

TOYA S.A. Capital Group

Letter from the President of the Management Board

Independent Registered Auditor's Opinion

Consolidated financial statements

Directors' report on operations of the Capital Group

Report on the audit of the consolidated financial statements

Selected financial data

Statement of the Management Board

**For the financial year from 1 January to 31 December
2013**

Contents:

Letter from the President of the Management Board

prepared by the Management Board of TOYA S.A.

Independent Registered Auditor's Opinion

prepared by PricewaterhouseCoopers Sp. z o.o.

Consolidated financial statements

prepared by the Management Board of TOYA S.A.

Directors' report on operations of the Capital Group

prepared by the Management Board of TOYA S.A.

Report on the audit of the consolidated financial statements

prepared by PricewaterhouseCoopers Sp. z o.o.

Selected financial data

prepared by the Management Board of TOYA S.A.

Statement of the Management Board

prepared by the Management Board of TOYA S.A.

**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 2013 with total assets and equity and liabilities of PLN 163,787 thousand, consolidated statement of profit or loss and other comprehensive income for the period from 1 January to 31 December 2013 showing comprehensive income of PLN 25,256 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. national standards of auditing issued by the National Chamber 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 provides 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 2013 and its financial result for the financial year from 1 January to 31 December 2013 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 2013 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 of 2014 item 133) 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:

Katarzyna Ignaszak

Group's Registered Auditor,
Key Registered Auditor
No 11715

Wrocław, 2 April 2014

TOYA S.A. Capital Group

**Report on the audit
of the consolidated financial statements
for the financial year from 1 January to 31 December 2013**



**Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013
to the General Shareholders' Meeting and the Supervisory Board of
TOYA Spółka Akcyjna**

This report contains 11 consecutively numbered pages and consists of:

	Page
I. General information about the Group	2
II. Information about the audit	5
III. The Group's results, financial position and material items of the consolidated financial statements	6
IV. Statements of the independent registered auditor	10
V. Final information and comments	12

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

I. General information about the Group

- a. The parent company of the TOYA S.A. Capital Group (“Group”) is 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 2013, the Parent Company’s share capital amounted to PLN 7,540,237.50 and consisted of 75,402,375 shares with the par value of PLN 0.10 each.
- e. As at 31 December 2013 and the date of this Report, 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	37.4
Tomasz Koprowski	14,644,030	1,464,403.00	ordinary	19.4
Romuald Szalagan	10,938,874	1,093,887.40	ordinary	14.5
Generali OFE(*)	6,038,147	603,814.70	ordinary	8.0
Piotr Wojciechowski	5,044,878	504,487.80	ordinary	6.7
Others – share below 5%	10,565,799	1,056,579.90	ordinary	14.0
	75,402,375	7,540,237.50		100.0

(*) status according to information held by TOYA S.A. as at the dividend record date for 2012, i.e. 11 July 2013.

In 2013, the share capital of the Parent Company was increased by PLN 18,878.60 through the issue of 188,786 ordinary shares, as a result of the adoption of a resolution by the Management Board of the Parent Company on 18 February 2013, concerning an increase of the share capital through the issue of series F shares within the authorised capital and a resolution concerning the exclusion of subscription right for new shares by existing shareholders.

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

I. General information about the Group (continued)

As at 31 December 2012, 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 Szalagan	10,938,874	1,093,887.40	ordinary	14.5
Generali OFE	4,800.00	480,000.00	ordinary	6.4
Piotr Wojciechowski	5,057,728	505,772.80	ordinary	6.7
Others – share below 5%	11,602,310	1,160,231.00	ordinary	15.4
	75,213,589	7,521,358.90		100.0

f. During the audited period, the core business activities of the Group included import and distribution of industrial goods, including primarily hand and power tools for professional and DIY use.

g. During the financial year, the Management Board of the Parent Company comprised:

- Grzegorz Pinkosz President of the Management Board;
- Dariusz Hajek Vice-President of the Management Board.

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

I. General information about the Group (continued)

h. As at 31 December 2013, the TOYA S.A. Capital Group consisted of the following entities:

Entity name	Type of equity link (% of ownership)	Consolidation method	Entity auditing the financial statements	Type of opinion	Balance sheet date of the financial statements
TOYA S.A.	Parent	Not applicable	PricewaterhouseCoopers Sp. z o.o.	unqualified	31 December 2013
Toya Romania SA	Subsidiary (99.99%)	Full	Not subject to audit for consolidation purposes	not applicable	31 December 2013
Yato Tools (Shanghai) Co., Ltd *	Subsidiary (75.00%)*	Full	Not subject to audit for consolidation purposes	not applicable	31 December 2013

* In June 2008, the Parent Company and Saame Tools (Shanghai) Import & Export Co., Ltd China established a joint venture under the name Yato China Trading Co., Ltd. The Parent Company acquired 51% of the shares in the share capital, the remaining 49% was acquired by Saame Tools (Shanghai) Import & Export Co., Ltd China. On 2 January 2013, Toya S.A. increased the share capital in Yato China Co., Ltd. As a result of this transaction, the Parent Company increased its share in Yato China Trading Co. Ltd. from 51% to 75%. At the same time, changes were introduced to the Articles of Association of Yato China Trading Co., Ltd., whereby TOYA S.A. gained the right to nominate the majority of members of Yato China's Management Board. As a result, on 2 January 2013, the Parent Company took control over Yato China Trading Co., Ltd. and, as of that date, consolidates the entity under the full method. In April 2013, the name of the company was changed to Yato Tools (Shanghai) Co., Ltd.

On 19 June 2013, the company Toya Golf & Country Club Sp. z o.o. was deleted from the court register as a result of liquidation. Parent Entity held 100% shares in the company – the company did not conduct an active business.

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.

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

II. Information about the audit

- a. The audit of the consolidated financial statements for the financial year from 1 January to 31 December 2013 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 Katarzyna Ignaszak (No 11715).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Group by Resolution No 1/7/2013 of the Supervisory Board of TOYA S.A. dated 8 July 2013 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 10 July 2013 and conducted in the following periods:
 - interim audit from 21 to 25 October 2013;
 - from 25 February to 2 April 2014.

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 31 December 2013 (chosen items)

	31.12.2013 PLN '000	31.12.2012 PLN '000	Change		Structure	
			PLN '000	(%)	31.12.2013 (%)	31.12.2012 (%)
ASSETS						
Non-current assets	25,401	24,141	1,260	5.2	15.5	15.8
Current assets	138,386	128,954	9,432	7.3	84.5	84.2
Total assets	163,787	153,095	10,692	7.0	100.0	100.0
EQUITY AND LIABILITIES						
Equity per shareholders of the parent company	119,057	104,601	14,456	13.8	72.7	68.3
Equity attributable to non-controlling interests	1,974	-	1,974	-	1.2	-
Total liabilities	42,756	48,494	(5,738)	(11.8)	26.1	31.7
Total equity and liabilities	163,787	153,095	10,692	7.0	100.0	100.0

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the financial year from 1 January to 31 December 2013 (chosen items)

	2013 PLN '000	2012 PLN '000	Change		Share in revenues	
			PLN '000	(%)	2013 (%)	2012 (%)
Sales revenue	242,710	201,247	41,463	20.6	100.0	100.0
Costs of products, goods and materials sold	(159,452)	(134,463)	(24,989)	18.6	(65.7)	(66.8)
Gross profit on sales	83,258	66,784	16,474	24.7	34.3	33.2
Net profit	25,666	17,643	8,023	45.5	10.6	8.8
Other net comprehensive income	(410)	(537)	127	(23.6)	(0.2)	(0.3)
Net comprehensive income for the financial year	25,256	17,106	8,150	47.6	10.4	8.5

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

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

	2013	2012	2011
Activity ratios			
– receivables turnover	46 days	52 days	53 days
– inventory turnover	209 days	255 days	224 days
Profitability ratios			
– net profit margin	11%	9%	12%
– gross profit margin	13%	14%	16%
– return on capital employed	23%	19%	30%
Liability ratios			
– gearing	26%	32%	47%
– payables turnover	44 days	45 days	56 days
	31.12.2013	31.12.2012	31.12.2011
Liquidity ratios			
– current ratio	3.2	2.7	1.9
– quick ratio	1.1	0.7	0.6

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.

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

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 (December to December) in the audited year amounted to 0.7% (2012: 2.4%).

The following comments are based on information obtained during the audit of the consolidated financial statements.

The comparability of consolidated financial statements for 2012 and 2013, and thus the informational value of financial indicators regarding these years may be limited due to the fact that the results of Yato Tools (Shanghai) Co., Ltd in 2012 were recognised using the equity method, while in 2013 this entity was consolidated using the full method, as a result of acquisition of control by the Parent Company.

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:

- At the end of the financial year, the Group's total assets amounted to PLN 163,787 thousand. During the year, total assets increased by PLN 10,692 thousand, i.e. by 7.0%. This increase was mostly financed by the net profit (of PLN 25,666 thousand), increase in short-term trade and other payables (by PLN 13,673 thousand), with a simultaneous payment of dividend (of PLN 10,556 thousand) and decrease in the balance of short-term liabilities under loans, borrowings and other debt instruments (by PLN 20,452 thousand).
- Equity as at 31 December 2013 year amounted to PLN 121,031 thousand, representing an increase by PLN 16,430 thousand, i.e. by 15.7%, as compared with the previous year. This increase resulted primarily by net profit generated in the financial year, amounting to PLN 25,666 thousand, with a simultaneous payment of dividend in the amount of PLN 10,556 thousand.
- Liability ratios and the structure of Group's liabilities changed. The debt ratio decreased from 32% as at the end of the previous year to 26% as at the end of the current year. The changes within this scope were mainly due to lower purchases of goods at the end of the year and overdraft on the current account.
- Total sales amounted to PLN 242,710 thousand, which constituted an 20.6% increase compared 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. On these activities, the Company recorded an increase by PLN 40,843 thousand, i.e. 20.3% as compared with the previous financial period. An increase by PLN 24,946 thousand results from the fact that in 2013 a subsidiary, Yato Tools (Shanghai) Co., Ltd., was consolidated using the full method. The remaining increase in sales results from increased turnover of the Group in all distribution channels.

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

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

- The cost of goods and materials sold was the largest item of operating expenses and amounted to PLN 159,452 thousand in the audited year, which constituted 75.7% of operating expenses. The value of goods and materials sold increased by PLN 24,989 thousand, i.e. 18.6% as compared with the previous year, primarily as a result of an increase in the scale of activities of the Group and the consolidation of a subsidiary, Yato Tools (Shanghai) Co., using the full method, as of 2013.
- The Group's liquidity changed. In the audited year, the current and quick liquidity ratios were, respectively: 3.2 (2012: 2.7) and 1.1 (2012: 0.7).

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

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 principles and methods was maintained in relation to the previous period.
- d. The calculation of goodwill arising in the audited period and its recognition in the consolidated financial statements complied in all material respects with the IFRS as adopted by the European Union.
- e. In all material respects, the consolidation of capital and determination of minority interests were performed properly.
- f. 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.
- g. 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.
- h. The consolidation documentation was complete and correct, and the manner of its storage provides adequate protection.
- i. The Group's consolidated financial statements for the financial year from 1 January to 31 December 2012 were approved by Resolution No 8 of the General Shareholders' Meeting of the Shareholders of the Parent Company of 25 June 2013 and filed with the National Court Register in Wrocław on 28 June 2013.
- j. The consolidated financial statements for the prior year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.
- k. Notes to the financial statements present all material information required by the IFRS as adopted by the European Union.
- l. The information included in the Directors' Report for the financial year from 1 January to 31 December 2013 takes into account the provisions of the Decree of the Minister of Finance dated 19 February 2009 concerning the publication of current and periodic

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

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 of 2014 item 133) and is consistent with the information presented in the consolidated financial statements.

TOYA S.A. Capital Group
Report on the audit of the consolidated financial statements
for the financial year from 1 January to 31 December 2013

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 2 April 2014.

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 2 April 2014 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:

Katarzyna Ignaszak

Group's Registered Auditor,
Key Registered Auditor
No 11715

Wrocław, 2 April 2014