

## **INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**

**To the General Meeting and Supervisory Board of CCC S.A.**

### **The audit report on the annual consolidated financial statements**

We have audited the accompanying annual financial statements for the year ended 31 December 2017 of CCC S.A. Group ('the Group'), for which the holding company is CCC S.A. ('the Company') located in Poland, Polkowice, 59-101 St. Strefowa 6, containing the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flow for the period from 1 January 2017 to 31 December 2017 and explanatory notes ('the accompanying consolidated financial statements').

### *Responsibilities of the Company's Management and members of the Supervisory Board for the consolidated financial statements*

The Company's Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission decrees and other applicable laws, as well as the Company's Statute. The Company's Management is also responsible for such internal control as determined is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the Accounting Act of 29 September 1994 (the 'Accounting Act'), the Company's Management and the members of the Company's Supervisory Board are required to ensure that the accompanying consolidated financial statements meet the requirements of the Accounting Act.

### *Auditor's responsibility*

Our objective was to express an opinion on whether the accompanying consolidated financial statements give a true and fair view<sup>1</sup> of the financial position and results of the operations of the Group in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of European Commission regulations and adopted accounting policies.

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<sup>1</sup> Translation of the following expression in Polish is 'rzetelny i jasny obraz'.

We conducted our audit of the accompanying consolidated financial statements in accordance with:

- Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (‘Act on Statutory Auditors’),
- National Auditing Standards in the wording of the International Auditing Standards adopted by the resolution no. 2783/52/2015 of the National Council of Statutory Auditors of 10 February 2015 with subsequent amendments,
- Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (“Regulation 537/2014”).

Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the accompanying consolidated financial statements are free from material misstatement.

The purpose of the audit is to obtain reasonable assurance as to whether the consolidated financial statements as a whole were prepared based on properly maintained accounting records and are free from material misstatement due to fraud or error, and to issue an independent auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with the above mentioned standards will always detect material misstatements. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in aggregate, they could influence economic decisions of the users taken on the basis of these consolidated financial statements. The risk of not detecting a material misstatement due to fraud is higher than the risk of not recognizing a material misstatement due to an error, as fraud may involve collusion, falsification, deliberate omissions, misleading or circumventing internal control and may affect every area of law and regulation, not just this directly affecting the consolidated financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

The scope of the audit does not include assurance on the future profitability of the audited Group nor effectiveness of conducting business matters of the Group now and in the future by the Company’s Management Board.

In accordance with International Auditing Standard 320 section 5 the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report, including those on other information or regulatory requirements, are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The opinion is consistent with the additional report to the audit committee issued on the date of this report.

#### *Independence*

While conducting our audit, the key certified auditor and the audit firm remained independent of the entities comprising the Group in accordance with the regulations of Act on Statutory Auditors, Regulation 537/2014 and principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

Based on our best knowledge and belief, we declare that we have not provided non-audit services, that are prohibited based on article 136 of the Act on Statutory Auditors and article 5, point 1 of Regulation 537/2014, to the Company.

#### *Appointment of the audit firm*

We were appointed to audit the accompanying consolidated financial statements based on the Company's Supervisory Board resolution dated 10 of May 2017. The Company's consolidated financial statements for the year ended 31 December 2016 were audited by certified auditor, acting on behalf of another audit firm.

#### *Most significant assessed risks*

In the course of our audit we have identified the below described most significant assessed risks of material misstatement (key audit matters), including due to fraud and we designed appropriate audit procedures in response to those risks. Where we considered to be relevant in order to understand the nature of the identified risk and audit procedures performed we have also included key observations arising with respect to those risks.

These matters were addressed in the context of our audit of the accompanying consolidated financial statements as a whole, and in forming our opinion thereon. Therefore we do not provide a separate opinion on these matters.

<p style="text-align: center;"><i>Description of the nature of the risk of material misstatement (key audit matters)</i></p>	<p style="text-align: center;"><i>Audit procedures in response to the identified risk</i></p>
<p><b>Inventory valuation</b></p> <p><i>Why a matter was determined to be a key audit matters</i></p> <p>As at 31 December 2017, the value of inventories reported in the consolidated statement of financial position was PLN 1,417.7 million while the impairment loss on inventories as at that date was PLN 12.2 million.</p> <p>This issue was determined to be a key audit matter for the audit of the accompanying consolidated financial statements due to the significant value of this item in the consolidated statement of financial position and due to the professional judgment of management involved in recognition of impairment losses recognised with a view to arriving at inventory net realisable value; this relates to making significant estimates in the area of inventory turnover, planned future selling prices of goods for resale, cost of their sale, as well as the efficiency of advertising and other marketing campaigns, and the reception of the given collection by the market.</p> <p><i>Refer to the related disclosures</i></p> <p>Inventory-related disclosures, including those referring to inventory valuation at net realisable value, were presented in note 5.3 „Inventory” of explanatory notes to the accompanying consolidated financial statements.</p>	<p><i>How a key audit matter was addressed in the audit</i></p> <p>As part of the audit, we documented our understanding of the process of analysis and recognition of impairment losses on inventories, we also assessed the internal control environment for this area and performed tests of control and other substantive audit procedures.</p> <p>Our procedures covered the assessment of the correctness of assumptions adopted for recognition of inventory impairment losses bringing inventory valuation to net realisable value, among others, the following:</p> <ul style="list-style-type: none"> <li>- analysis of the Group’s accounting policies regarding initial inventory recognition and recognition of impairment losses on inventories,</li> <li>- analysis of historical data relating to realised margins on individual goods range with a turnover period of not more than one year,</li> <li>- analysis of utilisation of prior year impairment losses,</li> <li>- analysis of the Group’s accounting policies regarding recognition of impairment losses for historical data by analysing estimates of net realisable value,</li> <li>- analysis of inventory physical count process and of the made assessment of their business availability/usefulness,</li> <li>- analysis of post-reporting date selling prices of goods for resale and of the costs of preparing the sale or estimated cost to realize the sale.</li> </ul>

<b>Valuation of the call option of minority block of shares in eobuwie.pl S.A.</b>	
<p data-bbox="215 472 707 539"><i>Why a matter was determined to be a key audit matter</i></p> <p data-bbox="215 580 724 1249">As described in note 6.2., „Acquisition of eobuwie.pl S.A. and related party transactions” of explanatory notes to the accompanying consolidated financial statements, on 15 January 2016, CCC S.A. acquired 74.99% of the issued capital of eobuwie.pl S.A. („eobuwie.pl”) and assumed control over eobuwie.pl S.A. and over the capital group, in which eobuwie.pl S.A. is the holding company. The concluded agreement provided for the exercising of the call option by CCC S.A. with respect to the remaining 25.01% shares in eobuwie.pl S.A. and a concurrent exercising of the put option by the shareholders of eobuwie.pl S.A. As at 31 December 2017, reported in the consolidated financial statements was the option-related liability of PLN 777.9 million.</p> <p data-bbox="215 1292 722 2024">This issue was considered to be a key audit matter for the accompanying consolidated financial statements due to the material value of recognised financial liability (accounting for 23.1% of total assets as at 31 December 2017), due to the element of professional judgment by the Company’s Management relating to estimation of forecast results of eobuwie.pl S.A. and due to other factors affecting call option valuation. This valuation requires that the Management Board adopted numerous assumptions regarding forecasts, including those relating to sale revenue trends and operating expenses, as well as regarding general market conditions with effect on the final valuation of liability presented in the consolidated statement of financial position.</p>	<p data-bbox="750 472 1356 506"><i>How a key audit matter was addressed in the audit</i></p> <p data-bbox="750 573 1377 719">As part of our audit we performed an analysis of the standpoint of Group’s Management Board presented in the consolidated financial statements in the matter of option valuation.</p> <p data-bbox="750 757 1390 891">Our procedures involved assessment of the assumptions adopted for valuation of obligation for exercising the call option with respect to the remaining shares of eobuwie.pl S.A., including the following:</p> <ul data-bbox="750 929 1390 1473" style="list-style-type: none"> <li>- substantive assessment of the impact of the new provisions included in the annex to the contract for shares acquisition on the method of financial liability valuation,</li> <li>- comparison of the Management Board’s assumptions regarding shaping future EBITDA results of eobuwie.pl S.A. against the financial forecasts for future years,</li> <li>- verification of clerical accuracy of financial liability calculation,</li> <li>- analysis of the assumptions adopted for the purpose of estimating the discounted value of liabilities, including comparison of the inflation and discount rates, and available external data.</li> </ul>

<p><i>Refer to the related disclosures</i></p> <p>Disclosures relating to valuation of financial liability from acquisition of the minority block of shares were presented in Note 6.2 „Acquisition of eobuwie.pl S.A. and related party transactions” of explanatory notes to the accompanying consolidated financial statements.</p> <p><b>Prior year adjustments</b></p> <p><i>Why a matter was determined to be a key audit matter</i></p> <p>As described in note 3.3e „Prior year adjustments” of explanatory notes to the accompanying consolidated financial statements, the Company recognised in the accompanying consolidated financial statements as at 31 December 2017 certain prior year adjustments by reducing the balance of the „Retained earnings” by the total amount of PLN 265.1 million.</p> <p>This issue was considered to be a key audit matter for the accompanying consolidated financial statements due to the material value of introduced adjustments and due to the element of professional judgment of the Company’s Management after re-visiting the events and the reliable information held at the date of the preparation of the current and prior year financial statements, and in the period preceding financial statements authorization by the General Shareholders’ Meeting; this revisiting was made with a view to assessing whether those circumstances necessitated recognition of the fundamental (prior year) error in accordance with 8 „Accounting Policies, Changes in Accounting Estimates and Errors”.</p>	<p><i>How a key audit matter was addressed in the audit</i></p> <p>Our audit procedures covered, in particular:</p> <ul style="list-style-type: none"> <li>- analysis of the documentation and information held by the Management Board at the date of the preparation of consolidated financial statements for 2016 and after the date of consolidated financial statements preparation, but prior to their authorization by the General Shareholders’ Meeting</li> <li>- discussing the issues leading to recognition of prior years adjustments with previous Group’s auditor,</li> <li>- analysis of the correspondence of the Company in this matter with external institutions,</li> <li>- substantive assessment and verification of clerical correctness of prior year adjustments and disclosures.</li> </ul>
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<p><i>Refer to the related disclosures</i></p> <p>Disclosures relating to recognized prior year adjustments made by the Company were presented in note 3.3e „Prior year adjustments” of explanatory notes to the accompanying consolidated financial statements.</p>	
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### *Opinion*

In our opinion, accompanying consolidated financial statements:

- give a true and fair view of the financial position of the Group as at 31 December 2017 and its financial performance for the year from 1 January 2017 to 31 December 2017 in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission and other applicable laws and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company’s Statute.

### **Report on other legal and regulatory requirements**

#### *Opinion on the Directors’ Report*

Our opinion on the consolidated financial statements does not include the Directors’ Report.

The Company’s Management is responsible for preparation of the Directors’ Report in accordance with the Accounting Act and other applicable laws. In addition, the Company’s Management and members of the Company’s Supervisory Board are required to ensure that the Directors’ Report meets the requirements of the Accounting Act.

Our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the Director’s Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the accompanying consolidated financial statements.

Our responsibility was also to make a statement, on whether based on our knowledge about the Company and its environment obtained during the audit of the accompanying consolidated financial statements we have identified in the Director's Report any material misstatements and to indicate the nature of each of material misstatement.

In our opinion the Directors' Report was prepared in accordance with the relevant regulations and reconciles with the information derived from the accompanying consolidated financial statements. Moreover, based on our knowledge of the Company and its environment obtained during the audit of the accompanying consolidated financial statements, we have not identified material misstatements in the Directors' Report.

*Opinion on the corporate governance application representation*

The Company's Management and members of the Company's Supervisory Board are responsible for preparation of the representation on application of corporate governance in accordance with the applicable laws.

In connection with the conducted audit of the accompanying consolidated financial statements, our responsibility in accordance with the Act on Statutory Auditors was to issue an opinion on whether the issuer, obliged to present a representation on application of corporate governance, constituting a separate part of the Director's Report, included in the representation information required by applicable laws and whether the related information is in accordance with applicable regulations and with the information included in the accompanying consolidated financial statements.

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 91, section 5, point 4, letter a, b, g, j, k and l of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions of deeming information required by the regulations of a non-member country equal ('Regulation'). Information stipulated in paragraph 91, section 5, point 4 letter c-f, h and i of the Regulation included in the representation on application of corporate governance is in accordance with applicable laws and information included in the accompanying consolidated financial statements.



*Information on preparation of the statement on non-financial information*

In accordance with the requirements of the Act on Statutory Auditors, we inform that the Company has published information on the preparation of a separate report on non-financial information, referred to in art. 49b par. 9 of the Accounting Act and that the Company has prepared such a separate report.

We have not performed any attestation services in respect to the separate report on non-financial information and do not express any assurance in its respect.

Warsaw, 26 of March 2018

Key Certified Auditor

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*Jerzy Buzek*  
certified auditor  
no. in the register: 10870

on behalf of  
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