cash and cash equivalents	95,4	1,3	18,0	-	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	1 523,5	-	752,4	0,3	770,8
Debt liabilities	321,4	-	111,1	-	210,3
Trade 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
Liabilities related to obligation to pay to associate	32,7	-	32,7	-	-
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-

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 6-month period ended 30 June 2020 were higher/lower by PLN 0.05, the impact on the gross result would be as follows:

	Increase/ decrease of exchange rate USD			Increase/ decrease of exchange rate EUR		
30.06.2020	Item value in currency USD	0,05	-0,05	Item value in currency EUR	0,05	-0,05
Financial assets measured at amortised cost	0,1	0,0	(0,0)	3,9	0,0	(0,0)
Loans granted	-	0,1	(0,1)	3,2	0,0	(0,0)
Trade receivables	0,1	0,0	(0,0)	0,1	0,0	(0,0)
Lease receivables	-	-	-	-	-	-
Cash and cash equivalents	-	-	-	0,6	0,0	(0,0)
Financial assets measured at fair value through profit or loss	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Financial liabilities measured at amortised cost	(0,1)	0,0	(0,0)	667,7	7,9	(7,9)
Debt liabilities	-	-	-	-	-	-
Trade liabilities	(0,1)	0,0	(0,0)	0,5	0,0	(0,0)
Lease liabilities	-	-	-	667,2	7,8	(7,8)
Liabilities related to obligation to pay to associate	-	-	-	-	-	-
Impact on net result	-	0,0	(0,0)	-	7,9	(7,9)

[in PLN million unless otherwise stated]

31.12.2019	Item value in currency USD	Increase/ decrease of exchange rate USD 0,05	-0,05	Item value in currency EUR	Increase/ decrease of exchange rate EUR 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	-	-	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 liabilities	-	-	-	1,9	-	-
Lease liabilities	-	-	-	606,7	7,1	(7,1)
Liabilities related to obligation to pay to associate	-	-	-	32,7	0,4	(0,4)
Impact on net result		0,5	(0,5)		10,2	(10,2)

[in PLN million unless otherwise stated]

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 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.

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 of 30.06.2020		As of 31.12.2019	
	30.06.2020	31.12.2019	+1 P.P.	-1 P.P.	+1 P.P.	-1 P.P.
Cash at bank	152,4	23,0	1,5	(1,5)	0,2	(0,2)
Loans granted	84,5	250,6	0,8	(0,8)	3,1	(3,1)
Other financial assets	-	13,3	-	-	0,1	(0,1)
Debt liabilities	(210,0)	(321,4)	(2,1)	2,1	(3,2)	3,2
Lease liabilities	(876,6)	(710,4)	(8,8)	8,8	(7,1)	7,1
Effect on net result	-	-	(8,6)	8,6	(6,9)	6,9

If the debt interest rates in the 6-month period ended 30 June 2020 were 1 p.p. higher/lower, the profit for this period would be lower by PLN 8.6 million (in 2019 PLN 6.9 million).

CREDIT RISK

Credit risk is the risk of financial losses incurred by the Company as a result of failure to meet its contractual obligations by a client or counterparty being a party to a financial instrument. The credit risk is mainly related to the Company's receivables from customers (on account of wholesale), loans granted and cash and cash equivalents on bank accounts.

The maximum exposure to credit risk at balance sheet date (30 June 2020 and 31 December 2019) is presented in the table below:

	30.06.2020	31.12.2019
	unaudited	
Loans granted	84,5	250,6
Trade receivables	43,1	4,9
Cash and cash equivalents	158,0	95,4
Total	285,6	350,9

As of 30 June 2020, the Company established a provision for bank guarantees granted in the amount of PLN 140.3 million.

[in PLN million unless otherwise stated]

In the Company's opinion, the write-off on account of expected credit losses on financial assets is material.

Loans granted	Gross value	Impairment	Net value	Level
CCC.EU sp. z o.o.	36,1	-	36,1	1
CCC Shoes Bulgaria EOOD	9,8	-	9,8	1
eobuwie.pl S.A.	-	-	-	1
CCC Obutev d.o.o.	1,8	-	1,8	1
CCC Hrvatska d.o.o.	1,1	-	1,1	1
CCC Shoes & Bags d.o.o. Beograd	1,6	-	1,6	1
Karl Vogele AG	75,9	(75,9)	-	3
NG2 Suisse s.a.r.l.	8,4	(8,4)	-	3
Gino Rossi S.A.	34,1	-	34,1	1
HR Group Holding s.a.r.l.	116,0	(116,0)	-	3
Total	284,8	(200,3)	84,5	

Credit sureties granted	Maximum exposure	Level	Provision
Karl Vogele AG	70,4	3	70,4
CCC.EU sp. z o.o.	1 254,5	1	53,4
CCC Russia OOO	63,4	1	2,5
Gino Rossi S.A.	50,6	1	3,4
eobuwie.pl S.A.	189,2	1	9,1
CCC Factory Sp. z o.o.	4,9	1	0,2
CCC Hrvatska d.o.o.	1	1	0,0
CCC Czech s.r.o.	12,4	1	0,6
CCC Obutev d.o.o.	1,8	1	0,1
CCC Shoes Bulgaria EOOD	8,7	1	0,2
CCC Shoes & Bags d.o.o. Beograd	1,3	1	0,1
CCC Hungary Shoes Kft.	5,6	1	0,3
Total	1 663,8		140,3

In the current period, the Company has classified the loans granted to Karl Voegele AG and NG2 Suisse s.a.r.l. as financial assets, which as of the reporting date are affected by impairment due to credit risk. As part of the established provisions for loan guarantees, the Company also took into account the guarantees granted to Karl Voegele AG. The provision amounted to PLN 70.4 million. For more information, see Note 3.3.
In respect to other loans and guarantees, in the Company's opinion, there has been no significant increase in credit risk since the initial recognition, therefore the Company calculates a write-down for expected credit losses in the amount equal to 12 months of expected credit losses.

[in PLN million unless otherwise stated]

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

	30.06.2020	31.12.2019
	AMOUNT AND/OR CARRYING AMOUNT OF THE SECURITY	
	unaudited	
Sureties granted	125,6	1 422,0
Deposit mortgages on real estate	794,7	1 323,0
Registered pledge on movables	1 260,0	1 141,0
Blank promissory notes	186,3	564,8

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.

	30.06.2020	2019-12-31
Banks with an A rating	151,6	85,8
Other - not classified [1]	0,8	-
Total cash in banks	152,4	85,8

[1] Banks not rated by international rating agencies

Credit risk grades according to Moody's rating agency	
AAA	Lowest level of credit risk
AA	Very low level of credit risk
A	Low credit risk
BAA	Moderate credit risk - may have speculative features
BA	Significant credit risk - assessed as speculative
B	High credit risk - considered as speculative
CAA	Very high credit risk - speculated on the weak position
CA	Highly speculative and most likely in default or very close to default, with some prospect of recovery of capital and interest
C	The lowest marks and are usually in delay, and the chances of recovering the principal or interest are low.

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.

[in PLN million unless otherwise stated]

6.2. LONG-TERM INVESTMENTS, GRANTED LOANS AND TRANSACTIONS WITH RELATED PARTIES

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

ACCOUNTING POLICY

Subsidiaries in the Company's financial statements are those entities over which the Company exercises control. Investments in subsidiaries the Company values according to cost after reducing write-down. Transaction costs related to the acquisition of investments increase the carrying amount of the investment. The write-down test is carried out when there is evidence for write-down by calculating the recoverable amount as the higher of two amounts: fair value less costs of sale and value in use). Write-down represents the excess of the carrying amount over the recoverable amount.

Associates are companies over which the Company has significant influence, but does not exercise control over them. Investments in associates are accounted for at historical cost after taking into write-down.

The Company directly or indirectly holds shares in the following entities:

Company	Headquarter	Type of activity	Share as at 30.06.2020	Share as at 31.12.2019
CCC.eu Sp. z o.o.	Poland	purchase and sale	100%	100%
CCC Shoes & Bags Sp. z o.o.	Poland	investment	100%	100%
CCC Factory Sp. z o.o.	Poland	manufacturing	100%	100%
DeeZee Sp. z o.o.	Poland	commercial	75%	51%
eobuwie.pl S.A.	Poland	commercial and manufacturing	75%	75%
Gino Rossi S.A.	Poland	commercial	100%	100%
Karl Voegele AG	Switzerland	commercial	70%	70%
CCC Czech s.r.o.	Czech Republic	commercial	100%	100%
CCC Slovakia s.r.o.	Slovakia	commercial	100%	100%
CCC Hungary Shoes Kft.	Hungary	commercial	100%	100%
CCC Austria G.m.b.H	Austria	commercial	100%	100%
CCC Obutev d.o.o.	Slovenia	commercial	100%	100%
CCC Hrvatska d.o.o.	Croatia	commercial	100%	100%
CCC Shoes Ayakkabicilik Limited Sirketi	Turkey	commercial	100%	100%
CCC Isle of Man Ltd.	Isle of Man	commercial	100%	100%
CCC Shoes Bułgaria EOOD	Bulgaria	commercial	100%	100%
NG2 Suisse s.a.r.l.	Switzerland	commercial	100%	100%
CCC Shoes & Bags d.o.o. Beograd	Serbia	commercial	100%	100%
CCC Russia OOO	Russia	commercial	75%	75%
Shoe Express S.A.	Romania	commercial	100%	100 %

Associated entities of CCC S.A:

Company	Headquarter	Type of activity	Carrying amount	
			Share as at 30.06.2020	Share as at 31.12.2019
HR Group Holding S.a.r.l.	Luxembourg	commercial	30,55%	30,55%
Pronos Sp. z o.o.	Poland	service	10,00%	10,00%

[in PLN million unless otherwise stated]

Company	Headquarter	Type of activity	Carrying amount			
			Shares	Incentive scheme	Shares	Incentive scheme
			30-06-2020		31-12-2019	
CCC Austria Ges.m.b.H	Graz, Austria	commercial	0,4	1,5	0,4	1,5
CCC Czech s.r.o.	Praque, Czech Republic	commercial	38,0	2,1	38,0	2,1
CCC Factory Sp. z o.o.	Polkowice, Poland	manufacturing	15,0	8,7	15,0	8,7
CCC Hrvatska d.o.o.	Zagreb, Croatia	commercial	2,9	0,4	2,9	0,4
CCC Hungary Shoes Kft.	Budapest, Hungary	commercial	0,1	1,2	0,1	1,2
CCC Isle of Man Ltd.	Douglas, Isle of Man	commercial	-	-	-	-
CCC Obutev d.o.o.	Maribor, Slovenia	commercial	2,1	0,2	2,1	0,2
CCC Russia sp. z o.o.	Moscow, Russia	commercial	-	0,1	-	0,1
CCC Shoes & Bags d.o.o. Beograd	Belgrad, Serbia	commercial	6,4	-	6,4	-
CCC Shoes & Bags sp. z o.o.	Polkowice, Poland	investing	280,7	-	280,7	-
CCC Shoes Ayakkabycylyk Ticaret Limited Sirketi	Istanbul, Turkey	commercial	0,1	-	0,1	-
CCC Shoes Bulgaria EOOD	Sofia, Bulgaria	commercial	0,2	0,3	0,2	0,3
CCC Slovakia, s.r.o.	Bratislava, Slovakia	commercial	-	0,4	-	0,4
CCC.EU sp. z o.o.	Polkowice, Poland	commercial	-	15,4	-	15,4
eobuwie.pl S.A.	Zielona Góra, Poland	commercial	-	0,5	-	0,5
NG2 Suisse s.a.r.l.	Zug, Switzerland	commercial	-	0,7	45,5	0,8
Gino Rossi S.A.	Słupsk, Poland	commercial	88,0	-	88,0	-
TOTAL			433,9	32,4	479,3	32,5

Write-off for shares in NG2 Suisse s.a.r.l. is described in note 3.3.

ACQUISITION OF SHARES IN DEEZEE

On 4 November 2019, Shoes & Bags Sp. z o.o., a company related to CCC S.A., concluded an agreement on the exercise of the option to acquire another 24% of shares in a subsidiary DeeZee for PLN 7 million. As a result, CCC S.A. intends to indirectly increase its ownership package to 75% in the brand, which this year will generate significantly more than 100 million PLN of sales in online and offline channels.

[in PLN million unless otherwise stated]

6.3 LOANS GRANTED

ACCOUNTING POLICY

Loans granted are initially measured at fair value, and subsequently at the balance sheet dates at amortized cost through profit or loss.

Impairment of financial assets

As at each balance sheet date, the Company assesses whether the financial assets are impaired. For the purposes of this assessment, the Management Board analyses the risk of loan repayment taking into account the current financial situation of the Company. The Company measures the write-down for expected credit losses in the amount equal to 12 months of expected credit losses. If the credit risk related to a given financial instrument has significantly increased since the initial recognition, the Company measures a write-down for expected credit losses on the financial instrument in the amount equal to the expected credit loss over the lifespan.

	2020	2019
As at 1 January	250,6	134,6
Loans granted	0,9	312,5
Accrued interest	6,8	9,2
Loans repayment	(10,0)	(87,3)
Write down	(200,3)	-
Offsetting claims	(0,2)	(7,0)
Result on exchange rates	36,7	1,2
Other changes	(0,1)	(112,6)
As at end of period	84,5	250,6
- current	84,5	172,6
- non-current	-	78,0

The value of loans granted as at the balance sheet date, broken down by the Companies, is presented below:

	30.06.2020	31.12.2019
Subsidiaries of CCC S.A.		
CCC.EU sp. z o.o.	36,1	34,3
CCC Shoes Bulgaria EOOD	9,8	9,2
eobuwie.pl S.A.	-	10,1
CCC Obutev d.o.o.	1,8	0,9
CCC Hrvatska d.o.o.	1,1	1,0
CCC Shoes & Bags d.o.o. Beograd	1,6	1,4
Karl Vogele AG	-	71,0
NG2 Suisse s.a.r.l.	-	7,9
Gino Rossi S.A.	34,1	32,5
Total	84,5	168,3
- current	84,5	168,3
- non-current	-	-
Associates	-	-
HR Group Holding S.a.r.l.	-	82,3
Total	-	82,3
- current	-	172,6
- non-current	-	78,0

[in PLN million unless otherwise stated]

Impairment of loans	30.06.2020	31.12.2019
At the beginning of the period	-	-
Establishment	(200,3)	-
Utilization	-	-
Release	-	-
At the end of the period	(200,3)	-

As of 30.06.2020, the Company established a write-down on loans granted in the amount of PLN 200.3 million. An impairment charge was made on loans granted to NG2 Suisse s.a.r.l. of PLN 8.4 million, Karl Voegele AG of PLN 75.8 million and HR Group Holding of PLN 116.0 million. The company has classified these loans as financial assets that are impaired at the balance sheet date due to credit risk.
In the case of other loans and guarantees, in the Company's opinion, there has been no significant increase in credit risk since the initial recognition, therefore the Company calculates a write-down for expected credit losses in the amount equal to 12 months of expected credit losses.

A detailed list of write-downs is included in note 6.1.

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

Credit risk analysis presented in note 6.1.

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

[in PLN million unless otherwise stated]

TRANSACTIONS WITH RELATED PARTIES

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

	Liabilities to related parties (including debts)	Receivables from related parties (including loans granted)	Sales to related parties (operating activity, other operating activity, financial activities)	Purchases from related parties (operating activity, other operating activity, financial activities)
	30.06.2020	30.06.2020	01 - 06.2020	01 - 06.2020
Branded Shoes & BAGS sp. z o.o	-	-	-	-
CCC Austria G.m.b.H	-	-	0,1	-
CCC Czech s.r.o.	0,6	-	-	-
CCC Factory sp. z o.o.	0,9	0,1	0,1	-
CCC Hrvatska d.o.o.	-	1,1	-	-
CCC Hungary Shoes Kft.	-	-	-	-
CCC Isle of Man Ltd.	-	-	-	-
CCC Obutev d.o.o.	-	1,8	-	-
CCC Russia OOO	-	0,4	0,1	-
CCC Shoes & Bags d.o.o. Beograd	-	1,5	-	-
CCC Shoes & Bags sp. z o.o.	2,8	-	-	1,0
CCC Shoes Ayakkabicilik Limited	-	0,2	-	-
CCC Shoes Bulgaria EOOD	-	9,9	0,3	-
CCC Slovakia s.r.o.	-	-	-	-
CCC.eu sp. z o.o.	72,7	69,7	5,9	406,5
DeeZee Sp. z o.o.	-	-	-	-
eobuw ie.pl Logistics Sp z o.o.	-	0,5	-	-
eobuw ie.pl S.A.	0,5	9,3	0,9	0,5
eschuhe.ch	-	-	-	-
eschuhe.de GmbH	-	-	-	-
GARDA Sp. z o.o.	-	-	-	-
Gino Rossi SA	-	35,8	1,0	0,0
Gino Rossi SRO	-	-	-	-
Karl Voegele AG	-	0,3	0,4	-
NG2 Suisse sarl	0,3	1,3	-	-
Shoe Express S.A.	-	0,2	0,1	-
Vögele Verw altung G.m.b.H	-	-	-	-
Total	77,8	132,2	9,1	408,0

[in PLN million unless otherwise stated]

	Liabilities to related parties (including debts)	Receivables from related parties (including loans granted)	Sales to related parties (operating activity, other operating activity, financial activities)	Purchases from related parties (operating activity, other operating activity, financial activities)
	31.12.2019	31.12.2019	01 - 06.2019	01-06.2019
Branded Shoes & BAGS sp. z o.o	-	-	-	-
CCC Austria G.m.b.H	-	-	0,1	-
CCC Czech s.r.o.	0,3	-	0,1	0,4
CCC Factory sp. z o.o.	2,4	0,4	0,4	3,0
CCC Hrvatska d.o.o.	-	1,1	-	-
CCC Hungary Shoes Kft.	-	-	-	-
CCC Isle of Man Ltd.	-	-	-	-
CCC Obutev d.o.o.	-	0,9	-	-
CCC Russia OOO	-	0,2	-	-
CCC Shoes & Bags d.o.o. Beograd	-	1,4	-	-
CCC Shoes & Bags sp. z o.o.	1,8	-	0,1	-
CCC Shoes Ayakkabicilik Limited	-	0,1	-	-
CCC Shoes Bulgaria EOOD	-	9,2	0,2	-
CCC Slovakia s.r.o.	-	-	-	-
CCC.eu sp. z o.o.	465,3	34,3	56,6	15,0
DeeZee Sp. z o.o.	-	-	0,2	-
eobuw ie.pl Logistics Sp z o.o.	-	-	-	-
eobuw ie.pl S.A.	1,5	10,6	4,9	1,0
eschuhe.ch	-	-	-	-
eschuhe.de GmbH	-	-	-	-
GARDA Sp. z o.o.	-	-	-	-
Gino Rossi SA	-	0,3	1,3	-
Gino Rossi SRO	-	-	-	-
Karl Voegele AG	-	71,0	0,2	-
NG2 Suisse sarl	0,3	9,6	-	-
Shoe Express S.A.	-	0,1	0,1	-
Vögele Verw altung G.m.b.H	-	-	-	-
Total	471,6	139,1	64,1	19,4

[in PLN million unless otherwise stated]

In the presented periods, the Company made the following transactions with associated entities:

	Liabilities to related parties (including debts)	Receivables from related parties (including loans granted)	Sales to related parties (operating activity, other operating activity, financial activities)	Purchases from related parties (operating activity, other operating activity, financial activities)
	30.06.2020	30.06.2020	01 - 06.2020	01-06.2020
Pronos Sp. z o.o.	-	-	-	-
HR Group Holding S.a.r.l.	-	0,0	6,6	-
Hamm Reno Group GmbH	-	-	-	-
HR Group GmbH & Co. KG	-	-	-	-
Blitz 18-535 GMBH	-	-	-	-
CCC Germany GmbH	-	-	-	-
HR Group TopCo	-	-	-	-

	Liabilities to related parties (including debts)	Receivables from related parties (including loans granted)	Sales to related parties (operating activity, other operating activity, financial activities)	Purchases from related parties (operating activity, other operating activity, financial activities)
	31.12.2019	31.12.2019	01 - 06.2019	01-06.2019
Pronos Sp. z o.o.	-	-	-	-
HR Group Holding S.a.r.l.	-	-	-	-
Hamm Reno Group GmbH	0,2	-	-	-
HR Group GmbH & Co. KG	-	-	-	-
Blitz 18-535 GMBH	-	-	-	-
CCC Germany GmbH	-	0,1	-	-
HR Group TopCo	111,5	144,5	1,6	-

In the presented periods, the Company made the following transactions with related parties through key personnel:

	Liabilities to related parties (including debts)	Receivables from related parties (including loans granted)	Sales to related parties (operating activity, other operating activity, financial activities)	Purchases from related parties (operating activity, other operating activity, financial activities)
	30.06.2020	30.06.2020	01 - 06.2020	01-06.2020
MGC INWEST Spółka z	-	-	-	-
ASTRUM Sp. z o. o.	-	-	-	-
Cuprum Arena Galeria Lubińska	-	-	-	-
ULTRO sarl	-	-	-	-
Astrum sarl	-	-	-	-
Forum Kielce	0,1	-	-	0,5
Forum Lubin	0,2	-	-	0,5
GP Sp. z o.o.	-	-	-	0,2
Total	0,3	0,0	0,0	1,3

	Liabilities to related parties (including debts)	Receivables from related parties (including loans granted)	Sales to related parties (operating activity, other operating activity, financial activities)	Purchases from related parties (operating activity, other operating activity, financial activities)
	31.12.2019	31.12.2019	01 - 06.2019	01-06.2019
MGC INWEST Spółka z	-	-	-	-
ASTRUM Sp. z o. o.	0,1	1,8	-	-
Cuprum Arena Galeria Lubińska	3,1	-	-	-
ULTRO sarl	0,9	-	-	-
Total	4,1	1,8	-	-

Transactions with related parties were concluded on market conditions

[in PLN million unless otherwise stated]

REMUNERATION OF THE KEY MANAGEMENT PERSONNEL

	FIXED REMUNERATION	SHARE-BASED PAYMENT PROGRAM - FAIR VALUE AT THE TIME OF ISSUE	OTHER (BONUSES)	TOTAL
30.06.2020				
Management Board	1 248,0	-	280,0	1 528,0
Supervisory Board	211,4	-	-	211,4
Total	1 459,4	-	280,0	1 739,4
2019-06-30				
Management Board	1 680,8	868,3	750,0	3 299,1
Supervisory Board	195,1	-	34,2	229,2
Total	1 875,9	868,3	784,2	3 528,3

6.4 SHARE-BASED PAYMENT

ACCOUNTING POLICY

The Company runs a program of benefits based on shares settled in capital instruments, under which the entity receives services of employees in exchange for equity instruments (options) of the Company. The fair value of employee's services received in exchange for granting options is recognized as an expense over the period of conferring rights to exercise the option in correspondence to equity – retained earnings.
The total amount subject to recognition in cost is determined by referring to the fair value of options granted at the date of granting the option:
• taking into account any market conditions (for example entity's share price);
• excluding the impact of any related work experience and non-market conferring rights (for example, sales profitability, the goals connected
with growth in sales and the indicated period of the compulsory employment of the employee in the unit); and
• taking into account the impact of any conditions unrelated to conferring the rights (for example, the requirement by the current staff to keep received instruments for a specified period).
At the end of each reporting period, the entity revises the made estimates of the expected number of options to which rights are to be conferred as a result of the conditions of conferring rights of a non-market. The Company presents the impact of a possible revision of the original estimates in the report on the financial result, with a corresponding adjustment to equity. In addition, in certain circumstances, employees can provide services before the date of granting them the stock options. In this case, the fair value of at the date of granting stock options is estimated to recognize costs during the period from commencement of the service by the Staff to the actual date of granting them the options. Upon exercise of the options, an entity issues new shares. The funds obtained after the deduction of any costs that can be directly attributable to the transaction, increase the share capital (nominal value) and the surplus of the issue price of shares over their nominal value. Social security contributions payable in connection with the granting of stock options are considered an integral part of the benefit granted and the cost is treated as a transaction settled in a form of cash.

The program expired in 2019. In the first half of 2020 there were no changes in the share-based payment program. Detailed information was included in the separate report for the year ended 31 December 2019.

6.5 EVENTS AFTER BALANCE SHEET DATE

After the balance sheet date, further annexes concerning lease agreements were signed, which are events after the end of the reporting period not requiring any adjustments.

On 25 August 2020, an annex to the Agreement of 26 August 2015 was signed, obliging to sell shares of eobuwie.pl S.A., concluded between CCC S.A. and CCC Shoes Bags Sp. z o.o. and the shareholders of eobuwie.pl S.A. and with the participation of eobuwie.pl.

The subject of the annex is to adjust the principles of determining EBITDA to the changed financial year of the Company and the Company's transition to IFRS and to exclude the effects of implementation of IFRS 16.
Additionally, arrangements were introduced to organize areas:

- potential conflicts of interest,
- principles of settling the results of offline stores operated by eobuwie.pl operating under the eobuwie.pl or Modivo brand,
- principles of possible financing of eobuwie.pl by CCC S.A,
- granting the shareholders of eobuwie.pl an additional accelerated Put Option during the period of co-security by eobuwie.pl in favour of CCC S.A. a bank credit for the CCC Group granted by PKO BP on 21 November 2019 in a situation of execution from the assets of CCC S.A. in connection with such collateral,
- the possibility of selling the Shares of the 2nd Tranche to a third party in case of withdrawal by the shareholders of eobuwie.pl from the contract of sale of the Shares of the 2nd Tranche concluded in the execution of any of the Call or Put Options provided for in the Obligatory Contract, as a result of lack of cooperation within the CCC S.A. Capital Group and management of payment in full of the Option Price

The remaining terms and conditions of the agreement have not changed significantly.

On 15 September 2020, the Management Board of CCC S.A. concluded a Term Sheet revolving credit agreement up to the amount of PLN 250 million with the institutions financing the CCC Capital Group, i.e. Bank Handlowy w Warszawie S.A, Bank Millennium S.A., BNP Paribas Bank Polska S.A., Bank Polska Kasa Opieki S.A., mBank S.A, Powszechna Kasa Oszczędności Banki Polski S.A. and Santander Bank Polska S.A., Credit Agent and The security is provided by mBank S.A.
The credit granted by the institutions financing the CCC Group will be available for a period of 24 months from the date of to conclude the Agreement. The loan will be secured by a surety of up to PLN 200 million (80% of the exposure The Bank Gospodarstwa Krajowego ("BGK"). The loan is secured by there will also be a pledge on selected assets of the parent company and a surety for the entities of the Group CCC.
The credit will be made available on the basis of a common financing agreement specifying the terms and conditions of common for bilateral loans guaranteed by BGK granted by lenders for conditions established in the Agreement.
The loan secured by guarantees of Bank Gospodarstwa Krajowego will constitute another, announced previously, an element of stabilizing the financial situation of the CCC Group in response to the negative impact of the pandemic The Company's Management Board is responsible for the activities of the CCC S.A. Capital Group.

On 30 September 2020, the CCC S A Capital Group became aware that its associated company HRG (in which the CCC S A Capital Group holds a minority stake), submitted a bankruptcy claim under its own supervision concerning its subsidiary CCC Germany GmbH (which HRG acquired from CCC S A at the end of 2018 and in which HRG holds 100 % shares)

6.6 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 period ended 30 June 2019 and year ended 31 December 2019 by type of service:

AUDITOR'S REMUNERATION	2020	2019
Obligatory audit of the annual financial statements and consolidated financial statements and review of the interim condensed separate and consolidated financial statements	0,7	0,7
Other assurance services	-	-
Tax advisory services	-	-
Other services	-	-

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, 30.09.2020