

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

We have audited the accompanying financial statements of TOYA Spółka Akcyjna (hereinafter referred to as the "Company") with its registered office in Wrocław at ul. Sołtysowicka 13/15, comprising statement of financial position prepared as at 31 December 2012 with total assets and liabilities of PLN 150,572 thousand, statement of comprehensive income for the period from 1 January to 31 December 2012 showing comprehensive income of PLN 16,965 thousand, statement of changes in equity, 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 Company is responsible for preparing the financial statements and a Directors' Report in accordance with the applicable regulations and for the correctness of the books of account. The Management Board and Members of the Supervisory Board of the Company are required to ensure that the 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 financial statements and to express an opinion on whether the financial statements comply in all material respects with the applicable accounting policies and on whether they present fairly and clearly, in all material respects, of the Company's financial position and results, and whether the accounting records constituting the basis for their preparation are properly maintained.

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, the evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used by the Company and significant estimates made in the preparation of the financial statements as well as evaluating the overall presentation of the financial statements. 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 financial statements, in all material respects:

- a. present truly and fairly the Company'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 as adopted by the European Union;
- b. comply in terms of form and content with the applicable laws and the Company's Articles of Association;
- c. have been prepared on the basis of properly kept books of account in accordance with accounting principles (policy) that must be applied.

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) and is consistent with the information contained in the audited financial statements.

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

Adrian Karaś

Key Registered Auditor
No 12194

Wrocław, 10 April 2013

TOYA S.A.

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



**Report on the audit of the 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**

This report contains 10 consecutively numbered pages and consists of:

	Page
I. General information about the Company.....	2
II. Information about the audit.....	4
III. The Company's results, financial position and the material items of the financial statements.....	5
IV. Statements of the independent registered auditor	8
V. Final information and comments.....	10

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

I. General information about the Company

- a. The registered office of TOYA Spółka Akcyjna (“Company”) is in Wrocław, ul. Sołtysowicka 13/15.
- b. The Company is a successor of civil law partnership “TOYA IMPORT-EKSPORT” whose partners resolved to transfer the business in 1999 to a newly established joint stock company TOYA Spółka Akcyjna (the “Company”) in Wrocław. The articles of incorporation of the 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 Company in the Register of Entrepreneurs under number KRS 000066712.
- c. For the purpose of making tax settlements, on 22 December 1999, the Company was assigned a Tax Identification Number (NIP) 895-16-86-107. For statistical purposes, the Company was assigned a Statistical Identification Number (REGON) 932093253 on 3 December 1999.
- d. As at 31 December 2012 the Company’s share capital amounted to PLN 7,521,358.90 and consisted of 75,213,589 shares, with the nominal value of PLN 0.10 each. Equity as at that date was positive and amounted to PLN 102,406 thousand.
- e. As at 31 December 2012 and the date of this opinion, the 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
	75,213,589	7,521,358.90		100.0

In the audited financial year, the share capital was increased by 187,842 shares with a par value of PLN 0.10 and issue price at PLN 0.10 each, according to the adopted payroll regulations for Members of the Supervisory Board. Moreover, the Company issued 188,947 shares with a par value of PLN 0.10 each as a result of realisation of the first tranche of the Incentive Scheme for the management staff and key employees. All new shares were acquired by the remaining shareholders of the Company.

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

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

I. General information about the Company (continued)

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

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

h. The Company has the following related entities as at 31 December 2012:

Toya Golf & Country Club Sp. z o.o.	- subsidiary
Toya Romania S.A.	- subsidiary
Yato China Trading Co., Ltd.	- jointly controlled entity

Transactions with related parties are disclosed in note No 30 to the financial statements. On 2 January 2013, the Company increased the capital of Yato China Trading Co., Ltd. As a result of this transaction, the Company increased its share in Yato China Trading Co., Ltd. from 51% to 75%. As a consequence, from that date, this entity will be subject to consolidation on the basis of the full method.

i. The Company is an issuer of securities admitted for trading on the Warsaw Stock Exchange. Owing to the possibility offered to the Company by the Act to elect which accounting principles to use, since 2010 the Company has been preparing its financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

A decision to prepare Company's financial statements in accordance with those standards was made by the General Shareholders' Meeting by resolution No 5 of 30 September 2010.

j. Being the parent company of the Capital Group, the Company has also prepared, as at 10 April 2013, consolidated financial statements in accordance with IFRS as adopted by the European Union. In order to understand the financial standing and the operating results of the Company as a parent company, the individual financial statements should be read in conjunction with the consolidated statements.

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

II. Information about the audit

- a. The audit of the 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, a registered audit company No 144. The audit was conducted on behalf of the registered audit company under the supervision of the key registered auditor Adrian Karaś (No 12194).
- b. PricewaterhouseCoopers Sp. z o.o. was appointed registered auditor to the Company by Resolution No 1/06/2012 of the Supervisory Board dated 27 June 2012 in accordance with section 17 paragraph 2 item (a) of the Company's Articles of Association.
- c. PricewaterhouseCoopers Sp. z o.o. and the key registered auditor conducting the audit are independent of the audited company 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.

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

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

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

	31.12.2012 PLN '000	31.12.2011 PLN '000	Change		Structure	
			PLN '000		31.12.2012	31.12.2011
ASSETS						
Fixed assets	24,993	20,250	4,743	23.4	16.6	12.8
Current assets	125,579	137,590	(12,011)	(8.7)	83.4	87.2
Total assets	150,572	157,840	(7,268)	(4.6)	100.0	100.0
LIABILITIES						
Equity	102,406	83,555	18,851	22.6	68.0	52.9
Total liabilities	48,166	74,285	(26,119)	(35.2)	32.0	47.1
Total liabilities	150,572	157,840	(7,268)	(4.6)	100.0	100.0

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

	2012		2011		Change		Share in revenues	
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000		2012	2011
Sales revenues	194,043	202,352	(8,309)	(4.1)	100.0	100.0		
Cost of sales	(133,647)	(136,267)	2,620	(1.9)	(68.9)	(67.3)		
Operating profit	60,396	66,085	(5,689)	(8.6)	31.1	32.7		
Net profit	16,965	24,509	(7,544)	(30.8)	8.7	12.1		
Other comprehensive income	-	-	-	-	-	-		
Net comprehensive income for the financial year:	16,965	24,509	(7,544)	(30.8)	8.7	12.1		

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

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

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

The following ratios characterise the Company'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	54 days	57 days	54 days
- inventory turnover	251 days	219 days	225 days
Profitability ratios			
- net profit margin	9%	12%	10%
- gross margin	14%	16%	15%
- return on capital employed	18%	29%	24%
Liability ratios			
- gearing	32%	47%	61%
- payables turnover	45 days	51 days	57 days
	31.12.2012	31.12.2011	31.12.2010
Liquidity ratios			
- current ratio	2.6	1.9	1.6
- quick ratio	0.7	0.6	1.0

Ratios presented above were calculated on the basis of the financial statements.

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

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

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

The financial statements do not recognise the impact of inflation. The consumer price index (on a December to December basis) amounted to 2.4% in the audited year (in 2011: 4.6%).

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

- As at the end of the financial year, the Company's assets amounted to PLN 150,572 thousand. During the year, total assets decreased by PLN 7,268 thousand, i.e. by 4.6%. The decrease in total assets is mainly a result of a decrease in liabilities due to loans and borrowings by PLN 18,954 thousand and trade and other liabilities by PLN 4,566 thousand. At the same time, the net profit generated was PLN 16,965 thousand.
- Equity as at the end of the current year amounted to PLN 102,406 thousand, representing an increase by PLN 18,851 thousand, i.e. by 22.6%, as compared with the previous year. This change resulted primarily from the net profit of PLN 16,965 thousand and an increase in other supplementary capital by PLN 1,849 thousand due to appraisal of the share option scheme and due to an increase of the share capital in connection with issue of shares by PLN 37 thousand.
- Total liabilities due to loans and borrowings amounted to PLN 27,738 thousand as at 31 December 2012 and decreased by PLN 18,954 thousand, i.e. 40.6%, as compared with the previous year. This reduction 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 Company'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 51 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 194,043 thousand, showing a decrease by PLN 8,309 thousand (i.e. by 4.1%) in comparison with the previous year. The Company'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 sold was the largest item of operating expenses and amounted to PLN 133,647 thousand in the audited year, which constituted 79.8% of operating expenses. The value of goods and materials sold decreased by PLN 2,620 thousand, i.e. 1.9% as compared with the previous year, 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 Company's liquidity changed. In the audited year, the current and quick liquidity ratios were, respectively: 2.6 (previous period: 1.9) and 0.7 (previous period: 0.6).

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

IV. Statements of the independent registered auditor

- a. The Management Board of the 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 accounting records and the disclosure of all contingent liabilities and informed us about material 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 Company has up-to-date documentation of its accounting principles (policy), approved by the Management Board. The Company's accounting policies were tailored to its needs and ensured the recognition of all events with a material effect on the assessment of its financial position and results, taking into consideration the prudence principle. Continuity of applied principles was maintained in relation to the previous period.
- d. The closing balance as at the end of the previous year was correctly brought forward as the opening balance of the current financial year in all material respects.
- e. The counts of assets and liabilities were carried out and reconciled in accordance with the Accounting Act, and the results were included in the accounting records for the audited year.
- f. The Company's financial statements for the financial year from 1 January to 31 December 2011 were approved by Resolution No 6 of the General Meeting 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.
- g. Pursuant to Resolution No 6 of the General Meeting of 26 June 2012, profit from the previous year of PLN 24,509 thousand was allotted to the supplementary capital
- h. The financial statements for the previous year were audited by PricewaterhouseCoopers Sp. z o.o. The registered auditor issued an unqualified opinion.
- i. We have assessed the operation of the accounting system. Our assessment covered in particular:
 - the accuracy of the documentation relating to business transactions;
 - the fairness, accuracy and verifiability of the books of account, including computerised books of account;
 - the methods used for controlling access to data and the computerised data processing systems;
 - the safeguarding of accounting documentation, books of account and the financial statements.

This assessment, together with our verification of individual items of the financial statements, provides the basis for expressing a general, comprehensive opinion on these financial statements. The audit was not intended to provide a comprehensive opinion on the operations of the said system.

- j. The notes to the financial statements present all significant information required by the International Financial Reporting Standards as adopted by the European Union.

IV. Statements of the independent registered auditor (continued)

- k. 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 (Journal of Laws No 33, item 259, as amended) and is consistent with the information contained in the audited financial statements.

Toya S.A.
Report on the audit of the financial statements
for the financial year from 1 January to 31 December 2012

V. Final information and comments

This report was prepared in connection with the audit of the financial statements of TOYA Spółka Akcyjna with its registered office in Wrocław at ul. Sołtysowicka 13/15. The financial statements were signed by the Company's Management Board and by a person entrusted with maintaining the books of account 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 financial statements. The opinion on the 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 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 financial statements.

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

Adrian Karaś

Key Registered Auditor
No 12194

Wrocław, 10 April 2013