

Auditor's report from the audit of the consolidated 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.

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CCC S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2016

I. Group overview

- a. The Parent Company in the Capital Group CCC S.A. (the "Group") is CCC Spółka Akcyjna (the "Parent Company") with its registered office in Polkowice at Strefowa Street 6.
- b. The deed of incorporation of the Entity 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, registered the Entity 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 Entity was changed once again, from NG2 S.A. to CCC S.A.
- c. For tax purposes, the Parent Company was assigned the following tax identification number (NIP): 692-22-00-609, and for statistical purposes, the Parent Company was assigned the following statistical number (REGON): 390716905.
- d. The share capital of the Parent Company as at 31 December 2016 and as at the date of signing this report was PLN 3.9 million and consisted of 39,127,900* shares with a nominal value of PLN 0.10 each, as at 31 December 2016, PLN 72,790 was the capital paid but not registered. As at the date of signing this report, the share capital was increased up to the amount of PLN 39,131,510 as a result of the payment of 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 date of issue of the report. Equity of the Parent Company as at 31 December 2016 was positive and amounted to PLN 1,236.1 billion
- e. As of 31 December 2016, the shareholders of the Parent 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

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I. Group overview (continued.)

As of 31 December 2015, the shareholders of the Parent 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

*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 Miłek.

- f. In the audited period, the Group's corporate purpose was manufacturing and selling of footwear and fancy leather goods.
- g. In the financial year, the Management Board members of the Parent Company 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. During the financial year, the scope of the entities covered by the consolidation was changed. On January 15, 2016, the Parent Company acquired 74.99% of the stake in the share capital of eobuwie.pl S.A. with its registered office in Zielona Góra, and on September 20, 2016 75% of the share capital of the company CCC Russia Sp. z o.o. with its registered office in Moscow. CCC Shoes & Bags d.o.o Beograd was established in May 2016. with its registered office in Belgrade.
- i. The Parent Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange and pursuant to provisions of the accounting act, since 2005, the Parent Company has been preparing its financial statements in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union.

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I. Group overview (continued)

j. As of 31 December 2016, the CCC S.A. Capital Group was composed of the following entities:

Name of the entity	Nature of the capital ties (ownership percentage)	Consolidation method	Entity auditing the financial statements	Type of opinion	Balance sheet date as on which the financial statements were prepared
CCC S.A.	Parent Company	Full	PricewaterhouseCoopers Sp. z o.o.	No reservations	31 December 2016
CCC Factory Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	Audit completed for the purposes of auditing the consolidated financial statements of the Capital Group without issuing an opinion. By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016
CCC Czech s.r.o.	Subsidiary (100%)	Full	G-Konzult (Ing. Jan Glatt)	By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016
CCC Slovakia s.r.o.	Subsidiary (100%)	Full	Stopercentna daňova, kom. spoi.	By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016
CCC Hungary Shoes Kft.	Subsidiary (100%)	Full	KB Audit Könyvelő és Könyvvizsgáló Kft, Hungary	By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016
CCC Austria Ges. m. b. H.	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
CCC Shoes Ayakkabıcılık Ticaret Limited Sirketi	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
CCC Obutev d.o.o.	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
CCC Hrvatska d.o.o.	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
CCC Germany GmbH	Subsidiary (100%)	Full	ATC Revision & Treuhandgesellschaft mbH	By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016
CCC Shoes Bulgaria EOOD	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016

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I. Group overview (continued)

Name of the entity	Nature of the capital ties (ownership percentage)	Consolidation method	Entity auditing the financial statements	Type of opinion	Balance sheet date as on which the financial statements were prepared
CCC Isle of Man Ltd.	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
CCC eu Sp. z o.o.	Subsidiary (100%)	Full	PricewaterhouseCoopers Sp. z o.o.	Audit completed for the purposes of auditing the consolidated financial statements of the Capital Group without issuing an opinion. By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016
CCC Shoes and Bags Sp. z o.o.	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	30 November 2016
NG2 Suisse S.a.r.l.	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
Eobuwie S.A.	Subsidiary (74.99%)	Full	PricewaterhouseCoopers Sp. z o.o.	Audit completed for the purposes of auditing the consolidated financial statements of the Capital Group without issuing an opinion. By the date hereof, no opinion on the statutory audit had been issued.	31 December 2016
CCC Shoes & Bags d.o.o. Beograd - Novi Beograd	Subsidiary (100%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
Eschuhe.de UG	Subsidiary (74.99%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
Traf Logistics Sp. z o.o.	Subsidiary (74.99%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016
CCC Russia Sp. z o.o.	Subsidiary (75%)	Full	The entity is not subject to mandatory audit	n/a	31 December 2016

II. Information about the audit carried out

- a. The audit of the consolidated 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 Group's auditor by Resolution No. 07/06/2016 of the Supervisory Board of 2 June 2016 pursuant to Article 16 par. 2 of the Parent Company's Articles of Associations.
- c. PricewaterhouseCoopers Sp. z o.o. and the key auditor conducting the audit are independent from the entities of the Group, 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, item 1000, as amended).
- d. The audit was conducted pursuant to an agreement concluded on 1 June 2015 in the following periods:
 - initial audit from 21 November to 22 December 2016;
 - final audit from 22 March 2017 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 consolidated 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 consolidated 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 consolidated financial statements.

On the basis of professional judgment, quantitative thresholds have been established and documented, including the overall relevance of the consolidated 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 consolidated 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.

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CCC S.A. Capital Group
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III. The Group's results, financial position and significant consolidated financial statement items

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

	31.12.2016 Mln PLN	31.12.2015 Mln PLN	Change		Structure	
			Mln PLN	(%)	31.12.2016 (%)	31.12.2015 (%)
ASSETS						
Non-current assets	1 287	920	367	39.9	48.2	44.4
Current assets	1 382	1 152	230	19.9	51.8	55.6
Total assets	2 669	2 072	597	28.8	100.0	100.0
LIABILITIES						
Non-current liabilities	661	335	326	97.2	24.8	16.2
Current liabilities	772	613	159	26.0	28.9	29.6
Total liabilities	1 433	948	485	51.2	53.7	45.8
NET ASSETS	1 236	1 124	112	10.0	46.3	54.2
ENTITY CAPITAL	1 236	1 124	112	10.0	46.3	54.2

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

	2016 Mln PLN	2015 Mln PLN	Change		Share in revenue	
			Mln PLN	(%)	2016 (%)	2015 (%)
Sales revenue	3 185	2 307	878	38.1	100.0	100.0
Cost of goods sold	(1 505)	(1 041)	(464)	44.6	(47.3)	(45.1)
Gross sales revenue	1 680	1 266	414	32.7	52.7	54.9
Net profit	315	259	56	21.8	9.9	11.2
Other comprehensive income	3	1	2	150.0	0.1	0.0
Total income	318	260	58	22.3	10.0	11.3

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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 Group

The business activity of the Group, 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 ratios:

	2016	2015	2013
Activity ratios			
- receivables turnover	6 days	6 days	5 days
- inventory turnover	205 days	246 days	240 days
Profitability ratios			
- net return on sales	10%	11%	21%
- gross return on sales	11%	11%	13%
- general return on equity	27%	25%	54%
Debt ratios			
- debt ratio	54%	46%	47%
- liabilities turnover	24 days	24 days	31 days
	31.12.2016	31.12.2015	31.12.2013
Liquidity ratios			
- liquidity ratio I	1.8	1.9	1.7
- liquidity ratio II	0.4	0.8	0.4



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

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

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

The consolidated financial statements does not include the effect of inflation. The overall consumer price index (December-to-December) in the audited year amounted to 0.8% (2015: -0.5%).


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

In the period covered by the audit, the developments below had a material effect on the Group's financial result and its asset and financial position: At the end of the financial year, the Group's assets amounted to PLN 2,669 million. During the year, the balance sheet sum increased by PLN 597 million, i.e. by 28.8%. This increase was mainly financed by the net profit generated in the amount of PLN 315 million, the increase in debt liabilities by PLN 7 million, the increase in trade liabilities by PLN 104 million, and the proceeds from the issue of shares amounting to PLN 45 million while paying the dividend of PLN 86 million. In 2016, the Parent Company took control of eobuwie.pl S.A. recognizing at the balance sheet date a non-controlling interest of PLN 52 million.

- The balance of inventories as at 31 December 2016 amounted to PLN 1,035 billion and consisted mainly of goods with a gross value of PLN 988 million. The increase in the balance of inventories in comparison to the previous year by PLN 355 million, i.e. by 52.2%, was mainly due to the increase in the gross value of goods by PLN 386 million as a result of the Group's expansion.
- The Group's ratios and debt structure changed. The debt ratio increased from 46% at the end of the previous year to 54% at the end of a current year. The main reason for this change was the increase in debt credit and trade liabilities. Liabilities turnover was 24 days at the end of the current year and did not change as compared to the end of the previous year.
- The Group's total sales revenue amounted to PLN 3,185 billion and increased by PLN 878, i.e. by 38.1% yoy. The Group's primary corporate purpose in the current financial year was selling footwear. The domestic market, which accounted for 53% of the sales, continued to be the primary market. The share of export retail sale in total revenue increased by 0.5 percentage points yoy and now amounts to 32.9%.
- The biggest item of the operating cost was the cost of purchase of goods sold in the audited financial year PLN 1.246 billion, which accounts for 44.0% of operating costs. The cost of purchase of goods sold yoy increased by PLN 397 mln, i.e. by 46.8% which was mainly caused by increase of sale.
- Profitability measured by net profit was reported at 10% and was lower by 1 percentage points than that achieved in the previous year. It was mainly caused by increase of revenue on sale by 38.1%.
- The Group's balance of payments changed. Liquidity ratio I and II in the audited year amounted to respectively 1.8 (2015: 1.9) and 0.4 (2015: 0.8) decreased mainly as a result of increase of income tax liabilities and trade liabilities.



IV. Statement of the independent auditor

- a. In the course of the audit, the Management Board of the Parent 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 calculation of the goodwill arising in the audited period and its recognition in the consolidated financial statements were in all material respects consistent with IFRSs approved by the European Union.
- d. In all material aspects, the consolidation of capitals and determination of 'non-controlling interests' have been properly carried out.
- e. Exclusions of mutual settlements (receivables and liabilities) and internal turnovers (revenues and expenses) among the consolidated entities were made in all material respects in accordance with the IFRS approved by the European Union.
- f. Exclusions of results not realized by the consolidated entities, contained in the value of assets and under dividends were made in all material respects in accordance with the IFRS approved by the European Union.
- g. The effects of the sale of all or part of shares in subsidiaries are recognized in all material aspects in accordance with IFRS as adopted by the European Union.
- h. The consolidation documents were complete and correct and the method of their storage provides appropriate security.
- i. The consolidated financial statements of the Group for the financial year from 1 January to 31 December 2015 were approved by Resolution No. 4/OGM/2016 of the General Meeting of the Parent Company of 2 June 2016 and filed with the National Court Register in Wrocław on 15 July 2016.
- j.  The additional information presents all material information set forth in the IFRS approved by the European Union.
- k. The information contained in the report on the operations of the Capital Group for the financial year from 1 January to 31 December 2016 complies with the provisions of the Regulation of the Minister of Finance of 19 February 2009 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 (Journal of Laws of 2015 item 133) and is consistent with the information presented in the consolidated financial statements.

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V. Information and final notes

This report was prepared in connection with the audit of the consolidated financial statements of the Capital Group CCC S.A. in which CCC Spółka Akcyjna is the Parent Company with its headquarters in Polkowice at Strefowa Street 6. The consolidated financial statements were signed by the Management Board of the Parent Company and the person entrusted with managing the accounts of the Parent Company 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 S.A. of 28 April 2016 with respect to the above-described consolidated financial statements. The opinion on the consolidated 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 consolidated financial statements or each issue, but it presupposes attributing certain importance (relevance) to each finding, taking into account the effect of the findings on the accuracy and correctness of the consolidated 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 of the Group
Registration number 12460
Wroclaw, 28 April 2017