



The Polish original should be referred to in matters of interpretation.  
Translation of auditor's report originally issued in Polish.

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## INDEPENDENT AUDITOR'S REPORT ON THE AUDIT

To the General Meeting and Supervisory Board of Toya S.A.

### Audit report on the annual financial statements

#### Opinion

We have audited the annual financial statements of Toya S.A. (the "Company") located in Wrocław at ul. Sołtysowicka 13/15, containing: the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the period from 1 January 2019 to 31 December 2019 and additional information to the financial statements, including a summary of significant accounting policies and other explanatory notes (the "financial statements").

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as at 31 December 2019 and its financial performance and its cash flows for the period from 1 January 2019 to 31 December 2019 in accordance with required applicable rules of International Accounting Standards, International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company's Statute,
- have been prepared based on properly maintained accounting records, in accordance with chapter 2 of the Accounting Act dated 29 September 1994 (the "Accounting Act").

The opinion is consistent with the additional report to the Audit Committee issued on 26 March 2020.

#### Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing in the version adopted as the National Auditing Standards by the National Council of Statutory Auditors ("NAS") and pursuant to the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight (the "Act on Statutory Auditors") and the Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the "EU Regulation"). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the Company in accordance with the Code of ethics for professional accountants, published by the International Federation of Accountants (the “Code of ethics”), adopted by the National Council of Statutory Auditors and other ethical responsibilities in accordance with required applicable rules of the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of ethics. While conducting the audit, the key certified auditor and the audit firm remained independent of the Company in accordance with the independence requirements set out in the Act on Statutory Auditors and the EU Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. They include the most significant assessed risks of material misstatement, including the assessed risks of material misstatement due to fraud. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we have summarized our reaction to these risks and in cases where we deemed it necessary, we presented the most important observations related to these types of risks. We do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
<p><i>Revenue recognition</i></p> <p>The revenue from sales of goods for resale of the Company in the financial statements for the year ended 31 December 2019 amounted to approximately PLN 357 million.</p> <p>The Company sells goods to many clients in several operating segments. These revenues include numerous discounts, rebates and premiums dependent, among others on the turnover.</p> <p>The amount of recognized revenue from contracts for the sale of goods requires the Management Board to make a number of assumptions and judgements based on the best knowledge as at the date of preparation of the financial statements. Complexity of revenue recognition process and requirement to apply judgements is mainly related to estimation of liability for potential returns of payment to customer as of the balance sheet date and assets resulting from customers’ right to return goods.</p>	<p><i>Audit approach</i></p> <p>We have documented our understanding of the process of revenue recognition, as well as identification and assessment of key control mechanisms, performed testing of these mechanisms and we have assessed the Company’s accounting policies in regards to revenue recognition.</p> <p>We have performed substantive testing on sample of selected transactions, which included verification of source documentation including: invoices, transport/shipping documents and sales contracts.</p> <p>Our procedures included also analysis of historical data, in particular returns of goods which occurred after the balance sheet date. We reviewed transactions before and after the balance sheet date, as well as credit notes and adjustments issued after the balance</p>

<p>Given the significance of amounts and the complexity of estimates, we have assessed this issue as a key audit matter.</p> <p><i>Reference to related disclosures in the financial statements</i></p> <p>The disclosures about this matter are included in Note 26 “Sales revenue” of the other explanatory notes of the financial statements.</p>	<p>We have also performed analytical procedures, including margin analysis, analysis of share of rebates in monthly sales and analysis of collection of receivables.</p> <p>Furthermore, we have assessed the adequacy of the disclosures made in respect to revenue recognition in the other explanatory notes of the financial statements.</p>
<p><i>Valuation of inventories</i></p> <p>Balance of inventories disclosed in the statement of financial position as at 31 December 2019 amounted to PLN 198 million, and write-down of inventories as of that date amounted to PLN 1.8 million.</p> <p>Valuation of inventories was assessed as a key audit matter for the purpose of audit of the financial statements, due to the significance of inventories balance in the statement of financial position and professional judgment required from the Company’s Management Board in estimation of write-downs of inventories to net realisable value, which requires significant judgements in relation to assumptions regarding inventory rotation, expected selling prices and expected cost to sell.</p> <p><i>Reference to related disclosures in the financial statements</i></p> <p>The disclosures about inventories, including measurement of net value of inventories, are included in Note 12 “Inventories” of the other explanatory notes of the financial statements.</p>	<p><i>Audit approach</i></p> <p>We have documented our understanding of the process of analysis, valuation and recognition of inventory write-downs. We have also assessed internal control environment and performed tests of controls in this area.</p> <p>Our procedures included, among others, assessment of correctness of assumptions used in measurement of inventories at net realizable value, verification of calculations performed by the Company in this area and assessment of adequacy of the disclosures made in the financial statements describing this area, in particular:</p> <ul style="list-style-type: none"> <li>- evaluation of the Company’s accounting policy in relation to initial recognition of inventories and estimation of impairment write-downs of inventories,</li> <li>- analysis of historical data regarding margins realized,</li> <li>- analysis of assumptions used by the Company in estimation of write-downs with respect to historical data, through assessment of estimation of realisable net value,</li> </ul>

	<ul style="list-style-type: none"> <li>- observation of inventory stock counts and performing tests verifying accuracy of the stock count procedures, including assessment of whether the goods are still useful for sales,</li> <li>- analysis and substantive testing on sample of prices used in goods sales transactions realized after the balance sheet date.</li> </ul> <p>Furthermore, we have assessed the adequacy of the disclosures in this area in the other explanatory notes of the financial statements.</p>
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### **Responsibilities of the Company’s Management Board and members of the Supervisory Board for the financial statements**

The Company’s Management Board is responsible for the preparation, based on properly maintained accounting records, the financial statements that give a true and fair view of the financial position and the financial performance in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union, the adopted accounting policies and other applicable laws, as well as the Company’s Statute, and is also responsible for such internal control as determined is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company’s Management Board is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless The Company’s Management Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Company’s Management Board and the members of the Company’s Supervisory Board are required to ensure that the financial statements meet the requirements of the Accounting Act. The members of the Company’s Supervisory Board are responsible for overseeing the Company’s financial reporting process.

## **Auditor's responsibility for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not guarantee that an audit conducted in accordance with NAS will always detect material misstatement when it exists. Misstatements may arise as a result of fraud or error and are considered material if it can reasonably be expected that individually or in the aggregate, they could influence the economic decisions of the users taken on the basis of these financial statements.

In accordance with International Auditing Standard 320, section 5, the concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. Hence all auditor's assertions and statements contained in the auditor's report are made with the contemplation of the qualitative and quantitative materiality levels established in accordance with auditing standards and auditor's professional judgment.

The scope of the audit does not include assurance on the future profitability of the Company nor effectiveness of conducting business matters now and in the future by the Company's Management Board.

Throughout the audit in accordance with NAS, we exercise professional judgment and maintain professional scepticism and we also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control,
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control,
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's Management Board,

- conclude on the appropriateness of the Company's Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report, however, future events or conditions may cause the Company to cease to continue as a going concern,
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the members of the Company's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the members of the Company's Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the members of the Company's Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Other information, including the Directors' Report**

The other information comprises the Directors' Report on the Company's operations for the period from 1 January 2019 to 31 December 2019 (the "Directors' Report") and the representation on the corporate governance, which is a separate element of this report (jointly "Other Information").

### *Responsibilities of the Company's Management Board and members of the Supervisory Board*

The Company's Management Board is responsible for the preparation the Other Information in accordance with the law.

The Company's Management Board and members of the Company's Supervisory Board are required to ensure that the Directors' Report meets the requirements of the Accounting Act.

### *Auditor's responsibility*

Our opinion on the financial statements does not include the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact in our independent auditor's report. Our responsibility in accordance with the Act on Statutory Auditors is also to issue an opinion on whether the Directors' Report was prepared in accordance with relevant laws and that it is consistent with the information contained in the financial statements.

In addition, we are required to inform whether the Company included the required information in the representation on application of corporate governance.

### **Opinion on the Directors' Report**

Based on the work performed during our audit, in our opinion, the Directors' Report:

- has been prepared in accordance with the article 49 of the Accounting Act and paragraph 70 of the Decree of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (the "Decree on current and periodic information"),
- is consistent with the information contained in the financial statements.

Moreover, based on our knowledge of the Company and its environment obtained during our audit, we have not identified material misstatements in the Directors' Report.

### **Opinion on the corporate governance application representation**

In our opinion, in the representation on application of corporate governance, the Company has included information stipulated in paragraph 70, section 6, point 5 of the Decree on current and periodic information.

Moreover, in our opinion, the information stipulated in paragraph 70, section 6, point 5 letter c-f, h and i of the Decree included in the representation on application of corporate governance is in accordance with applicable laws and information included in the financial statements.

### **Representation on the provision of non-audit services**

To the best of our knowledge and belief, we represent that services other than audits of the financial statements, which have been provided to the Company, are compliant with the laws and regulations applicable in Poland, and that we have not provided non-audit services, which are prohibited based on article 5 item 1 of EU Regulation and article 136 of the Act on Statutory Auditors. The non-audit services, which we have provided to the Company in the audited period, have been disclosed in the Directors' Report.

### **Appointment of the audit firm**

We were appointed for the audit of the Company's financial statements initially based on the resolution of the Company's Supervisory Board from 20 March 2018. We have been auditing the Company's financial statements continuously since the financial year ended 31 December 2018; for the next two consecutive years.

Wrocław, 26 March 2020

Key Certified Auditor

Signed with a certificate issued for Marek Andrzej Musiał  
(Qualified Certificate)  
Created on: 202-03-26 11:53:19 + 0100

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Certified auditor  
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