



Directors' Report on the operations of the Toya S.A. Group and the Company for the first half of 2024



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1. PROFILE OF THE PARENT COMPANY

1.1 GENERAL INFORMATION – TOYA S.A.

TOYA S.A. (the “Company” or the “Parent Company”) is a joint stock company established under the Commercial Companies Code. The Parent Company has its registered office in Wrocław at ul. Sołtysowicka 13/15.

TOYA S.A. was formed on the basis of a Notarial Deed drawn up on 17 November 1999 by the Notary Public Jolanta Ołpińska in the Notarial Office in Wrocław (Rep. A No 5945/99). Pursuant to a decision of 3 December 1999, the Company was entered in the Commercial Register maintained by the District Court for Wrocław-Fabryczna, 6th Commercial Division, with the reference number RHB 9053. By virtue of a decision of 4 December 2001, the District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register, decided to enter the Parent Company in the Register of Entrepreneurs, with the reference number KRS 0000066712. The entry in the Register took place on 5 December 2001.

The duration of the Company is unlimited.

As at the date of submission of the annual report, the Parent Company has 1 branch located outside the registered office, in Nadarzyn.

The core business activities of TOYA S.A. include import and distribution of industrial goods, including primarily hand and power tools for professional and DIY use. The Group distributes goods manufactured and supplied mainly by companies located in China. For many years, the Group has been implementing its strategy of expanding onto international markets. It focuses primarily on Central, Southern and Eastern Europe (Ukraine, Romania, Hungary, Baltics Countries, Belarus, Czech Republic).

1.2 MANAGEMENT BOARD AND SUPERVISORY BOARD

From 1 January to 26 June 2024, the Management Board operated in the following composition:

- Grzegorz Pinkosz President of the Management Board;
- Maciej Lubnauer Vice-President of the Management Board;
- Robert Borys Vice-President of the Management Board.

On 26 June 2024, the Supervisory Board appointed Mr. Jan Jakub Szmidt to the position of Vice President of the Management Board. From that day until the approval of this report for publication, the Management Board operated in the following composition:

- Grzegorz Pinkosz President of the Management Board;
- Maciej Lubnauer Vice-President of the Management Board;
- Robert Borys Vice-President of the Management Board;
- Jan Jakub Szmidt Vice-President of the Management Board.

In the period from 1 January to 26 June 2024, the Supervisory Board of the Company was composed of the following members:

- Piotr Mondalski President of the Supervisory Board;
- Jan Szmidt Vice-President of the Supervisory Board;
- Dariusz Górka Member of the Supervisory Board;
- Michał Kobus Member of the Supervisory Board;
- Grzegorz Maciąg Member of the Supervisory Board;
- Wojciech Bartłomiej Papierak Member of the Supervisory Board;
- Beata Szmidt Member of the Supervisory Board.

On 26 June 2024, the Annual General Meeting of Shareholders appointed the members of the Issuer's Supervisory Board for a new term. From that day until the approval of this report for publication, the Supervisory Board operated in the following composition:

- Piotr Mondalski President of the Supervisory Board;
- Jan Szmidt Vice-President of the Supervisory Board;
- Dariusz Górka Member of the Supervisory Board;
- Grzegorz Maciąg Member of the Supervisory Board;
- Wojciech Bartłomiej Papierak Member of the Supervisory Board;
- Beata Szmidt Member of the Supervisory Board;
- Zenon Beker Member of the Supervisory Board.

1.3 SHARE CAPITAL

As at 30 June 2024, the share capital of the Parent Company amounted to PLN 7,504,222.60 and comprises 75,042,226 shares with a par value of PLN 0.1 each.

In the first half of 2024, there were no changes in share capital.

1.4 SHAREHOLDERS STRUCTURE AND INDICATION OF SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY THROUGH SUBSIDIARIES, AT LEAST 5% OF THE TOTAL NUMBER OF VOTES AT THE GENERAL MEETING

According to information possessed by TOYA S.A., the Parent Company's ownership structure as of 30 June 2024 was as follows:

Name	Status	Number of shares	Type of shares	Par value per share (PLN)	Par value of the shares (PLN)	Structure (%)
Jan Szmidt	natural person	28,284,304	ordinary bearer	0.1	2,828,430.40	37.69%
Romuald Szałagan	natural person	9,652,290	ordinary bearer	0.1	965,229.00	12.86%
Generali OFE	legal person	5,001,147	ordinary bearer	0.1	500,114.70	6.66%
Other – share below 5%	not applicable	32,104,485	ordinary bearer	0.1	3,210,448.50	42.79%
TOTAL		75,042,226			7,504,222.60	100.00%

1.5 SHARES HELD BY MANAGERS AND SUPERVISORS

1.5.1 Shares held by members of the Management Board

The number of shares as at the date of submitting the report and changes in the shares held by the Management Board Members from the date of submitting the last report (quarterly report for the 1st quarter of 2024 published on 10 May 2024), in accordance with the information possessed by the Company is presented in the table below:

	According to information possessed as of 10 May 2024	Increases/decreases due to transactions	Other changes	According to information possessed as of 28 August 2024
Grzegorz Pinkosz	146,812	-		146,812
Maciej Lubnauer	61,831	-		61,831
Robert Borys	8,528	-		8,528
Jan Jakub Szmidt (*)	-	-	241,094 (*)	241,094
TOTAL	217,171	-	241,094	458,265

(*) the number of shares held by Mr. Jan Jakub Szmidt was disclosed for the first time according to data available on 28 August 2024, in connection with his appointment as a member of the Management Board on 26 June 2024.

1.5.2 Shares held by members of the Supervisory Board

The number of shares as at the date of submitting the consolidated semi-annual report and changes in the shares held by the Supervisory Board Members from the date of submitting the last report (quarterly report for the 1st quarter of 2024 published on 10 May 2024), in accordance with the information possessed by the Company is presented in the table below:

	According to information possessed as of 10 May 2024	Increases / Decreases	According to information possessed as of 28 August 2024
Jan Szmidt	28,284,304	-	28,284,304
Beata Szmidt	3,239,253	-	3,239,253
Grzegorz Maciąg	2,800	-	2,800
TOTAL	31,528,832	-	31,528,832

1.5.3 Share option plans

There are no share option plans in the Company and in the Group.

2. ORGANIZATIONAL STRUCTURE OF THE CAPITAL GROUP AND ITS CHANGES

As at the date of approval of the consolidated semi-annual report for publication, the Group consists of the following entities:

Entity name	Registered office	Business profile	Type of equity link	% of shares and votes held	Link establishment date	Method of Consolidation as at the end of the reporting period
TOYA S.A.	Wroclaw, Poland	Distribution of tools and power tools	Parent Company	Not applicable	Not applicable	Full consolidation method
Toya Romania S.A.	Bucharest, Romania	Distribution of tools and power tools	Subsidiary	99.99	November 2003	Full consolidation method
Yato Tools (Shanghai) Co., Ltd.	Shanghai, China	Distribution of tools and power tools	Subsidiary	100.00	January 2013	Full consolidation method
Yato Tools (Jiaxing) Co., Ltd.	Baibu, China	Distribution of tools and power tools	Subsidiary	100.00	December 2019	Full consolidation method

In the first half of 2024, there were no changes in the organizational structure of the TOYA S.A. Capital Group.

3. POSITION OF THE MANAGEMENT BOARD ON THE POSSIBILITY OF FULFILLING PREVIOUSLY PUBLISHED FORECASTS

The Management Board of Toya S.A. did not publish forecasts of the Company's or the Group's results for 2024.

4. DESCRIPTION OF THE MOST IMPORTANT EVENTS DURING THE FIRST HALF OF 2024, SIGNIFICANT ACHIEVEMENTS OR FAILURES

4.1 SUPERVISORY BOARD CONSENT TO CONCLUDE A GUARANTEE AGREEMENT

On 6 March 2024, the Supervisory Board consented to the conclusion by the Company and Citibank (China) Company Limited-Shanghai Branch, with its registered office in the People's Republic of China, of Guarantee Agreement No. BDK/UP/000054601/0040/23. The Guarantee Agreement was concluded on 29 March 2024 in order to secure the repayment of receivables due to the Bank under the planned conclusion by YATO TOOLS (Shanghai) Co., Ltd., with and the Bank, of the Short-Term Working Capital Loan Agreement), in the amount of CNY 60,000 thousand.

The Surety Agreement assumes:

- a) the Issuer's guarantee for the liabilities of the Subsidiary up to the amount of CNY 72,000 thousand;
- b) granting the guarantee until 31 August 2025;
- c) authorization of the Bank to debit the Issuer's current account with the amount of liabilities resulting from the Surety Agreement;
- d) the Issuer's obligation to deliver, at the Bank's request, on time and in accordance with the terms indicated by the Bank, in the content accepted by the Bank, a declaration of submission to enforcement in the form of a notarial deed pursuant to Article 777 § 1 item 5) of the Code of Civil Procedure.

The remaining terms of the Surety Agreement do not differ from the terms commonly used for this type of agreement.

4.2 CONCLUSION OF A SHORT-TERM CREDIT AGREEMENT BY A SUBSIDIARY

On 26 March 2024, TOYA S.A. informed about the conclusion, by YATO TOOLS (Shanghai) Co., Ltd., of a Short-Term Working Capital Loan Agreement with CITIBANK (CHINA) CO., LTD. SHANGHAI BRANCH based in the People's Republic of China.

The amount of the loan is CNY 60,000 thousand. The amount will be used for the current operations of the Subsidiary. The agreement was concluded for 12 months.

The loan is secured by TOYA S.A.'s guarantee for the liabilities of the Subsidiary under the guarantee agreement.

The remaining terms of the Agreement do not differ from the terms commonly used for this type of agreement.

4.3 ANNEX TO OVERDRAFT FACILITY AGREEMENT

On 26 March 2024, TOYA S.A. concluded Annex No. 6 to the Overdraft Facility Agreement No. 09/030/19/Z/VV with mBank S.A., with its registered office in Warsaw. Under the Annex, the final repayment date for the loan was set at 27 March 2025. The remaining terms of the Agreement do not differ from the terms commonly used for this type of agreement.

4.4 RESOLUTIONS ADOPTED BY THE EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS ON 26 JUNE 2024

On 26 June 2024, the General Meeting of Shareholders of Toya S.A. approved the financial statements of TOYA. S.A. for 2023 and the consolidated financial statements of the TOYA Group, and also decided to transfer the profit for 2023 in the amount of PLN 52,895 thousand to reserve capital.

4.5 IMPACT OF THE WAR BETWEEN UKRAINE AND RUSSIA ON THE GROUP'S OPERATIONS

The Group has been present on the markets of Eastern Europe for a long time, in particular in Ukraine, Belarus and Russia. Despite its long presence on these markets, the Group did not have any assets there and transactions with local customers were of a short-term nature. The Russian-Ukrainian conflict that started with hostilities on 24 February 2022 disrupted trade relations in these markets, resulting in a temporary freezing of relations with some clients or suspension of cooperation. It should be emphasized that the Parent Entity complied with all sanctions imposed by the Polish government, European Union structures, governments of other countries and international institutions on entities, persons and goods indicated in the relevant legal acts. TOYA S.A. has implemented appropriate procedures in this regard. However, the implemented procedures and the need to verify and comply with all economic sanctions resulted in a slowdown in trade with customers from these markets, which is, however, beyond the Group's control. This may impact trade with customers present in these markets in future quarters.

5. DESCRIPTION OF THE EVENTS, INCLUDING THOSE OF UNUSUAL NATURE, WHICH HAVE A SIGNIFICANT IMPACT ON THE CONDENSED STAND-ALONE AND CONSOLIDATED FINANCIAL STATEMENTS

5.1 COMMENT ON THE FINANCIAL RESULTS ACHIEVED BY TOYA S.A.

Revenue and profitability of TOYA S.A. (PLN '000)

	6 month period ended June 30	
	2024	2023
Sales revenue	302,974	291,533
Gross sales profit	93,229	81,311
Operating profit	33,664	34,100
Profit before tax	33,882	31,407
Net profit	27,367	25,078

In the first half of 2024, sales revenues amounted to PLN 302,974 thousand and were 3.9% higher than the revenues achieved in the first half of 2023. The increase in sales was recorded mainly in the retail channel (by PLN 18,392 thousand), with a simultaneous decrease in sales in the export channel (by PLN 10,541 thousand). Higher gross profit on sales by PLN 11,918 thousand (14.7%) in the analysed period of 2024, as compared to the same period of 2023, was mainly due to higher revenues with a simultaneous decrease in the cost of purchasing goods.

Operating profit was lower by PLN 436 thousand as compared to the first half of 2023, which was mainly influenced by higher costs of transport, the use of online sales platforms and salaries.

The Company reduced its exposure to short-term bank loans as compared to first half of 2023, which resulted in lower financial costs. Interest expenses on loans amounted to PLN 7 thousand in first half of 2024, as compared to PLN 2,261 thousand in the same period of the previous year.

Net profit in the first half of 2024 increased by PLN 2,289 thousand, i.e. by 9.1%, as compared to the first six months of 2023, to PLN 27,367 thousand.

Profitability ratios

	6 month period ended June 30	
	2024	2023
Sales profit margin	30.8%	27.9%
Operating profit margin	11.1%	11.7%
Pre-tax profit margin	11.2%	10.8%
Net profit margin	9.0%	8.6%

Key:

- Sales profit margin – the ratio of gross profit to sales revenue
- Operating profit margin – the ratio of operating profit to sales revenue
- Pre-tax profit margin – the ratio of pre-tax profit to sales revenue
- Net profit margin – the ratio of net profit to sales revenue

For TOYA S.A., the sales profit margin is the key indicator of the Company's market competitiveness and has a decisive impact on its financial position. Analysis of this ratio for the first half of 2024 shows that the sales profit margin in this period increased to the level of 30.8%, mainly as a result of lower purchase costs of goods. It should be noted that this profitability remains at very good level.

Cash flows of the Company (PLN '000)

	6 month period ended June 30	
	2024	2023
Cash flows from operating activities	(29,245)	56,300
Cash flows from investment activities	(4,480)	(1,019)
Cash flows from financial activities	(2,337)	(54,440)
Change in net cash	(36,062)	841
Cash and cash equivalents at the beginning of the period	49,107	1,386
Cash and cash equivalents at the end of the period	13,052	2,244

In the first 6 months of 2024, the Company reported negative cash flows from operating activities, which amounted to PLN 29,245 thousand, which was caused by significant purchases of commercial goods, aimed at adjusting the level of inventories to the level of demand and ensuring high availability of goods for customers.

In the first half of 2024, the Company did not conduct any significant investment activities. Cash spent in this period was mainly related to the purchase of means of transport, after the end of the lease agreement, in accordance with the terms provided for in the agreement, as well as the purchase of IT equipment.

In the analysed six-month period of 2024, the Company generated negative cash flows from financing activities, mainly due to the repayment of lease liabilities and interest on finance leases. In the same period of the previous year, negative cash flows were caused, apart from the repayment of leases liabilities, by a decrease in the use of bank loans by PLN 48,606 thousand, as compared to the period ended 31 December 2022.

TOYA S.A. liquidity in the analysed period was at the appropriate level. The net working capital of the Company was positive, covering the demand resulting from the amount of realized revenues from sales. The Company did not finance tangible fixed assets with short-term liabilities and was able to pay its short-term liabilities on time.

Liquidity ratios

	30.06.2024	30.06.2023
Current ratio	6.12	4.46
Quick ratio	1.18	0.64

Key:

Current ratio – the ratio of current assets to short-term liabilities

Quick ratio – the ratio of current assets less inventories to short-term liabilities

The current and quick liquidity ratios increased compared to the same period in 2023, mainly due to the decrease in the level of short-term loans. Both ratios are at a very good level.

5.2 STRUCTURE OF TOYA S.A. ASSETS AND LIABILITIES

The structure of assets of TOYA S.A. (PLN '000)

	30.06.2024	31.12.2023
Non-current assets, including:	114,691	114,438
Property, plant and equipment	21,249	18,302
Intangible assets	3,348	3,600
Right-of-use assets	16,900	19,848
Investments in subsidiaries	70,803	70,803
Current assets, including:	322,563	286,852
Inventory	259,788	204,455
Trade and other receivables	49,723	33,290
Total assets	437,254	401,290

% asset structure of TOYA S.A.

	30.06.2024	31.12.2023
Non-current assets / Assets	26%	29%
Property, plant and equipment / Assets	5%	5%
Intangible assets / Assets	1%	1%
Right-of-use assets / Assets	4%	5%
Investments in subsidiaries / Assets	16%	18%



Current assets / Assets	74%	71%
Inventory / Assets	59%	51%
Trade and other receivables / Assets	11%	8%

The structure of equity and liabilities of TOYA S.A. (PLN '000)

	30.06.2024	31.12.2023
Equity	371,772	344,405
Long-term liabilities	12,799	16,122
Short-term liabilities, including:	52,683	40,763
Short term trade and other liabilities	37,451	25,026
Total equity and liabilities	437,254	401,290

% equity and liability structure of TOYA S.A.

	30.06.2024	31.12.2023
Equity / Equity and liabilities	85%	86%
Short-term liabilities / Equity and liabilities	12%	10%
Long-term liabilities / Equity and liabilities	3%	4%
Short-term liabilities / Liabilities	80%	72%
Long-term liabilities / Liabilities	20%	28%

Ratios of return on equity, assets and current assets

	For the 6-month period ended 30 June	
	2024	2023
Return on assets (ROA)	6%	6%
Return on equity (ROE)	7%	8%
Return on current assets	8%	9%

Key:

- Return on assets (ROA) – the ratio of net profit to total assets as at the end of the period
- Equity ratio (ROE) – the ratio of net profit to equity as at the end of the period
- Return on current assets – the ratio of net profit to current assets as at the end of the period

As at 30 June 2024, the Company's property, plant and equipment constitute 5% of total assets. Property, plant and equipment comprise primarily land, buildings and structures necessary for the Company's commercial activity.

A significant item of non-current assets are also the right-of-use assets, which account for 4% of total assets (5% as at 31 December 2023).

The structure of TOYA S.A.'s current assets, which as at 30 June 2024 account for 74% of total assets, is dominated by inventories and trade and other receivables, which is typical for type of business activity conducted by TOYA S.A. Both these items together account for over 95% of current assets as at 30 June 2024 and 83% as at 31 December 2023.

Equity structure and debt ratios

	30.06.2024	31.12.2023
Total debt ratio	15%	14%
Equity debt ratio	18%	17%
Long-term debt ratio	3%	4%
Short-term debt ratio	12%	10%
The ratio of coverage of non-current assets with equity and long-term liabilities	335%	315%

Key:

Total debt ratio – the ratio of long- and short-term liabilities to total equity and liabilities

Debt to equity ratio – the ratio of long- and short-term liabilities to equity

Long-term debt ratio – the ratio of long-term liabilities to total equity and liabilities

Short-term debt ratio – the ratio of short-term liabilities to total equity and liabilities

The ratio of coverage of non-current assets with equity and long-term liabilities – the ratio of total equity and long-term liabilities to non-current assets

As at 30 June 2024, retained earnings totalling PLN 328,366 thousand were the main item in the equity of TOYA S.A. The Company's share capital as at 30 June 2024 amounted to PLN 7,504 thousand.

The main sources of financing for operating activities, and in particular current assets, are equity capital, as well as trade credit. As of 30 June 2024, the Company financed its operations in 85% with equity. As of that date, the Company had short-term trade and other liabilities in the amount of PLN 29,158 thousand.

TOYA S.A. management effectiveness ratios

	For the 6-month period ended 30 June 2024	For the 6-month period ended 30 June 2023
Inventories turnover period (days)	154	152
Receivables inflow period (days)	30	23
Liabilities repayment period (days)	22	15

Key:

Inventories turnover period (days) – the ratio of inventories as at the end of the period, multiplied by 180 days, to revenue from sales

Receivables inflow period (days) – the ratio of short-term trade and other receivables as at the end of the period, multiplied by 180 days, to revenue from sales

Liabilities repayment period (days) – the ratio of trade and other liabilities as at the end of the period, multiplied by 180 days, to revenue from sales

In the first half of 2024, the liabilities repayment period was shorter than the receivables collection period. This means that the Company granted a longer trade credit to customers than it received from suppliers itself. Such a situation means an increase in the demand for working capital, which is typical for the industry in which the Company conducts its commercial activities.

5.3 COMMENTARY ON THE FINANCIAL RESULTS ACHIEVED BY TOYA GROUP

Revenue and profitability of TOYA S.A. GROUP (PLN '000).

	6 month period ended June 30	
	2024	2023
Sales revenue	397,867	367,994
Gross sales profit	135,526	120,901
Operating profit	45,716	44,777
Profit before tax	45,804	41,904
Net profit	36,642	33,453

In the first half of 2024, sales revenues amounted to PLN 397,867 thousand and were higher by PLN 29,873 thousand as compared to revenues achieved in the first half of 2023. The higher gross profit on sales by PLN 14,625 thousand (i.e. 12.1%) in the analysed period of 2024, as compared to the same period of 2023, was mainly due to higher sales revenues.

The increase in sales was recorded primarily in the retail channel - mainly e-commerce (by PLN 18,266 thousand, mainly in Poland) and in the export channel (by PLN 15,883 thousand, mainly in Europe in countries outside the EU, but also in Africa and Central and South America, where sales are carried out by subsidiaries in China), with a simultaneous decrease in sales in the traditional channel (by PLN 7,078 thousand, mainly in Romania). An important factor influencing the level of sales was the good availability of goods for sale in Poland and competitive prices.

Operating profit was higher by PLN 939 thousand as compared to the first half of 2023. The slight increase in operating profit as compared to the increase in gross profit on sales was mainly due to higher costs of transportation, the use of online sales platforms and wages. Net profit in the first half of 2024 increased by PLN 3,189 thousand, i.e. by 9.5%, as compared to the first six months of 2023, to PLN 36,642 thousand, which was mainly due to lower interest expense on bank loans, which amounted to PLN 7 thousand as compared to PLN 2,261 thousand in the same period of the previous year.

Profitability ratios

	6 month period ended June 30	
	2024	2023
Sales profit margin	34.1%	32.9%
Operating profit margin	11.5%	12.2%
Pre-tax profit margin	11.5%	11.4%
Net profit margin	9.2%	9.1%

Key:

- Sales profit margin – the ratio of gross profit to sales revenue
- Operating profit margin – the ratio of operating profit to sales revenue
- Pre-tax profit margin – the ratio of pre-tax profit to sales revenue
- Net profit margin – the ratio of net profit to sales revenue

Sales profitability is for the Group, a basic indicator of market competitiveness and has a decisive impact on its financial situation. The analysis of this indicator for the first half of 2024 shows that sales profitability increased as compared to the first half of 2023, mainly as a result of lower costs of purchasing goods. It should be noted that this profitability remains at a very good level.

Cash flows of the Group (PLN '000)

	6 month period ended June 30	
	2024	2023
Cash flows from operating activities	(3,752)	52,848
Cash flows from investment activities	(8,962)	(6,764)
Cash flows from financial activities	(3,777)	(55,908)
Net change in cash before foreign exchange differences	(16,491)	(9,824)
Cash and cash equivalents at the beginning of the period	69,927	38,836
Cash and cash equivalents at the end of the period	53,721	24,807

In the first 6 months of 2024, the Group reported negative cash flows from operating activities, which amounted to PLN 3,752 thousand, which was caused by increased purchases of trade goods, with a simultaneous increase in trade and other liabilities, primarily in subsidiaries in China.

Capital expenditure in the first half of 2024 amounted to PLN 8,962 thousand and mainly concerned the purchase of means of transport, after the end of the lease agreement in the Parent Company, in accordance with the terms provided for in the agreement, as well as the purchase of IT equipment and expenditure on the development of office and warehouse infrastructure in the subsidiary in China.

In the analysed six-month period of 2024, the Group generated negative cash flows from financing activities, mainly due to the repayment of lease liabilities and interest on finance leases. In the same period of the previous year, negative cash flows were caused, apart from the repayment of lease liabilities, by a decrease in the use of bank loans by PLN 48,606 thousand, as compared to the period ended 31 December 2022.

Liquidity of the TOYA S.A. Capital Group in the analysed period was at an appropriate level. The Group's net working capital was positive, covering the demand resulting from the volume of sales revenues. The Group did not finance property, plant and equipment with short-term liabilities and was able to settle short-term liabilities on time.

Liquidity ratios

	30.06.2024	30.06.2023
Current ratio	2.92	3.49
Quick ratio	1.02	0.97

Key:

Current ratio – the ratio of current assets to short-term liabilities

Quick ratio – the ratio of current assets less inventories to short-term liabilities

Current liquidity ratios decreased and the quick ratio increased slightly as compared to the same period of 2023, mainly due to an increase in short-term trade and other liabilities and a decrease in the level of cash, as a result of the purchase of goods. Both ratios remain at a good level.

5.4 STRUCTURE OF TOYA S.A. GROUP ASSETS AND LIABILITIES

The structure of assets of TOYA S.A. Capital Group (PLN '000)

	30.06.2024	31.12.2023
Non-current assets, including:	109,388	107,946
Property, plant and equipment	68,486	63,750
Intangible assets	4,393	4,348
Right-of-use assets	30,821	34,524
Current assets, including:	563,428	445,482
Inventory	366,578	287,280
Trade and other receivables	143,129	88,061
Total assets	672,816	553,428

% asset structure of TOYA S.A. Capital Group

	30.06.2024	31.12.2023
Non-current assets / Assets	16%	19%
Property, plant and equipment / Assets	10%	12%
Intangible assets / Assets	1%	1%
Right-of-use assets / Assets	5%	6%
Current assets / Assets	84%	81%
Inventory / Assets	54%	52%
Trade and other receivables / Assets	21%	16%

The structure of equity and liabilities of TOYA S.A. Capital Group (PLN '000)

	30.06.2024	31.12.2023
Equity attributable to shareholders of the Parent Company	456,783	419,951
Long-term liabilities	22,808	26,594
Short-term liabilities, including:	193,225	106,883
Short-term trade and other liabilities	170,198	83,422
Total equity and liabilities	672,816	553,428

% equity and liability structure of TOYA S.A. Capital Group

	30.06.2024	31.12.2023
Equity attributable to shareholders of the Parent Company / Equity and liabilities	68%	76%
Short-term liabilities / Equity and liabilities	29%	19%
Long-term liabilities / Equity and liabilities	3%	5%
Short-term liabilities / Liabilities	89%	80%
Long-term liabilities / Liabilities	11%	20%

Ratios of return on equity, assets and current assets

	6 month period ended June 30	
	2024	2023
Return on assets (ROA)	5%	6%
Return on equity attributable to shareholders of the Parent Company ROE	8%	9%
Return on current assets	7%	8%

Key:

- Return on assets (ROA) – the ratio of net profit to total assets as at the end of the period
- Equity ratio (ROE) – the ratio of net profit to equity attributable to shareholders of the Parent Company at the end of the period
- Return on current assets – the ratio of net profit to current assets as at the end of the period

The largest item of non-current assets is tangible fixed assets, which constitute 10% of total assets (12% as of 31 December 2023). Tangible fixed assets mainly consist of land, buildings and structures necessary for the Group to conduct commercial activities, primarily the new warehouse in Yato Jiaixng Co. Ltd., which commenced operations in 2022.

Another significant item are the right of use assets, which constitute 5% of non-current assets. This item mainly includes assets resulting from warehouse lease agreements in Poland, Romania and China, perpetual usufruct of land, as well as computer equipment and car leasing agreements in the Parent Company.

The structure of current assets of the TOYA S.A. Capital Group, which as at 30 June 2024 constitutes 84% of total assets, is dominated by inventories and trade receivables and other receivables, which is typical of the business run by TOYA S.A. and its business Capital Group. Both of these items together constitute 90% of total current assets as of 30 June 2024 (84% as of 31 December 2023).

Equity structure and debt ratios

	30.06.2024	31.12.2023
Total debt ratio	32%	24%
Equity debt ratio	47%	32%
Long-term debt ratio	3%	5%
Short-term debt ratio	29%	19%
The ratio of coverage of non-current assets with equity and long-term liabilities	438%	414%

Key:

Total debt ratio – the ratio of long- and short-term liabilities to total equity and liabilities
 Equity debt ratio attributable to shareholders of the Parent Company – the ratio of long-term and short-term liabilities to equity attributable to shareholders of the Parent Company
 Long-term debt ratio – the ratio of long-term liabilities to total equity and liabilities
 Short-term debt ratio – the ratio of short-term liabilities to total equity and liabilities
 The ratio of coverage of non-current assets with equity attributable to shareholders of the Parent Company and long-term liabilities – the ratio of total equity attributable to shareholders of the Parent Company and long-term liabilities to non-current assets

As at 30 June 2024, the main item of the Group's equity attributable to the shareholders of the Parent Company were retained earnings in the amount of PLN 421,674 thousand. Share capital of TOYA S.A. as of 30 June 2024 amounted to PLN 7,504 thousand.

The main sources of financing for operating activities, and in particular current assets, are equity, as well as short-term financing, in first half of 2024 it was primarily trade credit. As at 30 June 2024, the Group financed its operations with equity in 67.8%. As at that date, the Group had short-term trade and other liabilities in the amount of PLN 155,654 thousand.

Group management effectiveness ratios

	For the 6-month period ended 30 June 2024	For the 6-month period ended 30 June 2023
Inventories turnover period (days)	166	155
Receivables inflow period (days)	65	46
Liabilities repayment period (days)	77	39

Key:

Inventories turnover period (days) – the ratio of inventories as at the end of the period, multiplied by 180 days, to revenue from sales
 Receivables inflow period (days) – the ratio of short-term trade and other receivables as at the end of the period, multiplied by 180 days, to revenue from sales
 Liabilities repayment period (days) – the ratio of trade and other liabilities as at the end of the period, multiplied by 180 days, to revenue from sales

In the first half of 2024, the liabilities repayment period was longer than the receivables inflow period. This means that the Group granted shorter trade credit to customers than it received from suppliers. This situation means an increase in the demand for working capital, which is typical for the industry in which the Group conducts its commercial activities. The inventory turnover period was slightly extended, which resulted from the purchases of commercial goods in order to ensure high availability for end customers.

5.5 ASSESSMENT OF THE COMPANY'S AND GROUP'S ABILITY TO MEET THEIR OBLIGATIONS

At present, there are no events that, in the opinion of the Management Board, may adversely affect the ability of the Parent and the Group to meet their obligations.

6. DESCRIPTION OF BASIC RISKS, THREATS AND FACTORS WHICH WILL AFFECT THE RESULTS ACHIEVED IN THE NEXT HALF YEAR

6.1 BASIC RISKS AND THREATS

Macroeconomic situation

The Group is present on markets in various parts of the world, although most of its clients run businesses in Poland. Due to the connection of the Polish economy with the global system and due to the extensive activities conducted outside the local market, the global economic situation affects the turnover of the Group's clients. Destabilization of the political situation in one of the local regions may temporarily reduce the Group's operations on foreign markets and force it to look for new customers, which may negatively affect the Group's financial results.

The Group's Parent Company noted the deterioration of the macroeconomic environment in which the Group operates. This is related to increased inflation in Poland, the Eurozone and other developed countries of the world, which results from the attempt to balance the world economy after the COVID-19 pandemic as well as from the armed conflict between Russia and Ukraine.

European markets constitute one of the largest areas of activity of the Toya Group, therefore potential internal problems of the European Union may have a negative impact on the economy. This may result in a reduction in the purchasing power of European societies and the creation of barriers to trade, which may be additionally strengthened by the devaluation of local currencies in relation to the most important world currencies. However, the impact of these factors is difficult to estimate because the future economic and regulatory situation may differ from the expectations of the Management Board of the Parent Company. The Group's management closely monitors developments and adjusts strategic plans to minimize these threats.

The economic situation on the Asian market related to the current increase in GDP of those countries also affects the financial situation of the entire Group due to the fact that the Group purchases goods mainly from manufacturers in that region. This is related to the prices of purchased goods, trade conditions, order fulfilment deadlines, as well as the logistics system between Asia and Europe.

The Parent Company of the Group is a Polish entity and the vast majority of its business activities are conducted in Poland. Therefore, the government's economic policy, the Polish tax system, the unemployment rate and decisions made by the National Bank of Poland and the Monetary Policy Council are additional factors influencing the development of the entire capital group.

Competition

The Polish market for the distribution of industrial products, where the Group mainly operates, is quite dispersed despite the presence of several market leaders. Entities previously competing with the Group are constantly taking steps to intensify their development by adopting an aggressive pricing policy addressed to current, target or potential recipients. Such actions will have a negative impact on the Group's financial situation, as further market expansion may be slowed down, difficult or even impossible. The Group will monitor the market and its environment, conducting various activities aimed at maintaining and increasing its competitive advantage.

Changes in currency markets

The Group's strong connection with foreign suppliers and settlements with them in currencies other than PLN make the Group's financial results sensitive to changes in currency exchange rates. The Group carefully monitors the currency situation on global markets and trends there and periodically updates the prices of its goods. Therefore, margins may fluctuate from time to time.

It should be emphasized, however, that since a large part of the Group's revenues is generated in the export channel, prices specified in foreign currencies to some extent protect the Group against sudden fluctuations in exchange rates. This security is incomplete and insufficient, which means that currency fluctuations may have a negative impact on financial results.

Interest rate movements

The group uses external capital financing. An increase in interest rates on the financial market may have a negative impact on the costs of financing and reduce the Group's profitability, as the Parent Entity concludes loan agreements with variable interest rates in PLN.

To minimize this risk, the Parent Entity simulates various scenarios in order to select optimal sources of financing, taking into account refinancing, renewal of existing positions, alternative financing as well as medium-term trends on the debt market.

Interpretation and application of legal regulations

The Group's operations are hampered by changing legal regulations and their various interpretations. Changes in legal provisions, in particular tax, customs, labour and social security law and introducing new burdens may have negative effects on the business. Particularly burdensome are frequent changes in the interpretation of tax regulations and the lack of uniformity in the practice of tax administration and court decisions in the field of application of tax regulations.

This may involve with the risk of claims from third parties and proceedings of various state authorities. Moreover, due to the complex nature and non-uniform tax practice, interpretations are often the subject of disputes with tax authorities. Although the Parent Entity makes every effort to ensure the correctness of transactions in terms of their compliance with legal provisions, in particular tax law, the risk of claims from third parties, possible disputes with tax authorities or proceedings of other state authorities cannot be ruled out. Such claims, disputes or proceedings, as well as the adoption by the tax administration or court decisions of interpretations of tax regulations, tax classification of events and transactions in which the Parent Entity participated, other than the Parent Entity, may have a negative impact on the Group's financial results.

It should be emphasized, however, that the Group takes actions to limit the effects of changing law. The Parent Entity uses external services of reputable law and tax firms that facilitate ongoing operations.

Supply chain

The group purchases goods from suppliers located in various parts of the world, mainly in Asia. These goods are transported by sea. Such a supply chain means that any unfavourable events regarding, among others, means of production and transport, labour, infrastructure, natural phenomena and events of a common nature may disrupt the supply chain. The Group limits this risk by cooperating with many contractors who are also based in various regions of many countries. However, in the event of particularly geographically extensive events, the above strategy may be insufficient.

6.2 FACTORS INFLUENCING THE RESULTS IN THE NEXT SIX MONTHS

The Capital Group attaches great importance to the quality of customer service. This is a key factor in maintaining a competitive advantage on the market, and one of its most important elements is ensuring full availability of the product offer to every customer in any region of the world. In support of these goals, the Group improves logistics processes and maintains good relationships with suppliers, taking into account the need to minimize delivery costs. The Group will strengthen its market position and look for new, attractive expansion opportunities.

The most important activities for the implementation of this program are:

- Development of the capital group
The subsidiary Yato Tools (Jiaxing) headquartered in Baibu Town, a town in the Zhejiang Province of the People's Republic of China, manages a high-bay warehouse located close to two seaports, which are among the largest transshipment centres in the world, as well as relatively close to the Group's largest suppliers. It serves as the Group's central warehouse, where shipments to warehouses in Poland and Romania are consolidated, and it also serves as a local warehouse for the needs of companies located in China. The warehouse is equipped with modern warehouse automation, enabling the optimization of logistics processes, while not requiring the involvement of significant human resources. The process of supporting and developing logistics capabilities will be continued, as it is an important element of building the Group's competitive advantage in the long term.

The subsidiaries achieved good financial results in the first half of 2024. Both Chinese companies increased their total sales, recording positive dynamics in the export channel, and the Romanian subsidiary improved its gross profit from sales.

- Development of the export channel

The military conflict between Russia, Belarus and Ukraine has an impact on sales in the export channel, mainly due to the lack of opportunities to expand the sales network in these markets. Despite this situation, the Group achieved good development dynamics in Ukraine and Belarus in the first half of this year. However, it should be emphasized that the necessary condition for further achieving good financial conditions in these markets is the stabilization of the political and macroeconomic situation.

Regardless of the situation mentioned above, the Group will strengthen its position in the other markets in which it is present. This applies to markets in which the Group has traditionally been present for many years, e.g. the Hungarian market, but also in the countries of southern Europe, where the Group has been less visible so far.

The Group will also strengthen its position outside Europe. In these markets, the Chinese subsidiary Yato Tools (Jiaxing) will develop sales and acquire new customers. The development of logistics processes in the Capital Group, based on a newly built warehouse equipped with modern infrastructure in China, will support the foreign expansion of this company.

- Effective product management

The Group attaches great importance to effective product management from the moment it enters the market until it is withdrawn from the offer. Currently, the Group has a very wide range of products in its portfolio, consisting of several thousand products addressed to a wide range of recipients. The Group is constantly developing its product offer with the participation of a team of Product Managers, so that it is attractive, modern and very well adapted to the expectations of a wide range of customers, both in Europe and other parts of the world, where the Group sees development potential. The team is supported by modern IT technology and systems and devices supporting product management.

This process will continue in the coming quarters.

- Development of logistics processes

The Group is working to optimize its logistics processes. The analytical work undertaken is aimed at finding and later implementing solutions that will increase the Group's competitive advantage in the long term. Operational activities that will produce an effect in the short term are primarily equipping the currently used warehouses with modern tools and automation, which will increase the efficiency of logistics processes and increase safety at work stations.

- Sustainability and ESG transformation

The Group's development in recent periods has been very intensive, but the intention is to conduct it in a sustainable manner. The Group is working on preparing a number of policies in this area, which will be described in detail in the annual non-financial report. The Group is convinced that further actions in the field of sustainable development will be an important element in increasing its competitive advantage.

- Capital investments

The Parent Company systematically supports the development of subsidiaries. In December 2022, Toya S.A. paid the last tranche of capital for Yato Tools (Jiaxing), completing the process of paying capital for this company in the amount of USD 12.5 million. The Group continues to monitor the market in search of an attractive acquisition target that provides added value for shareholders.

7. DISPUTES

As at 30 June 2024, TOYA S.A. is not a party to significant proceedings pending before a court, a body competent for arbitration proceedings or a public administration body.

8. TRANSACTIONS WITH RELATED PARTIES

Transactions with related entities are concluded in the normal course of the Group's business and are made on market terms. These transactions are presented in note 25 of the condensed interim consolidated financial statements and the separate condensed interim stand-alone financial statements.

9. GUARANTEES GRANTED AND RECEIVED

No	Counterparty	Type of guarantee	Subject matter and value	Date of expiry
1	Bank Handlowy w Warszawie S.A.	Guarantee of payment for the lease of warehouses in Nadarzyn	Bank guarantee in the amount of EUR 613,352	28 February 2025
2	Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.	Contract on granting a customs debt guarantee	The security for repayment of custom debts, taxes and other fees associated with goods released into free circulation based on customs declaration, in the amount of PLN 270,000	31 December 2024
3	BRD Groupe Societe Generale	Guarantee of payment for warehouse rental in Bucharest	Bank guarantee in the amount of EUR 247,300	3 August 2024

On 12 June 2019, TOYA S.A. granted a guarantee of payment of liabilities arising from warehouse and office rental agreement by Toya Romania S.A. to the landlord up to the amount of EUR 115 thousand. The lease agreement was concluded on 8 February 2019 and covers a period of 10 years, with the option of changing this period. The warranty expires 3 months after the date of termination of the lease.

On 29 March 2024, TOYA S.A. entered into a guarantee agreement with Citibank (China) Company Limited - Shanghai Branch, headquartered in the People's Republic of China, in order to secure the repayment of the bank's receivables arising from the short-term revolving credit agreement concluded by YATO TOOLS (Shanghai) Co., Ltd., in the amount of CNY 60,000 thousand. The agreement provides a guarantee from TOYA S.A. for the subsidiary's obligations up to the amount of CNY 72,000 thousand. The guarantee is valid until 31 August 2025.

10. CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2024, the Group had no significant contingent liabilities or contingent assets.

11. INFORMATION ON SIGNIFICANT EVENTS AFTER 30 JUNE 2024

No significant events occurred after 30 June 2024.

Management Board of Toya S.A.

Date	Name and surname	Position	Signature
28 August 2024	Grzegorz Pinkosz	President of the Management Board	
28 August 2024	Maciej Lubnauer	Vice-President of the Management Board	
28 August 2024	Robert Borys	Vice-President of the Management Board	
28 August 2024	Jan Jakub Szmidt	Vice-President of the Management Board	