

Auditor’s report from the audit of the financial statements for the financial year from 1 January to 31 December 2015 prepared for the General Meeting of Shareholders and the Supervisory Board of CCC 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 2014, 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 tax 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 2015 and as of the day of signing this report amounted to 3,840,000 PLN and consisted of 38,400,000 shares with a nominal value of PLN 0.10 each. The equity capital as of 31 December 2015 was positive and amounted to PLN 654,9 mln.
- e. As of 31 December 2015, 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 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

* Entity controlled by Dariusz Miłek.

As of 31 Decemebr 2014 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.*	13.360.000	1.336.000,00	34.8	40.2
Leszek Gaczorek	3.010.000	301.000	7.8	10.6
ING OFE	2.259.991	225.999,10	5.9	5.0
Aviva OFE	3.140.375	314.037,50	8,2	7,0
Other	16.629.634	1.662.963,40	43.3	37.2
	38.400.000	3.840.000,00	100,0	100,0

* Entity controlled by Dariusz Miłek.

- 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
- 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 has been preparing 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 2016, 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 2015 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. 9/05/2015 of the Supervisory Board of 20 May 2015 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 2015, No. 1011).
- d. The audit was conducted pursuant to an agreement concluded on 21 July 2015 in the following periods:
 - initial audit from 2 to 13 November 2015;
 - final audit from 22 February to 28 April 2015.

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

STATEMENT OF FINANCIAL POSITION as of 31 December 2015 (selected items)

	31.12.2015		31.12.2014		Change		Structure	
	PLN	MLN	PLN	MLN	PLN	MLN	(%)	(%)
ASSETS								
Non-current assets	460		453		7		1.5	44.3
Current assets	578		516		62		12.0	55.7
Total assets	1.038		969		69		7.1	100.0
LIABILITIES								
Non-current liabilities	237		246		(9)		(3.7)	22.8
Current liabilities	146		268		(122)		(45.5)	14.1
Total liabilities	383		514		(131)		25.5	36.9
NET ASSETS	655		455		200		44.0	63.1
EQUITY	655		455		200		44.0	63.1

STATEMENT OF FINANCIAL RESULT AND OTHER COMPREHENSIVE INCOME for the financial year from 1 January to 31 December 2015 (selected items)

	2015		2014		Change		Share in revenue	
	PLN	MLN	PLN	MLN	PLN	MLN	(%)	(%)
Sales revenue	1.674		1.696		(22)		(1.3)	100.0
Cost of goods sold	(1.187)		(996)		(191)		19.2	(70.9)
Gross sales revenue	487		700		(213)		(30.4)	29.1
Net profit	288		116		172		148.3	17.2
Other comprehensive income	-		-		-		-	-
Total income	288		116		172		148.3	17.2

III. The Company's result, financial position and significant financial statement items (continued)

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:

	2015	2014	2013
Activity ratios			
- receivables turnover	17 days	20 days	18 days
- inventory turnover	52 days	111 days	157 days
Profitability ratios			
- net return on sales	17%	7%	7%
- gross return on sales	3%	8%	8%
- general return on equity	52%	27%	26%
Debt ratios			
- debt ratio	37%	53%	61%
- liabilities turnover	30 days	52 days	56 days
	31.12.2015	31.12.2014	31.12.2013
Liquidity ratios			
- liquidity ratio I	4.0	1.9	1.5
- liquidity ratio II	3.2	1.1	0.7
Other ratios			
- effective income tax rate	3.0%	17.9%	15.1%

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.

III. The Company's result, financial position and significant financial statement items (continued)

The financial statement does not account for the effect of deflation. The overall consumer price index (December-to-December) in the audited year amounted to -0.5 % (2014: -1.0%).

Comparability of financial statements for the years 2014-2015, and thus the information value of financial ratios for these periods may be limited due to the presentation changes and rounding of the currency used (from thousand PLN to million PLN).

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 1.038 billion PLN. During the year, the balance sum increased by 69 mln PLN, i.e. by 7.1%. This increase was mainly generated by net profit in the amount of 288 mln PLN with the payment of dividend in the amount of 115 mln PLN, decrease of the balance of liabilities for suppliers and employees by the amount of 86 mln PLN and decrease of the balance of current debt liabilities with the amount of 21 mln PLN.
- Inventory balance at 31 December 2015 amounted to 116 mln PLN and covered only goods. The decrease in inventory balance comparable to last year of the amount of 112 mln PLN, i.e. by 49.1% resulted from recognition of goods returns adjustments which occurred in 2016.
- Balance of current liabilities for suppliers and employees as of 31 December amounted to 119 mln PLN and covered mainly lease liabilities and trade liabilities in the amount of 78 mln PLN. The decrease in the balance of inventory current liabilities for suppliers and employees in comparison with previous year of the amount of 86 mln PLN, i.e. by 41.7% resulted mainly from offsetting of liabilities of goods returns.
- The Company's ratios and debt structure changed. The debt ratio declined from 53% at the end of the previous year to 37% at the end of current year. Liabilities turnover decreased respectively from 52 days to 30 days. The main reason for the changes in this regard was the repayment of trade and credit liabilities.
- The total sales revenue amounted to 1.674 bln PLN and decreased by 22 mln PLN, i.e. by 1.3% compared to the previous year. The Company's primary corporate purpose in the current financial year was selling footwear. The decrease in sales was mainly due to the separation of part of functions served for the companies in the Capital Group CCC S.A. to a related company in fourth quarter 2014 on account of which CCC S.A. previously realized revenues.

III. The Company's result, financial position and significant financial statement items (continued)

- The most significant item of operating expenses was the cost of goods sold amounting in the audited financial period to 1.187 mln PLN, which represents 72.8% of operating expenses. Cost of goods sold in comparison with the previous year increased by 191 mln PLN, i.e. by 19.2%, mainly due to increased retail revenue in which the company reported the increase by 2.8%.
- Profitability measured by net profit was reported at 17% and was higher by 10 percentage points to the achieved in previous year. It was mainly caused by investment revenue on dividend and reduction of capital in the related company.
- The Company's balance of payments changed. Liquidity ratio I and II in the audited year amounted to respectively 4.0 (2014: 1.9) and 3.2 (2014: 1.1) increased mainly as a result of the increase of value of loans granted to related entities with a simultaneous decrease of 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 2014 was approved by the Resolution No. 3 of the General Meeting as of 24 June 2015 and was submitted in the National Court Register in Wrocław on 1 July 2015.
- 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.
- f. The information contained in the report on the operations of the Company for the financial year from 1 January to 31 December 2015 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) 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 2016.

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 2015 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 2015