

**Independent Registered Auditor's Opinion
to the General Shareholders' Meeting and the Supervisory Board of
TOYA Spółka Akcyjna**

We have audited the accompanying consolidated financial statements of the TOYA S.A. Capital Group (hereinafter referred to as the "Group") in which the parent company is TOYA Spółka Akcyjna (hereinafter referred to as the "Parent Company") with its registered office in Wrocław at ul. Sołtysowicka 13/15, comprising consolidated statement of financial position prepared as at 31 December 2012 with total assets and equity and liabilities of PLN 153,095 thousand, consolidated statement of comprehensive income for the period from 1 January to 31 December 2012 showing comprehensive income of PLN 17,106 thousand, consolidated statement of changes in equity, consolidated statement of cash flows for the year then ended and additional information regarding adopted accounting principles as well as notes and explanations.

The Management Board of the Parent Company is responsible for preparing the financial statements and a Directors' Report in accordance with the applicable regulations. The Management Board and Members of the Supervisory Board of the Parent Company are required

to ensure that the consolidated financial statements and the Directors' Report meet the requirements set out in the Accounting Act of 29 September 1994 ("Accounting Act" — Journal of Laws of 2013, item 330).

Our responsibility was to perform an audit of the accompanying consolidated financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and whether they present fairly, in all material respects, the Group's financial position and results.

We conducted our audit in accordance with the following:

- (a) the provisions of chapter 7 of the Accounting Act;
- (b) the national standards on auditing issued by the National Council of Registered Auditors.

Our audit was planned and performed to obtain reasonable assurance that the financial statements were free of material misstatements and omissions. The audit included examining, on a test basis, accounting documents and entries supporting the amounts and disclosures in the consolidated financial statements. The audit also included an assessment of the accounting policies applied by the Group and significant estimates made in the preparation of the consolidated financial statements as well as an evaluation of the overall presentation thereof. We believe that our audit provided a reasonable basis for our opinion.

**Independent Registered Auditor's Opinion
to the General Shareholders' Meeting and the Supervisory Board of
TOYA Spółka Akcyjna (continued)**

In our opinion, the accompanying consolidated financial statements, in all material respects:

- (a) present truly and fairly the Group's financial position as at 31 December 2012 and its financial result for the financial year from 1 January to 31 December 2012 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union;
- (b) comply in terms of form and content with the laws applicable to the Group;
- (c) have been prepared on the basis of properly maintained consolidation documentation.

The information included in the Directors' Report for the financial year from 1 January to 31 December 2012 takes into account the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a Member State ("Decree" – Journal of Laws No 33 item 259, as amended) and is consistent with the information contained in the audited consolidated financial statements.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o., Registered Audit Company No 144:

Adrian Karaś

Group's Registered Auditor, Key Registered Auditor
No 12194

Wrocław, 10 April 2013

TOYA S.A. Capital Group

**Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2012**



**Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2012
to the General Shareholders' Meeting and the Supervisory Board of
TOYA Spółka Akcyjna**

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TOYA S.A. Capital Group
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for the financial year from 1 January to 31 December 2012

I. General information about the Group (continued)

I. General information about the Group

- a. The parent company of the TOYA S.A. Capital Group (“Group”) is the TOYA Spółka Akcyjna (“Parent Company”), with its registered office in Wrocław, ul. Sołtysowicka 13/15.
- b. The articles of incorporation of the Parent Company were drawn up in the form of a notarial deed in the Notary’s Office of the notary public Jolanta Ołpińska in Wrocław on 17 November 1999 and recorded in Rep. A No 5945/99. On 5 December 2001 the District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register, entered the Parent Company in the Register of Entrepreneurs under number KRS 0000066712.
- c. For the purpose of making tax settlements, on 22 December 1999, the Parent Company was assigned a Tax Identification Number (NIP) 895-16-86-107. For statistical purposes, the Parent Company was assigned a Statistical Identification Number (REGON) 932093253 on 3 December 1999.
- d. As at 31 December 2012, the Parent Company’s share capital was positive, amounted to PLN 7,521,358.90 and consisted of 75,213,589 shares with the par value of PLN 0.10 each.
- e. As at 31 December 2012 and the date of this Opinion, the Parent Company’s shareholders were:

Shareholder’s name	Number of shares held	Par value of shares held (PLN)	Type of shares held	Votes (%)
Jan Szmidt	28,170,647	2,817,064.70	ordinary	37.5
Tomasz Koprowski	14,644,030	1,464,403.00	ordinary	19.5
Romuald Szałagan	10,938,874	1,093,887.40	ordinary	14.5
Piotr Wojciechowski	5,057,728	505,772.80	ordinary	6.7
Generali OFE	4,800,000	480,000.00	ordinary	6.4
Others – share below 5%	11,602,310	1,160,231.00	ordinary	15.4

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I. General information about the Group (continued)

- i. The Parent Company is an issuer of securities admitted to trading on the Warsaw Stock Exchange and pursuant to the requirements of the Accounting Act it prepares consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The Group has been applying IFRS since 2010. A decision to prepare Group's financial statements in accordance with those standards was made by the General Shareholders' Meeting by resolution No 5 of 30 September 2010.

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II. Information about the audit

- a. The audit of the consolidated financial statements for the financial year from 1 January to 31 December 2012 was conducted by PricewaterhouseCoopers Sp. z o.o. with its registered office in Warsaw, Al. Armii Ludowej 14, registered audit company No 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor, the Group's registered auditor Adrian Karaś (No 12194).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No 1/06/2012 of the Supervisory Board of the Parent Company dated 27 June 2012 in accordance with section 17 paragraph 2 item (a) of the Parent Company's Articles of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the companies comprising the Group within the meaning of Article 56, paragraphs 2–4 of the Act on registered auditors and their council, entities entitled to provide an audit of the financial statements and public supervision of 7 May 2009 (Journal of Laws No 77, item 649, as amended).
- d. The audit was performed on the basis of an agreement dated 6 August 2012 and conducted in the following periods:
 - interim audit from 30 November to 6 December 2012;
 - final audit from 25 February to 10 April 2013.

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III. The Group's results, financial position and material items of the consolidated financial statements

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 31 December 2012 (chosen items)

			Change		Structure	
	31.12.2012 PLN '000	31.12.2011 PLN '000	PLN '000	(%)	31.12.2012 (%)	31.12.2011 (%)
ASSETS						
Fixed assets	24,141	19,737	4,404	22.3	15.8	12.3
Current assets	128,954	140,506	(11,552)	(8.2)	84.2	87.7
Total assets	153,095	160,243	(7,148)	(4.5)	100.0	100.0
LIABILITIES						
Equity per shareholders of the parent company	104,601	85,609	18,992	22.2	68.3	53.4
Long-term liabilities	139	261	(122)	(46.7)	0.1	0.2
Short-term liabilities	48,355	74,373	(26,018)	(35.0)	31.6	46.4
Total liabilities	153,095	160,243	(7,148)	(4.5)	100.0	100.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the financial year from 1 January to 31 December 2012 (chosen items)

			Change		Share in revenues	
	2012 PLN '000	2011 PLN '000	PLN '000	(%)	2012 (%)	2011 (%)
Sales revenues	201,247	210,308	(9,061)	(4.3)	100.0	100.0
Costs of products, goods and materials sold	(134,463)	(137,486)	3,023	(2.2)	(66.8)	(65.4)
Gross profit	66,784	72,822	(6,038)	(8.3)	33.2	34.6
Net profit from continuing operations	17,643	25,130	(7,487)	(29.8)	8.8	11.9
Net profit	17,643	25,627	(7,984)	(31.2)	8.8	12.2
Other net comprehensive income	(537)	648	(1,185)	(182.9)	(0.3)	0.3
Net comprehensive income for the financial year	17,106	26,275	(9,169)	(34.9)	8.5	12.5

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III. The Group's results, financial position and material items of the consolidated financial statements (continued)

Presentation of financial ratios summarising the Group's financial position and results

The following ratios characterize the Group's activities, results of operations during the year and its financial position as at the balance sheet date compared with previous years:

	2012	2011	2010
Activity ratios			
- receivables turnover	52 days	53 days	53 days
- inventory turnover	255 days	224 days	234 days
Profitability ratios			
- net profit margin	9%	12%	11%
- gross margin	14%	16%	15%
- return on capital employed	19%	30%	28%
Liability ratios			
- gearing	32%	47%	62%
- payables turnover	45 days	56 days	68 days
	31.12.2012	31.12.2011	31.12.2010
Liquidity ratios			
- current ratio	2.7	1.9	1.6
- quick ratio	0.7	0.6	1.0

The ratios presented above were calculated on the basis of the consolidated financial statements.

The audit was not aimed at presenting the Group in the context of operating results and achieved ratios. Detailed interpretation of the results requires further analysis of the Group's operation and its conditions.

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III. The Group's results, financial position and material items of the consolidated financial statements (continued)

The consolidated financial statements do not take into account the effects of inflation. The overall consumer price index (on a December to December basis) amounted to 2.4% in the audited year (4.6% in 2011). The following comments are based on information obtained during the audit of the consolidated financial statements.

During the audited period the events described below had a significant impact on the financial results and the asset and financial position of the Group:

- As at the end of the financial year, the Group's total assets amounted to PLN 153,095 thousand. During the year, total assets decreased by PLN 7,148 thousand, i.e. by 4.5%. The decrease in total assets is mainly a result of a decrease in short-term liabilities by PLN 26,018 thousand. At the same time, the Group generated a net profit of PLN 17,643 thousand.
- Equity as at the end of the audited year amounted to PLN 104,601 thousand, representing an increase by PLN 18,992 thousand, i.e. by 22.2%, as compared with the previous year. This change resulted primarily from the net profit of PLN 17,643 thousand and an increase in other supplementary capital by PLN 1,849 thousand due to appraisal of the share option scheme.
- The balance of liabilities from loans, borrowings and other debt instruments as at 31 December 2012 was PLN 27,738 thousand, including primarily the overdraft facility agreement concluded with Citi Handlowy bank (amount outstanding: PLN 12,678 thousand) and the multi-purpose credit line agreement concluded with BNP Paribas Bank Polska S.A. (amount outstanding: PLN 12,163 thousand). The balance reduction by PLN 18,954 thousand (i.e. by 40.6%) was mainly due to lower demand for cash in connection with reduced purchases of goods during the year, financed from the overdraft facility.
- Liability ratios and the structure of Group's liabilities changed. The debt ratio decreased from 47% as at the end of the previous year to 32% as at the end of the current year. The payables turnover ratio decreased from 56 days to 45 days. The changes within this scope were mainly due to lower purchases of goods at the end of the year and reduced overdraft on current accounts.
- Total sales revenues amounted to PLN 201,247 thousand, showing a decrease by PLN 9,061 thousand (i.e. by 4.3%) in comparison with the previous year. The Group's core activities in the current financial year consisted of sales industrial goods, in particular hand and power tools for DIY use. The decrease was mainly due to reduced volume of sales in the Wholesale and Chains segments.
- The cost of goods and materials sold was the largest item of operating expenses and amounted to PLN 134,463 thousand in the audited year, which constituted 76.5% of operating expenses. The value of goods and materials sold decreased by PLN 3,023 thousand, i.e. 2.2% as compared with the previous year,

III. The Group's results, financial position and material items of the consolidated financial statements (continued)

primarily as a result of a decrease in turnover. Profitability measured by the net profit amounted to 9%, and was lower than the profitability achieved in the previous year by 3 percentage points.

- The Group's liquidity changed. In the audited year, the current and quick liquidity ratios were, respectively: 2.7 (previous period: 1.9) and 0.7 (previous period: 0.6).

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IV. Statements of the independent registered auditor

- a. The Management Board of the Parent Company provided all the information, explanations, and representations required by us in the course of the audit and provided us with a representation letter confirming the completeness of the information included in the consolidation documentation and the disclosure of all contingent liabilities and post-balance-sheet events which occurred up to the date on which that letter was signed.
- b. The scope of the audit was not limited.
- c. The Group has up-to-date documentation of its accounting principles (policy), approved by the Management Board of the Parent Company. The Parent Company's accounting principles were tailored to the Group's needs and ensured the recognition of all events with a material effect on the assessment of the Group's financial position and results, taking into consideration the prudence principle. Continuity of applied principles and methods was maintained in relation to the previous period.
- d. In all material respects, the consolidation of capital and determination of minority interests were performed properly.
- e. Eliminations of mutual settlements (assets and liabilities) and internal turnover (revenues and costs) of consolidated entities were performed in all material respects in accordance with IFRS as adopted by the European Union.
- f. Eliminations of results unrealised by the consolidated entities, included in the asset value and in respect of dividends were performed in all material respects in accordance with IFRS as adopted by the European Union.
- g. The consolidation documentation was complete and correct, and the manner of its storage provides adequate protection.
- h. The Group's consolidated financial statements for the financial year from 1 January to 31 December 2011 were approved by Resolution No 9 of the General Meeting of the Shareholders of the Parent Company of 26 June 2012, filed with the National Court Register in Wrocław on 29 June 2012 and published in Monitor Polski B No 3351 on 14 December 2012.
- i. The consolidated financial statements for the prior year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.
- j. Notes to the financial statements present all material information required by the IFRS as adopted by the European Union.
- k. The information in the Directors' Report for the Capital Group for the year ended 31 December 2012 takes into account the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic information by issuers of securities and the conditions of acceptance as equal information required by the law of other state, which is not a Member State (Journal of Laws No 33, item 259, as amended).

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V. Final information and comments

This report was prepared in connection with the audit of the consolidated financial statements of the TOYA Spółka Akcyjna Capital Group in which the parent company is TOYA Spółka Akcyjna with its registered office in Wrocław at ul. Sołtysowicka 13/15. The consolidated financial statements were signed by the Parent Company's Management Board on 10 April 2013.

The report should be read in conjunction with an unqualified opinion of the independent auditor to the General Shareholders' Meeting and the Supervisory Board of TOYA Spółka Akcyjna of 10 April 2013 concerning the above described consolidated financial statements. The opinion on the consolidated financial statements expresses a general conclusion drawn from the audit. This conclusion does not sum up the assessments of the results of auditing particular items of the consolidated statements or issues, but assigns respective weight (significance) to individual findings, in consideration of the impact of the determined facts on the fairness and correctness of the consolidated financial statements.

Conducting the audit on behalf of PricewaterhouseCoopers Sp. z o.o.,
Registered Audit Company No 144:

Adrian Karaś

Group's Registered Auditor, Key Registered Auditor
No 12194

Wrocław, 10 April 2013