

Auditor's report from the audit of the financial statements for the financial year from 1 January to 31 December 2016 prepared for the General Meeting of Shareholders and the Supervisory Board of CCC S.A. (Joint-Stock Company)

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I. Company overview

- a. The registered office of CCC Spółka Akcyjna (the "Company") is in Polkowice at Strefowa Street 6
- b. The company was established as CCC Spółka Akcyjna (Joint-stock company). The deed of incorporation of the Company was drafted as a notarial deed at the Notarial Offices of Grażyna Marciniak-Morgut in Polkowice on 15 June 2004 and registered in Repertory A No. 3540/2004. On 30 June 2004, the District Court in Wrocław, Division IX Commercial of the National Court Register, entered the Company in the Commercial Register under KRS number 0000211692. On 24 January 2007, the General Meeting of Shareholders resolved to change the name of the Company to NG2 S.A. On 19 December 2012, by the decision of the General Meeting of Shareholders, the name of the Company was changed once again, from NG2 S.A. to CCC S.A.
- c. For tax purposes, the Company was assigned the following taxpayer identification number (NIP): 692-22-00-609, and for statistical purposes, the Company was assigned the following statistical number (REGON): 390716905.
- d. The share capital of the Company as of 31 December 2016 amounted to PLN 3,9 million and consisted of 39,127,900 shares* with a nominal value of PLN 0.10 each, including 72,790 was the paid capital but not registered. As of the day of signing the report the share capital was increased up to PLN 39,131,510 as a result of paying for newly issued 36,100 shares with a nominal value of PLN 0,10 each. This change was not registered in the National Court Register until the reporting day. As of 31 December 2016 the equity was positive and amounted to PLN 686,9 mln.
- e. As of 31 December 2016, the shareholders of the Company were:

Name of the shareholder	Number of shares held	Nominal value of the shares held (PLN)	% share in the share capital	% of votes held
ULTRO Sp. z o.o.**	11.060.000	1.106.000,00	28.3	36.5
Leszek Gaczorek	2.000.000	200.000,00	5.1	6.6
Aviva OFE	3.069.920	306.992,00	7.8	6.7
Other	22.997.980	2.299.798,00	58.8	50.2
	39.127.900	3.912.790,00	100,0	100,0

As of 31 Decemebr 2015 the Company's shareholders were:

Name of the shareholder	Number of shares held	Nominal value of the shares held (PLN)	% share in the share capital	% of votes held
ULTRO S.A.*	10.350.000	1.035.000,00	27.0	33.5
Leszek Gaczorek	2.710.000	271.000,00	7.1	9.9
Aviva OFE	3.038.335	303.833,50	7.9	6.7
Other	22.301.665	2.230.166,50	58.0	49.9
	38.400.000	3.840.000,00	100,0	100,0

*On 14 February 2017 the Company received a statement of the District Court in Wrocław on making the entry in the Register of Entrepreneurs of the change of the share capital due to the issue of 727 900 new shares. A new disclosed value of the share capital amounts to 3,912,790.00 PLN

** Entity controlled by Dariusz Milek.

- f. In the audited period, the Company's corporate purpose was wholesale and retail trade in footwear and small leather accessories.
- g. In the financial year, the Company's Management Board members were:
- Dariusz Miłek – President of the Management Board
 - Mariusz Gnych – Vice-President of the Management Board
 - Piotr Nowjalis – Vice-President of the Management Board
 - Karol Półtorak - Vice-President of the Management Board since 1 December 2016

After the financial year the following changes were made in the Management Board of the Company:

- Marcin Czyczerski – Vice-President of the Management Board since 1 January 2017
 - Marcin Pałazej – Vice-President of the Management Board since 9 January 2017
 - Piotr Nowjalis - Vice-President of the Management Board until 4 January 2017
- h. The Company's related parties are:
- The entities belonging to the Capital Group CCC S.A. in which the Company is the dominant entity,
 - Members of the Company's key executive management and parties related thereto.

Related party transactions are described in Note 3.3 to the financial statements.

- i. The Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange. Taking advantage of the opportunity to select its accounting principles, as provided in the Act, since 2005, the Company prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union.

The decision to prepare financial statements of the Company in accordance with these standards was adopted by the General Assembly in Resolution No. 21/2005 on 9 May 2005

- j. The Company, as the dominant entity in the CCC S.A. Capital Group, also prepared, as of 28 April 2017, the consolidated financial statements in accordance with the IFRS approved by the European Union. In order to understand the financial position and results on the operations of the Company as a dominant entity, the separate financial statements should be read together with the consolidated statements.

II. Information about the audit carried out

- a. The audit of the financial statements for the financial year from 1 January to 31 December 2016 was carried out by PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw at Al. Armii Ludowej 14, entered on the list of entities authorised to audit financial statements under number 144. On behalf of the authorised entity, the audit was carried out under the supervision of key auditor Edyta Skrzypiec-Rychlik (registered under number 12460).
- b. PricewaterhouseCoopers Sp. z o.o. was approved for the Company's auditor by Resolution No. 07/06/2016 of the Supervisory Board of 2 June 2016 pursuant to Article 16 of the Company's Article of Associations.
- c. PricewaterhouseCoopers Sp. z o.o. and the key auditor conducting the audit are independent from the audited entity, as defined in Article 56 par. 2-4 of the Act on auditors and their governing bodies, entities authorised to audit financial statements and on public supervision of 7 May 2009 (Journal of Laws as of 2016, No. 1000 as amended).
- d. The audit was conducted pursuant to an agreement concluded on 21 July 2016 in the following periods:
 - initial audit from 21 to 22 November 2016;
 - final audit from 27 February to 28 April 2017.
- e. The audit was conducted in accordance with the International Standards on Auditing adopted by the National Standards on Auditing by virtue of a resolution of the National Council of Statutory Auditors as of 10 February 2015. The scope of the audit was based on the assumed relevance level. According to the above standards, the concept of relevance is used by the auditor both in planning and conducting the audit as well as in the assessment of the impact of the recognized distortions and corrected distortions, if any, on the financial statements, and also when formulating an opinion in the auditor's report.

The audit was designed in order to provide reasonable assurance as to whether the financial statements as a whole does not include a material distortion. Distortions may be caused as a result of an error or a fraud. Distortions are considered significant if it can be reasonably expected that individually or collectively they could influence the economic decisions of users taken on the basis of the financial statements.

On the basis of professional judgment, quantitative thresholds have been established and documented, including the overall relevance of the financial statements as a whole. These thresholds, together with qualitative factors, influenced the definition of the scope of the audit and the nature, timing and extent of the examination procedures, as well as the impact assessment of the distortion, both individually and collectively on the financial statements as a whole. Due to the above, all statements contained in the auditor's report, including those relating to other statutory and regulatory requirements, are expressed using the relevance level determined in accordance with auditing standards and the auditor's judgment.

III. The Company's results, financial position and significant items of financial statement

STATEMENT OF FINANCIAL POSITION as of 31 December 2016 (selected items)

	31.12.2016		31.12.2015		Change		Structure		
	PLN	MLN	PLN	MLN	PLN	MLN	(%)	31.12.2016 (%)	31.12.2015 (%)
ASSETS									
Non-current assets	724		460		264		57.5	64.0	44.3
Current assets	405		578		(173)		(29.9)	36.0	55.7
Total assets	1 129		1 038		91		8.8	100.0	100.0
LIABILITIES									
Non-current liabilities	235		237		(2)		(0.8)	20.9	22.8
Current liabilities	207		146		61		41.8	18.4	14.1
Total liabilities	442		383		59		15.4	39.3	36.9
NET ASSETS	687		655		32		4.9	60.7	63.1
EQUITY	687		655		32		4.9	60.7	63.1

STATEMENT OF FINANCIAL RESULT AND OTHER COMPREHENSIVE INCOME for the financial year from 1 January to 31 December 2016 (selected items)

	2016		2015		Change		Share in revenue		
	PLN	MLN	PLN	MLN	PLN	MLN	(%)	2016 r. (%)	2015 r. (%)
Sales revenue	1,739		1,674		65		3.9	100.0	100.0
Cost of goods sold	(1,194)		(1,187)		(7)		0.6	(68.7)	(70.9)
Gross sales revenue	545		487		58		11.9	31.3	29.1
Net profit	59		288		(229)		(79.7)	3.4	17.2
Other comprehensive income	-		-		-		-	-	-
Total income	59		288		(229)		(79.7)	3.4	17.2

Selected ratios illustrating the asset and financial position and the financial performance of the Company

The business activity of the Company, its financial performance for the financial year and the asset and financial position as on the balance sheet date, as compared to previous periods, are characterized by the following indicators:

	2016	2015	2014
Activity ratios			
- receivables turnover	8 days	17 days	20 dni
- inventory turnover	40 days	52 days	111 days
Profitability ratios			
- net return on sales	3%	17%	7%
- gross return on sales	3%	3%	8%
- general return on equity	8%	52%	27%
Debt ratios			
- debt ratio	39%	37%	53%
- liabilities turnover	23 days	30 days	52 days
	31.12.2016	31.12.2015	31.12.2014
Liquidity ratios			
- liquidity ratio I	2.0	4.0	1.9
- liquidity ratio II	1.2	3.2	1.1

The ratios below were calculated on the basis of the financial statements.

The purpose of the audit was not to present the entity in the context of its performance and ratios achieved. Detailed interpretation of the ratios requires in-depth analysis of the entity's operations and the conditions governing them.

The financial statement does not account for the effect of inflation. The overall consumer price index (December-to-December) in the audited year amounted to -0.5 % (2015: deflation -0.5%).

The comments below are presented on the basis of the information obtained in the process of auditing the financial statements.

- At the end of the financial year the Company's assets amounted to PLN 1.129 billion. During the year, the balance sum increased by PLN 91m, i.e. by 8.8%. This increase was mainly generated by net profit in the amount of PLN 59m, valuation of the employees stock option scheme in the amount of PLN 45m, increase of the balance of trade liabilities by the amount of PLN 28m, increase of other liabilities by the amount of PLN 17m and increase of the balance of debt liabilities by PLN 14m with the payment of dividend in the amount of PLN 86m.
- The balance of long-term investments as at 31 December 2016 amounted to PLN 371m and covered all investments in subsidiaries. The increase in the balance of long-term investments compared to the previous year by PLN 246 million was mainly due to the increase in the shareholding in CCC Shoes & Bags Sp. z o.o. by PLN 236m as a result of taking the control over the entity.
- The Company's ratios and debt structure changed. The debt ratio increased from 37% at the end of the previous year to 39% at the end of current year. Liabilities turnover decreased respectively from 30 days to 23 days. The main reason for the increase of debt ratio was the debt in the current account.
- The total sales revenue amounted to PLN 1.739 billion and increased by PLN 65m, i.e. by 3.9% yoy. The Company's primary corporate purpose in the current financial year was selling footwear. The increase in sales was mainly due to the growth of network sale and the expansion of the Capital Group CCC S.A.
- The most significant item of operating cost was the cost of goods sold amounting in the audited financial period to PLN 1.194m, which represents 70.8% of operating cost. Cost of goods sold in comparison with the previous year increased by PLN 6m, i.e. by 0.5%, mainly due to increased sale revenue by 3.9% and the better operating margin.
- Profitability measured by net profit was reported at 3% and was lower by 14 percentage points to the achieved in previous year. It was mainly caused by lowering the equity in NG2 Suisse s.a.r.l in 2015 and the result generated on this transaction.
- The Company's balance of payments changed. Liquidity ratio I and II in the audited year amounted to respectively 2.0 (2015: 4.0) and 1.2 (2015: 3.2) decreased mainly as a result of the decrease of current assets (mainly trade receivables and cash and cash equivalents) with a simultaneous increase of liabilities (mainly trade liabilities)

IV. Statement of the independent auditor

- a. In the course of the audit, the Management Board of the Company presented the required information, explanations and statements and provided a statement on complete disclosure of information in the accounting records and on recognizing any contingent liabilities, and reported on any material events that occurred between the balance sheet and the date of the statement.
- b. The scope of the audit was not limited.
- c. The Company's finance statements for the financial year from 1 January to 31 December 2015 was approved by the Resolution No. 3/OMG/2016 of the General Meeting as of 2 June 2016 and was submitted in the National Court Register in Wroclaw on 15 July 2016.
- d. We made the assessment of the correctness of accounting system functioning. We assessed mainly:
 - accuracy of documentation of commercial operations
 - fairness, accuracy and verifiability of accounting records, including those conducted using a computer.
 - used methods of securing the access to data and their processing system by means of a computer
 - protection of accounting documentation, books and financial statements.

This assessment in conjunction with reviewing the credibility of selected items of the financial statements gives the basis for expressing general and comprehensive opinion on the statement. It was not our report's aim to express a comprehensive opinion on the functioning of the aforementioned system.
- e. The additional information presents all material information required under the International Financial Reporting Standards approved by the European Union.
- k. The information contained in the report on the operations of the Company for the financial year from 1 January to 31 December 2016 complies with the provisions of the Decree of the Minister of Finance on current and periodical information provided by issuers of securities and the conditions of equivalency of information required by the legislation of non-member states of 19 February 2009 (Journal of Laws of 2014 item 133 as amended) and is consistent with the information contained in the audited financial statements.

V. Information and final notes

This report was prepared in connection with the audit of the financial statements of CCC Spółka Akcyjna (Joint-Stock Company) with its registered office in Polkowice at Strefowa Street 6. The financial statement was signed by the Management Board of the Company and the person entrusted with managing the accounts on 28 April 2017.

The report should be read together with the unqualified opinion of the independent auditor for the General Meeting and Supervisory Board of CCC |Joint-Stock Company - Spółka Akcyjna of 28 April 2017 with respect to the above-described financial statements. The opinion on the financial statements expresses a general conclusion from the audit conducted. This conclusion is not the sum of assessments of the results of auditing each item of the financial statements or each issue, but it presupposes attributing certain importance (materiality) to each finding, including the effect of the findings on the accuracy and correctness of the financial statements.

The auditor carrying out the audit on behalf of PricewaterhouseCoopers Sp. z o.o., a company entered on the list of entities authorised to audit financial statements under No. 144, was:

Edyta Skrzypiec - Rychlik
Key Auditor
Registration number 12460
Wroclaw, 28 April 2017