



DIRECTORS' REPORT ON THE OPERATIONS OF
TOYA S.A.
IN 2022



Contents

1. DESCRIPTION OF THE COMPANY	5
1.1 TOYA S.A. – general information	5
1.2 The Company's Management Board and Supervisory Board	5
1.3 Share capital.....	6
1.4 Own shares.....	6
1.5 Shareholders.....	6
1.6 Shares held by managers and supervisors	7
1.7 Agreements that may lead to changes in the structure of shares held by the current shareholders.....	7
1.8 Total value of remuneration, rewards and benefits paid or due to managers and supervisors.....	8
1.9 Agreements concluded by and between the Issuer and persons performing management functions, providing for compensation in the event of their resignation or dismissal from the occupied position	9
2. CHANGES IN THE BASIC GROUP MANAGEMENT METHODS.....	9
3. THE MOST SIGNIFICANT EVENTS OF 2022 AND SIGNIFICANT ACHIEVEMENTS OR FAILURES	9
3.1 Registration of increase in the share capital of a subsidiary and contribution to the share capital of Yato Tools (Jiaxing) Co. Ltd.	9
3.2 Appointment of a Member of the Management Board	9
3.3 Annex to a significant contract.....	9
3.4 Transactions in major blocks of shares	9
3.5 Annex to a significant agreement	9
3.6 Annex to a significant agreement	10
3.7 Transactions in major blocks of shares	10
3.8 Annex to a significant agreement	10
3.9 Annex to a significant agreement	10
3.10 Resolutions adopted by the Extraordinary General Meeting of Shareholders on 28 June 2022	10
3.11 Transaction in major blocks of shares	10
3.12 Annex to the overdraft agreement.....	11
3.13 Transaction in major blocks of shares	11
3.14 Annex to the overdraft agreement.....	11
3.15 Contributions to the share capital of Yato Tools (Jiaxing) Co. Ltd.	11
3.16 Impact of the war between Ukraine and Russia on the Company's operations.....	11
4. INFORMATION ON THE ISSUER'S ORGANISATIONAL AND EQUITY RELATIONSHIP WITH OTHER ENTITIES AND IDENTIFICATION OF THE ISSUER'S MAJOR DOMESTIC AND FOREIGN INVESTMENTS (SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES) INCLUDING CAPITAL INVESTMENTS EXCEPT FOR THE GROUP OF RELATED PARTIES AND THE DESCRIPTION OF FINANCING METHODS	12
4.1 Equity links	12
4.2 Other significant links.....	12
4.3 Major domestic and foreign investments.....	12

5. MAJOR R&D ACHIEVEMENTS	12
6. OVERVIEW OF KEY ECONOMIC AND FINANCIAL FIGURES AND DESCRIPTION OF FACTORS AND EVENTS, ESPECIALLY UNUSUAL, AFFECTING THE COMPANY'S OPERATIONS IN 2022.....	13
7. INFORMATION ABOUT THE DEVELOPMENT STRATEGY ADOPTED BY THE ISSUER AND ITS GROUP AND ACTIONS TAKEN TO IMPLEMENT THIS STRATEGY, AND A DESCRIPTION OF THE ISSUER'S DEVELOPMENT PROSPECTS IN THE NEXT FINANCIAL YEAR	17
8. DIFFERENCES BETWEEN THE FINANCIAL RESULTS INDICATED IN THE ANNUAL REPORT AND EARLIER FORECASTS	18
9. DESCRIPTION OF MAJOR RISK FACTORS AND THREATS, SPECIFYING THE EXTENT TO WHICH THE ISSUER IS EXPOSED TO THEM	19
9.1 <i>Financial risks</i>	<i>19</i>
9.2 <i>Non-financial risks</i>	<i>19</i>
9.3 <i>External and internal factors crucial for the Company's development and analysis of the Company's development perspectives.....</i>	<i>19</i>
10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT.....	21
10.1 <i>Financial instruments in the scope of the risk of price change, credit and liquidity risks</i>	<i>21</i>
10.2 <i>Objectives and methods of financial risk management</i>	<i>21</i>
11. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT AND THE ABILITY TO COVER LIABILITIES.....	21
12. ASSESSMENT OF THE ABILITY TO CARRY OUT INVESTMENT OBJECTIVES	22
13. MAIN COMMODITY GROUPS	22
13.1 <i>Commodity groups</i>	<i>22</i>
13.2 <i>Sales according to product groups</i>	<i>24</i>
14. MAIN SELLING MARKETS.....	24
14.1 <i>Sales structure</i>	<i>24</i>
14.2 <i>Suppliers</i>	<i>26</i>
15. CONCLUDED AGREEMENTS IMPORTANT TO THE COMPANY'S OPERATIONS.....	27
16. THE ENTITY AUDITING THE FINANCIAL STATEMENTS	27
17. RELATED PARTY TRANSACTIONS	28
18. DISPUTES	28
19. LOANS AND BORROWINGS	28
20. EXTENDED LOANS AND BORROWINGS.....	30
21. GUARANTEES AND SURETIES GRANTED	30
22. CONTINGENT LIABILITIES AND ASSETS	30
23. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE	30

23.1	<i>Change in the composition of the Audit Committee of TOYA S.A.</i>	30
24.	STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES	32
24.1	<i>Indication of the set of corporate governance rules governing the Parent Company and the place where the set is publicly available and any information about the Company's corporate governance practices that go beyond the requirements provided for by national law, together with the presentation of information on its corporate governance practices.</i>	32
24.2	<i>An indication to the extent that the Company departed from the provisions of the set of principles of corporate governance, with an indication of those provisions and the reasons for the withdrawal</i>	32
24.3	<i>Description of basic features of internal control and risk management systems applied in the Company with respect to the process of preparing the financial statements</i>	36
24.4	<i>Shareholders who hold, directly or indirectly, major blocks of shares, the number of shares held by such entities, their percentage share in the share capital, the number of votes resulting from them and their percentage share in the total number of votes at the general meeting.</i>	36
24.5	<i>Indication of the owners of any securities, which provide special control rights, together with the description of the rights</i>	37
24.6	<i>Restrictions on voting rights, such as limitation of the voting rights of holders of a given percentage or number of votes, time limits on the exercising of voting rights, or provisions under which, with the company's cooperation, equity rights attaching to securities are separated from the holding of the securities</i>	37
24.7	<i>Limitations in transferring the ownership right to the issuer's securities</i>	37
24.8	<i>Description of principles concerning appointment and dismissal of managers and their entitlements, in particular the right to decide on issuance or redemption of shares</i>	37
24.9	<i>Principles of introducing amendments to the articles of association</i>	38
24.10	<i>The functioning of the General Shareholders' Meeting, its basic entitlements, the rights of shareholders and the manner of exercising these rights and entitlements, and in particular the rules set forth by the Bylaws of the General Meeting of Shareholders provided such bylaws have been adopted, unless such information is determined directly by the provisions of law</i>	38
24.11	<i>Composition and the changes that occurred in the course of the last accounting year and the description of managing, supervisory and administrative bodies` as well as committees' operation, and with respect to the Audit Committee or Supervisory Board or other supervisory or controlling body performing the function of the Audit Committee, providing also information on:</i>	44

1. DESCRIPTION OF THE COMPANY

1.1 TOYA S.A. – general information

TOYA S.A. (hereinafter referred to as the "Company") is a joint-stock company, established on the basis of the Commercial Companies Code. The 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. Pursuant to a court decision of 3 December 1999, the Company was entered in the Commercial Register maintained by the District Court for Wrocław-Fabryczna, 6th Commercial Division, under entry No 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 Company in the Register of Entrepreneurs, with the reference number KRS 0000066712. The entry in the Register took place on 5 December 2001.

The Company is a successor of the civil law partnership "TOYA IMPORT-EKSPORT" with its registered office in Wrocław, which began to operate in August 1990. The partners, given the scale of the business and its rapid development, decided to establish a joint-stock company and transfer the business of the civil partnership to the new company.

Duration of the Company is unlimited.

As at the date of submission of the annual report, TOYA S.A. has 1 branch located outside its 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 Company distributes goods manufactured and supplied mainly by companies located in China. For many years, the Company has been implementing its strategy of expanding into international markets. It focuses primarily on Central, Southern and Eastern Europe (Romania, Ukraine, Baltic countries, Hungary, Belarus, Moldova, the Czech Republic, Bulgaria, Russia and Germany).

Since 12 August 2011, the Company's shares have been listed on the Warsaw Stock Exchange.

1.2 The Company's Management Board and Supervisory Board

In the period from 1 January 2022 to 26 January 2022, the Management Board was composed of the following members:

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

On 27 January 2022, the Supervisory Board appointed Mr. Robert Borys to act as the Vice-President of the Management Board. From that date and until the date of approval of this report for publication, the Management Board was composed of the following members:

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

In the period from 1 January 2022 to 31 December 2022 and until the date of approval of this report for publication, the Supervisory Board 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.

1.3 Share capital

As at 31 December 2022, the share capital amounted to PLN 7,504,222.60 and comprises 75,042,226 shares with a par value of PLN 0.1 each.

1.4 Own shares

The Company does not hold any own shares.

1.5 Shareholders

According to information provided to TOYA S.A. by its shareholders, the Company's ownership structure as of 31 December 2022 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%

According to information provided to TOYA S.A. by its shareholders, shareholders holding directly or indirectly at least 5% of the total number of votes as at 31 December 2022 were:

	Number of shares	Share (%)	Number of votes	Share in the total number of votes at the General Meeting of Shareholders (%)
Jan Szmidt	natural person	28,284,304	ordinary bearer	37.69%
Romuald Szałagan	natural person	9,652,290	ordinary bearer	12.86%
Generali OFE	legal person	5,001,147	ordinary bearer	6.66%

The following changes in the ownership structure of significant blocks of TOYA S.A. shares took place between the date of submission of the previous quarterly report (i.e. from 7 November 2022) and 31 December 2022:

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

	Status according to the information available on 7 November 2022	Increases / decreases	Status according to the information available on 31 December 2022
Jan Szmidt	28,170,647	113,657	28,284,304
Romuald Szalagan	9,652,290		9,652,290
Generali OFE	5,001,147		5,001,147
TOTAL	42,824,084	113,657	42,937,741

After the end of 2022, there were no changes in significant blocks of shares.

1.6 Shares held by managers and supervisors**1.6.1 Shares held by members of the Company's Management Board**

The number of shares and votes in the share capital of the Company held by members of the Management Board as at the day of submission of this report is reflected in the following table:

	Number of shares	Par value of the shares (PLN)	Number of votes	Share (%)
Grzegorz Pinkosz	146,812	14,681.20	146,812	0.20%
Maciej Lubnauer	61,831	6,183.10	61,831	0.08%
Robert Borys	8,528	852.80	8,528	0.01%
TOTAL members of the Management Board	217,171	21,717	217,171	0.29%

1.6.2 Shares held by members of the Company's Supervisory Board

The number of shares and votes in the share capital of the Company held by members of the Supervisory Board as at the day of submission of this report is reflected in the following table.

	Number of shares	Par value of the shares (PLN)	Number of votes	Share (%)
Jan Szmidt	28,284,304	2,828,430.40	28,284,304	37.69%
Beata Szmidt	3,239,253	323,925.30	3,239,253	4.32%
Grzegorz Maciąg	5,275	527.50	5,275	0.01%
TOTAL members of the Supervisory Board	31,528,832	3,152,883.20	31,528,832	42.02%

1.6.3 Information about the employee share ownership plan control system

In 2022, there were no employee share ownership plans at the Company.

1.7 Agreements that may lead to changes in the structure of shares held by the current shareholders

The Company has no knowledge of any agreements that may lead to future changes in the structure of shares held by the current shareholders.

1.8 Total value of remuneration, rewards and benefits paid or due to managers and supervisorsRemuneration of the Members of the Management Board (in PLN '000):

Name and surname	Position	Gross basic salary (fixed and variable)	Additional benefits and granted benefits	Cost of pension programs (PPK)	Total (PLN '000)
2022					
Grzegorz Pinkosz	President of the Management Board	1,386	6	-	1,392
Maciej Lubnauer	Vice-President of the Management Board	1,284	6	-	1,290
Robert Borys	Vice-President of the Management Board	479	6	-	485
2021					
Grzegorz Pinkosz	President of the Management Board	1,261	6	-	1,267
Maciej Lubnauer	Vice-President of the Management Board	1,225	6	-	1,230

Remuneration of the Members of the Supervisory Board (in PLN '000):

Name and surname	Position	Fixed remuneration for performing the function	Cost of pension programs (PPK)	Total (PLN '000)
2022				
Piotr Mondalski	President of the Supervisory Board	180	-	180
Jan Szmidt	Vice-President of the Supervisory Board	48	-	48
Beata Szmidt	Member of the Supervisory Board	48	-	48
Dariusz Górka	Member of the Supervisory Board	120	2	122
Grzegorz Maciąg	Member of the Supervisory Board	120	2	122
Michał Kobus	Member of the Supervisory Board	48	1	49
Wojciech Papierak	Member of the Supervisory Board	48	1	49
2021				
Piotr Mondalski	President of the Supervisory Board	180	-	180
Jan Szmidt	Vice-President of the Supervisory Board	48	-	48
Beata Szmidt	Member of the Supervisory Board	48	-	48
Dariusz Górka	Member of the Supervisory Board	120	2	122
Grzegorz Maciąg	Member of the Supervisory Board	120	2	122
Michał Kobus	Member of the Supervisory Board	48	1	49
Wojciech Papierak	Member of the Supervisory Board	48	1	49

Remunerations presented in this note include gross remunerations actually paid in 2022 (including variable salary for the previous periods covered by provisions as at 31 December 2021) as well as non-cash benefits and costs incurred by the employer under the PPK pension program. Remunerations do not include unpaid variable salary for the year 2022 (covered by provisions as at 31 December 2022).

There are no liabilities under the pensions or similar benefits for former managers, supervisors or former members of administrative bodies and the liabilities that are incurred in relations to such pensions at the Company.

1.9 Agreements concluded by and between the Issuer and persons performing management functions, providing for compensation in the event of their resignation or dismissal from the occupied position

As at 31 December 2022, no agreements have been concluded between the Company and its management staff providing for compensation in case of resignation or dismissal of a member of management staff from his/her position.

2. CHANGES IN THE BASIC GROUP MANAGEMENT METHODS

There were no significant changes in the methods of managing the Company in 2022.

3. THE MOST SIGNIFICANT EVENTS OF 2022 AND SIGNIFICANT ACHIEVEMENTS OR FAILURES

3.1 Registration of increase in the share capital of a subsidiary and contribution to the share capital of Yato Tools (Jiaxing) Co. Ltd.

On 17 January 2022, an increase in the share capital of the subsidiary - Yato Tools (Jiaxing) Co., Ltd. - from the amount of USD 8,000 thousand up to the amount of USD 12,500 thousand - was registered in the Chinese register of entrepreneurs. After acquiring additional shares, the Company holds 100% of shares in the subsidiary with a total nominal value of USD 12,500 thousand.

3.2 Appointment of a Member of the Management Board

On 27 January 2022, the Supervisory Board appointed Mr. Robert Borys to the position of the Vice-President of the Management Board.

3.3 Annex to a significant contract

On 16 February 2022, TOYA S.A. concluded the Annex no. 1 to the Non-Revolving Credit Agreement no. WAR/8833/20/327/CB of 14 September 2020 with BNP Paribas Bank Polska Spółka Akcyjna with its registered office in Warsaw. The loan amount was increased to the amount of PLN 40,000 thousand and the repayment period was extended to 31 March 2024.

3.4 Transactions in major blocks of shares

On 31 March 2022, the shareholder Norges Bank concluded transactions which resulted in a reduction of its share in the share capital of TOYA S.A. up to 3,745,158 shares, which constituted 4.99% of share in the Company's share capital.

3.5 Annex to a significant agreement

TOYA S.A. announces that on 12 April 2022, it concluded annex no. 4 to Overdraft Agreement no. 09/030/19/Z/VV with mBank S.A. with its registered office in Warsaw.

Pursuant to this annex, the amount of credit to be used increased to PLN 60,000 thousand.

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

3.6 Annex to a significant agreement

On 12 April 2022 TOYA S.A. and Bank Handlowy S.A., with its registered office in Warsaw, concluded annex no. 19 to the Overdraft Agreement no. BDK/KR-RB/000054601/0641/10.

Pursuant to this annex, the amount of credit to be used was increased to PLN 50,000 thousand and an additional collateral for repayment of credit granted in the form of a registered pledge on the Company's current assets in the amount of PLN 10,000 thousand was established. The remaining terms and conditions of the Agreement do not differ from those commonly used for this type of agreements.

3.7 Transactions in major blocks of shares

On 4 May 2022, the Company received a notification from the shareholder Norges Bank about the transaction, which resulted in an increase in the shareholder's share in the share capital of TOYA S.A. up to 3,836,056 shares, which constituted 5.11% of share in the Company's share capital.

3.8 Annex to a significant agreement

On 26 May 2022 TOYA S.A. and Bank Handlowy S.A. with its registered office in Warsaw concluded annex no. 20 to the Overdraft Agreement no. BDK/KR-RB/000054601/0641/10.

Pursuant to this annex, the amount of credit to be used was increased to PLN 70,000 thousand and the amount of additional security of credit repayment in the form of a registered pledge on the Company's current assets was increased to PLN 30,000 thousand.

The remaining conditions of the Agreement do not differ from those commonly used for this type of agreements.

3.9 Annex to a significant agreement

On 21 June 2022 TOYA S.A. concluded Annex no. 2 to the non-revolving credit agreement no. WAR/8833/20/327/CB of 14 September 2020 with BNP Paribas Bank Polska S.A. with its registered office in Warsaw. Pursuant to the Annex:

- (a) credit duration shall end on 30 September 2024. The repayment of the principal shall be made in equal capital instalments after the date on which the period for disbursement of the credit has expired;
- b) credit disbursement period shall be extended until 31 December 2022;
- c) grace period for repayment of the credit has been established until 31 December 2022.

Other terms and conditions of the Agreement remain unchanged and do not deviate from the conditions generally applied in such agreements.

3.10 Resolutions adopted by the Extraordinary General Meeting of Shareholders on 28 June 2022

On 28 June 2022, the General Meeting of Shareholders of Toya S.A. approved the financial statements of TOYA S.A. for 2021 and consolidated financial statements of TOYA S.A. Group for 2021, and also decided to transfer the profit of TOYA S.A. for 2021 in the amount of PLN 63,243 thousand to reserve capital.

3.11 Transaction in major blocks of shares

On 4 July 2022, the Company received a notification from the shareholder Norges Bank about the transaction, which resulted in a decrease in the shareholder's share in capital of TOYA S.A. to 3,336,531 shares, which accounted for 4.45% of the share capital.

3.12 Annex to the overdraft agreement

On 30 September 2022, TOYA S.A. concluded an annex to the Overdraft Agreement No. WAR/8833/20/326/CB with BNP Paribas Bank Polska Spółka Akcyjna with its registered office in Warsaw. The subject of the annex is to extend the period of credit provision until 15 November 2023. Other terms and conditions of the Agreement do not deviate from those commonly applied to this type of agreement.

3.13 Transaction in major blocks of shares

On 21 November 2022, the Company received two notifications from the Vice-President of the Supervisory Board, Mr. Jan Szmidt, about the transaction, which resulted in a total increase in the shareholder's share in the share capital of TOYA S.A. by 113,657 shares, to the total amount of 28,284,304 shares, which constitutes 37.69% of the share capital.

3.14 Annex to the overdraft agreement

On 15 December 2022 TOYA S.A. and Bank Handlowy S.A. with its registered office in Warsaw concluded Annex no. 21 to the Overdraft Agreement no. BDK/KR-RB/000054601/0641/10. Under this annex, the final repayment date of the loan was set at 15 December 2023.

The other terms and conditions of the Agreement do not differ from those commonly used for this type of agreements.

3.15 Contributions to the share capital of Yato Tools (Jiaxing) Co. Ltd.

In 2022, the Company made contributions to the share capital of Yato Tools (Jiaxing) Co. Ltd. in the total amount of PLN 19,769 thousand:

- PLN 3,983 thousand (USD 1,000 thousand) on 21 January;
- PLN 6,166 thousand (USD 1,300 thousand) on 23 August;
- PLN 9,620 thousand (USD 2,200 thousand) on 23 December.

As at 31 December 2022, all contributions to the capital of Yato Tools (Jiaxing) Co. were made. Ltd. The total value of shares according to the exchange rate as at the date of registration of the share capital increase amounted to PLN 17,819 thousand.

3.16 Impact of the war between Ukraine and Russia on the Company's operations

The Company 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 Company did not have any assets there, and transactions with local clients were of a short-term nature. The Russian-Ukrainian conflict, which began with military operations on 24 February 2022, disrupted trade relations on these markets, which in turn resulted in a temporary freezing of relations with some customers.

It should be emphasized that the Company complies with all sanctions imposed by the European Union, Poland and the governments of other countries, on entities, persons and goods indicated in the relevant legal acts. The Company has implemented appropriate procedures in this regard. However, the implemented procedures and the need to verify and comply with all economic sanctions slow down trade with customers from these markets, which is beyond the Company's control. This may have an impact on trading with customers present in these markets in the coming quarters.

4. INFORMATION ON THE ISSUER'S ORGANISATIONAL AND EQUITY RELATIONSHIP WITH OTHER ENTITIES AND IDENTIFICATION OF THE ISSUER'S MAJOR DOMESTIC AND FOREIGN INVESTMENTS (SECURITIES, FINANCIAL INSTRUMENTS, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES) INCLUDING CAPITAL INVESTMENTS EXCEPT FOR THE GROUP OF RELATED PARTIES AND THE DESCRIPTION OF FINANCING METHODS

4.1 Equity links

The table below presents the main information on the Company and its equity links as at the date of publication of the report on operations:

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.	Wrocław, Poland	Distribution of tools and power tools	Parent Company	Not applicable	Not applicable	Not applicable
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 (Jiaying) Co., Ltd.	Baibu, China	Distribution of tools and power tools	Subsidiary	100.00	December 2019	Full consolidation method

4.2 Other significant links

As at the date of publication of the report on operations, the Company had personal links with the following entities (this summary includes entities with whom the Company has concluded transactions in 2022):

- Toya Development Sp. z o.o. S.K. in liquidation – entity related through key management personnel of the Company;
- Toyota Katowice Sp. z o.o. - entity related through key management personnel of the Company.

Details on transactions with related entities are included in note 31 of the financial statements.

4.3 Major domestic and foreign investments

Beside capital investments described in point 4.1, the Company does not have any other capital investments, including in securities, financial instruments, intangible assets and investment properties.

In 2022, a payment was made to the share capital of Yato Tools (Jiaying) Co. Ltd., subsidiary established in 2019, in the amount of USD 4,500 thousand (PLN 19,769 thousand). Apart from that, no deposits or capital investments were made within the Capital Group.

5. MAJOR R&D ACHIEVEMENTS

The Company offers a wide portfolio of products and considers development and further improvement of its products as one of the key elements in building its competitive advantage on the market. The Product Development Department - an organizational unit of the Company, has been analysing market trends, analysing their growth potential and conceptual work for specific groups of tools for many years. These works are financed from the Company's own funds.

6. OVERVIEW OF KEY ECONOMIC AND FINANCIAL FIGURES AND DESCRIPTION OF FACTORS AND EVENTS, ESPECIALLY UNTYPICAL, AFFECTING THE COMPANY'S OPERATIONS IN 2022

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

For 12 months ended 31 December	2022	2021
Sales revenue	594,310	543,098
Gross sales profit	159,789	159,449
Operating profit	66,421	79,401
Profit before tax	57,547	78,391
Net profit	46,069	63,242

In 2022, sales revenues amounted to PLN 594,310 thousand and were higher than the revenues achieved in 2021 by PLN 51,212 thousand. i.e. by 9.4%. An increase was caused by a higher sales volume in almost all distribution channels. The largest increase in sales, by PLN 32,159 thousand, was recorded in the wholesale channel. The Company recorded the greatest growth dynamics in the other sales channel (mainly online sales), where revenues increased by 24.9% as compared to 2021. One of the main reasons for the high sales dynamics in these channels was the high availability of goods in the TOYA S.A. offer, expansion of the customer portfolio and good adapting of the commercial offer to current customer requirements.

Gross profit on sales increased by PLN 340 thousand in 2022, as compared to 2021. The lower gross profit on sales growth rate as compared to the increase in sales revenue was caused, on one hand, by higher costs of purchasing goods resulting from the level of the USD/PLN exchange rate and prices of transport services, and on the other hand, by pricing policy focused on maintaining competitiveness.

Operating profit in 2022 in the amount of PLN 66,421 thousand was lower than that achieved in 2021 by PLN 12,980 thousand, i.e. by 16.3%. This was mainly due to higher costs of utilities (electricity and gas), higher costs of transport to customers, higher costs of storage at external logistics operators and higher fees related to the organization of waste recovery. In addition, in 2022, the Company returned to participating in fairs and meetings with business partners, which did not occur in 2021, due to the ongoing COVID pandemic, as a result of which the costs of business travel increased as compared to 2021. At the same time, the Company recorded a surplus of foreign exchange gains over losses in the amount of PLN 1,023 thousand, as compared to PLN 137 thousand in the prior year.

In order to raise the necessary working capital, the Company uses mainly short-term bank loans. Given the significant impact of financial costs associated with these loans on the financial result, the Company negotiates the terms of loan agreements on a yearly basis, so as to maximally reduce the corresponding costs. Nevertheless, a significant increase in base interest rates in 2022 had a negative impact on bank interest costs, which amounted to PLN 8,154 thousand. compared to PLN 461 thousand in 2021.

The net profit in 2022 amounted to PLN 46,069 thousand and was by PLN 17,173 thousand (i.e. by 27.2%) lower than in 2021.

Profitability ratios of TOYA S.A.

For 12 months ended 31 December	2022	2021
Sales profit margin	26.9%	29.4%
Operating profit margin	11.2%	14.6%
Pre-tax profit margin	9.7%	14.4%
Net profit margin	7.8%	11.6%

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

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

For the TOYA S.A., sales profit margin is the basic indicator of the Company's market competitiveness and has a decisive impact on its financial situation. The analysis of this ratio for 2022 shows that the sales profit in this period decreased by 2.5 percentage points as compared to 2021, which was caused by higher costs of purchasing goods due to the increase in the USD/PLN exchange rate, increase in transport costs and a pricing policy focused on maintaining the competitiveness of the Company's offer on the market.

Margin at the level of operating profit, profit before tax and net profit also decreased in 2022 as compared to the previous year. The main negative impact on the profitability ratios was the increase in costs of utilities, storage and financial costs as a result of high interest rates on the financial market.

Cash flows of TOYA S.A. (PLN '000)

For 12 months ended 31 December	2022	2021
Cash flows from operating activities	54,148	(13,764)
Cash flows from investment activities	(23,503)	(21,883)
Cash flows from financial activities	(30,488)	36,292
Change in net cash	157	645
Cash and cash equivalents at the beginning of the period	1,229	584
Cash and cash equivalents at the end of the period	1,386	1,229

In 2022, the Company showed positive cash flows from operating activities, which amounted to PLN 54,148 thousand. In response to the uncertain market situation resulting from external factors such as inflation or the ongoing conflict abroad, the Company decided to optimize the level of inventories, however maintaining high ratios of customer order fulfilment. Inventories decreased by PLN 37,690 thousand. At the same time, short-term trade and other receivables increased by PLN 26,584 thousand as a result of the high level of sales in December 2022, as compared to December 2021.

In 2022, the Company did not make any significant investment in non-current assets. Cash outflows during that period were mainly connected with the purchase of exhibition shelves and investments in IT equipment. In addition, the Company made a contribution to the share capital of Yato Tools (Jiaxing) Co. Ltd., in the amount of PLN 19,769 thousand, which is the equivalent of USD 4,500 thousand.

In 2022, the Company generated negative cash flows from financing activities in the amount of PLN 30,488 thousand. The main reason was a decrease in debt due to bank loans in the amount of PLN 14,786 thousand and interest paid on bank loans in the amount of PLN 7,819 thousand.

The liquidity of TOYA S.A. Capital Group during the analysed period remained at the right level. The Group's net working capital was positive, covering the demand arising from the volume of sales revenue. The ability to cover short-term liabilities was correct.

Liquidity ratios

	31.12.2022	31.12.2021
Current ratio	3.02	2.18
Quick ratio	0.61	0.24

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 value of the current ratio increased to 3.02 as at 31 December 2022 in relation to 2.18 as at 31 December 2021. A higher level of the current ratio indicates a lower growth rate of liabilities in relation to the growth rate of the working capital.

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

The value of the quick ratio increased to 0.61 as at 31 December 2022 in relation to 0.24 as at 31 December 2021. It is notable that both these ratios have still reached a very good level.

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

	31.12.2022	31.12.2021
Non-current assets, including:	107,113	89,523
Property, plant and equipment	17,715	17,419
Intangible assets	3,776	3,189
Right-of-use assets	12,865	14,121
Investments in subsidiaries	70,803	52,984
Current assets, including:	310,289	320,391
Inventory	247,870	285,560
Trade and other receivables	60,186	33,602

% asset structure of TOYA S.A.

	31.12.2022	31.12.2021
Non-current assets / Assets	26%	22%
Property, plant and equipment / Assets	4%	4%
Intangible assets / Assets	1%	1%
Right-of-use assets / Assets	3%	3%
Investments in subsidiaries / Assets	17%	13%
Current assets / Assets	74%	78%
Inventory / Assets	59%	70%
Trade and other receivables / Assets	14%	8%

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

	31.12.2022	31.12.2021
Equity	291,541	245,336
Long-term liabilities	23,235	17,411
Short-term liabilities, including:	102,626	147,167
Short term trade and other liabilities	22,664	38,805

% equity and liability structure of TOYA S.A.

	31.12.2022	31.12.2021
Equity / Equity and liabilities	70%	60%
Short-term liabilities / Equity and liabilities	25%	36%
Long-term liabilities / Equity and liabilities	6%	4%
Short-term liabilities / Liabilities	82%	89%
Long-term liabilities / Liabilities	18%	11%

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

Ratios of return on equity, assets and current assets of TOYA S.A.

For 12 months ended 31 December	2022	2021
Return on assets (ROA)	11%	15%
Return on equity (ROE)	16%	26%
Return on current assets	15%	20%

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 31 December 2022, the Company's property, plant and equipment constitute 4% of total assets used in the Company's operations. Property, plant and equipment comprise primarily land, buildings and structures necessary for the Company's commercial activity. There were no material changes in their structure during the analysed period.

As at 31 December 2022, right-of-use assets constituted 3% of the total balance sheet amount, consistent with 2021. This item consists mainly of the right of perpetual usufruct of land rented office and warehouse space as well as cars, forklifts and servers under lease.

As at 31 December 2022, investments in subsidiaries include shares in Toya Romania S.A. in the amount of PLN 1,885 thousand, Yato Tools (Shanghai) Co. Ltd. in the amount of PLN 20,746 thousand and Yato Tools (Jiaxing) Co. Ltd. in the amount of PLN 48,172 thousand. During the current year, there were no changes in the structure of subsidiaries.

The structure of current assets used in the operations of TOYA S.A. Capital, which as at 31 December 2022 constitute 74% of total assets, includes primarily inventories and trade and other receivables, which is typical to the business activity conducted by TOYA S.A. and its Capital Group. Both these items constitute in total 99% of current assets as at 31 December 2022 and 2021.

TOYA S.A. conducts efficient warehouse management by adjusting the stock levels to the customers' demand. Striving to optimize storage costs, the Company reduced the level of inventories, the share of which in the balance sheet total amount decreased from 70% to 59%.

Equity structure and debt ratios of TOYA S.A.

	31.12.2022	31.12.2021
Total debt ratio	30%	40%
Equity debt ratio	43%	67%
Long-term debt ratio	6%	4%
Short-term debt ratio	25%	36%
The ratio of coverage of non-current assets with equity and long-term liabilities	294%	293%

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 31 December 2022 retained earnings totalling PLN 248,104 thousand were the main item in the equity of TOYA S.A. The Company's share capital as at 31 December 2022 amounted to PLN 7,504 thousand.

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

The main sources of financing operating activities, in particular current assets, include equity and short-term financing – primarily from bank loans. As at 31 December 2022, TOYA S.A. financed 70% of its operations from equity (60% as at 31 December 2021). As at this date, the Company's short-term and long-term liabilities due to bank loans amounted to PLN 82,167 thousand. The long-term debt ratio as at 31 December 2022 amounted to 5.6%.

TOYA S.A. management effectiveness ratios

For 12 months ended 31 December	2022	2021
Inventories turnover period (days)	150	189
Receivables inflow period (days)	36	22
Liabilities repayment period (days)	14	26

Key:

Inventories turnover period (days) – the ratio of inventories as at the end of the period, multiplied by 360 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 360 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 360 days, to revenue from sales

In 2022, the liabilities repayment period was shorter than the receivables inflow period. This means that the credit terms the Company extended to its customers were longer than those received from its suppliers. It implies higher demand for financing of working capital. In addition, in 2022, the inventories turnover period decreased to 150 days as compared to 2021, primarily as a result of lower volume of purchases made in 2022, as compared to 2021. It should be noted that the Company conducts activity associated with selection of offer appropriately to the customer's needs, increasing the efficiency of the entire sales group as well as continuous improvement of logistics processes.

Seasonality

The Company's offer includes seasonal products. However, due to their limited value, a wide range of other products that are in demand throughout the year, and due to the geographic diversity of the subsidiaries, there is no seasonality.

7. INFORMATION ABOUT THE DEVELOPMENT STRATEGY ADOPTED BY THE ISSUER AND ITS GROUP AND ACTIONS TAKEN TO IMPLEMENT THIS STRATEGY, AND A DESCRIPTION OF THE ISSUER'S DEVELOPMENT PROSPECTS IN THE NEXT FINANCIAL YEAR

Toya S.A. – the Parent Company of the Group, attaches great importance to the quality of customer service, as it is crucial for maintaining a competitive advantage on the market. One of its most important elements is ensuring full availability of the product offer for each customer. By supporting these goals, the Group constantly improves logistics processes, maintains good relations with suppliers, taking into account the need to minimize delivery costs. The Group intends to strengthen its market position and look for new, attractive expansion opportunities.

The most important activities that the Company will undertake in order to implement the program are:

- Developing the capital group

Very positive results achieved by the subsidiaries in 2022 prove not only that the support mechanisms implemented to date brings the expected results, but also that having the appropriate organizational and financial support enables the subsidiaries to continue further intensive development.

The subsidiary Yato Tools (Jiaxing) with its registered office in the economic zone in Baibu Town, a town located in the Zhejiang province of the People's Republic of China, will enable the Company to reorganize the supply chain by launching the Group's central warehouse in China. This will ensure a better adjustment of stock levels to rapidly changing demand and will improve the availability of the product offer for each customer.

- Developing the export channel

Romania is the largest export market for the Company. The Company sells products there to its subsidiary, Toya Romania, which, after developing logistics processes in recent years, is strengthening its position on the local market. Sales to this subsidiary will remain at a high level in the coming quarters.

The military conflict between Russia, Belarus and Ukraine has an impact on sales to customers on these markets. It accounted for almost 9% of the total sales of the Company. Toya S.A. is closely following developments in these countries. The Company's detailed position on the war conflict can be found in point 3.16.

Regardless of the situation referred to above, the Company will strengthen its position on other markets where it is present. This applies to markets where the Company has traditionally been present for many years, e.g. the Hungarian market, but also in the Balkans, where the Company has been less visible so far.

The foreign expansion of this entity will be supported by the development of logistics processes in the Capital Group, based on a newly built warehouse in China, equipped with modern infrastructure.

- Effective products management

The good financial results of the Company and its continuous development would not be possible without the continuous development of the products offer, that it is very well suited to the expectations of customers. This process is carried out, among others, by a team of Product Managers who have extensive knowledge about the product, techniques of shaping its image, who know the habits of customers and emerging trends. This development is supported by modern IT technology as well as systems and devices supporting product management. This process will be continued in the coming quarters.

- Development of logistics processes

Toya S.A. conducts analytical work aimed at optimizing logistics processes on the local market. In particular, it consists in equipping currently used warehouses with modern warehouse automation supporting storage processes. This process will continue.

- Capital investments

The Company systematically supports the development of subsidiaries. In December 2022, the Company paid the last capital tranche for Yato Tools (Jiaxing), completing the capital payment process for this subsidiary in the amount of USD 12.5 million.

The Company continues to monitor the market in search of an attractive acquisition target from outside the Toya S.A. Capital Group, which would be an added value for the Company.

The situation associated with the occurrence of the COVID-19 pandemic in Poland, Europe and other regions of the world may have an impact on the development of the Company's operations and financial results in the near future, may limit or even prevent intensive development of the Company. Due to the very dynamic development of the pandemic, its nature, geographical diversity of the Group companies as well as the consequences that cannot be predicted today, the impact on the Company's financial results is impossible to estimate as at the date of publication of the financial statements.

8. DIFFERENCES BETWEEN THE FINANCIAL RESULTS INDICATED IN THE ANNUAL REPORT AND EARLIER FORECASTS

The Company's Management Board did not publish forecasts of the Company's performance for 2022.

9. DESCRIPTION OF MAJOR RISK FACTORS AND THREATS, SPECIFYING THE EXTENT TO WHICH THE ISSUER IS EXPOSED TO THEM

9.1 Financial risks

The main financial risks include:

- foreign exchange risk,
- interest rate risk,
- liquidity risk.

The aforementioned financial risks and risk management are discussed in item 10.

9.2 Non-financial risks

The main non-financial risks include:

- the risk of changes in the macroeconomic situation, especially changes in the GDP growth rate, inflation level, the situation in industrial, automotive, household and gardening, infrastructural and housing construction, construction and assembly segments, the level of investments in enterprises, interest rate policy, budget standing or the society's income situation,
- competition risk,
- risk associated with changes in legislation and taxation,
- risk of disruption of the supply chain.

The above risks have been described in item 9.3.

9.3 External and internal factors crucial for the Company's development and analysis of the Company's development perspectives

Macroeconomic situation

The Company is present in the markets in different parts of Europe, although most of its customers operate in Poland. Because of the link between the Polish economy with the global economy system and because of the extensive activities carried out outside the local market, the global economic situation has an impact on the volume of sales to the Company's customers. The destabilisation of the political situation in some of the local regions may temporarily reduce the Company's expansion in foreign markets and force it to look for new customers.

European markets constitute one of the largest areas of the Company's operations, therefore internal problems of the European Union could have a significant adverse effect on economy. This could further result in a reduced purchasing power of the European societies and creation of trade barriers, which could be additionally deepened by the devaluation of local currencies in relation to the most important global currencies. However the impact of these factors is difficult to estimate, as future economic and regulatory situation may differ from the Management Board's expectations. The Company's management is carefully monitoring the developments and adjusts its strategic assumptions to minimise the threats.

The situation on the Asian market, associated with the current GDP growth of local countries, also affects the financial standing of the Company due to the fact that the Company buys goods mainly from manufacturers operating in this region. This is related to the prices of purchased goods, terms of trade, the terms of order, as well as the logistics system between Asia and Europe.

Most of the Company's business activities are conducted in Poland. Therefore, the government's economic policies, the Polish tax system, unemployment rate and the decisions taken by the National Bank of Poland and the Monetary Policy Council are additional factors affecting the development of the Company.

Competition

The Polish market for distribution of industrial goods, which is the Company's main field of operation, is relatively highly dispersed in spite of the presence of several market leaders. Entities currently competing with the Company continue to take actions to intensify their development through aggressive pricing policy aimed at current, target or potential customers. Such actions may have a negative impact on the Company's financial standing, because further expansion of the market may be slowed down, become difficult or even impossible. The Company shall be monitoring the market and its environment, taking various measures in order to maintain and develop competitive advantage.

Changes in currency markets

The Company's strict link with foreign suppliers and settlements made primarily in USD and CNY make the Company's financial results sensitive to changes in FX rates. The Management Board carefully monitors the currency situation in global markets and the trends occurring therein, and updates the prices of its goods on a periodical basis. Therefore, the margins can be subject to periodical fluctuations.

It should, however, be stressed that due to the fact that a substantial part of the Company's sales revenue is earned through the export channel based on prices set in foreign currencies, the Company is, to a certain extent, secured against sudden movements in exchange rates. However, this security is not complete and not sufficient, as a result of which FX fluctuations may have negative impact on the Company's financial performance.

Interest rate movements

The Company makes use of external capital funding. An increase in interest rates on the financial market could have negative influence on the servicing costs of funding and could decrease the Company's profitability since the TOYA S.A. entered into loan agreements with floating interest rates in PLN.

To minimise this risk, the Company runs simulations of various scenarios in order to choose the optimal funding sources, taking into consideration refinancing, roll-over of the existing positions, alternative financing and mid-term tendencies on the debt market.

Interpretation and application of legal regulations

Changes in legislation and diverse interpretations of the law impede the Company's operations. Changes in legislation, in particular in tax, customs, labour and social insurance law and introduction of new burdens, may have negative consequences for the Company's activity. Frequent changes in the interpretation of the tax law and lack of uniform practices of fiscal authorities and courts in the application of tax legislation, are particularly burdensome. This may involve the risk of third-party claims and proceedings of various state authorities. Moreover, because of their complexity and inconsistent taxation practices, interpretations are often the subject of disputes with tax authorities. The Company exercises due care to ensure that these transactions are compliant with legislation – in particular with the tax law. In spite of that, the risk of third-party claims, possible disputes with tax authorities or proceedings of various state authorities cannot be ruled out. Such claims, disputes or proceedings, as well as cases when fiscal authorities or courts and the Company adopt different interpretations of tax regulations and different tax qualification of events and transactions in which TOYA S.A. participated, may have adverse impact on the Company's financial performance.

However, it should be noted that the Company takes measures to mitigate the effects of changes in law. The Company uses external services of renowned law and tax firms, which facilitate its current operations.

Supply chain

The Company purchases goods from suppliers located in various parts of the world, mainly in Asia. Purchased goods are transported by sea. Such a supply chain exposes the Group to the risk that any adverse events concerning i.e. means of production and transport, labour, infrastructure, natural events and phenomena, can disrupt the supply chain. The Company reduces this risk by cooperating with many contractors who are additionally based in various regions in many countries. However, in case of event with extensive geographical outreach, the above strategy may not be sufficient.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

10.1 Financial instruments in the scope of the risk of price change, credit and liquidity risks

The purchase prices of goods sold by the Company fluctuate, in particular due to changing manufacturing costs of purchased items (incl. prices of raw materials) on the part of their manufacturers who are the Company's suppliers. Moreover, the purchase price of goods depends on the exchange rate of USD/PLN and CNY/PLN. The above factors affect the level of applied margins. In order to minimise the negative impact that fluctuations of goods purchase prices have on the financial result, the Company negotiates contracts with relatively high value and selects manufacturers who offer competitive prices and trade conditions. The Company does not use financial instruments hedging against the risk of changes in goods purchase prices as a result of FX rate fluctuations.

The customer credit risk is not material due to high dispersion of customers. To reduce the risk of overdue receivables from customers, the Company periodically examines their creditworthiness and systematically monitors (internally and externally) due balances. Credit limits for individual counterparties are set by the Management Board. Customers who systematically miss payment deadlines are subject to an appropriate debt collection procedure and to restrictions in the purchase of goods from the Company. To minimise risk, the Company also concludes agreements to insure its receivables with one of the leading financial institutions.

Due to the specific nature of its operations, the Company requires working capital to secure settlements with suppliers before receiving payments from customers of goods in exchange for advantageous purchase conditions. The necessary capital is provided, among others, by concluding short-term loan agreements for the financing of current assets. In order to diversify its lenders, the Company uses services of several banks which have high credibility ratings. Interest rate on loans is based on WIBOR rate. The Company does not use instruments hedging against the risk of movements in interest rates.

The Company has good relationships with banks and has had no problems renewing its loans thus far. Therefore, the Management Board believes that the risk resulting from short term debt is not significant.

In the view of the Management Board, the Company's liquidity is secured for the foreseeable future. The Company pursues a rigorous liquidity risk management policy, which focuses on maintaining an adequate level of cash and securing the ability to use the credit facilities. The Company monitors the level of short-term liabilities and current assets, as well as current cash flows of the Company.

10.2 Objectives and methods of financial risk management

Due to strict link with foreign suppliers, the Company is sensitive to changes in FX rates and hence requires increased expenditure on purchase of goods abroad. On the other hand, a part of the Company's sales revenue comes from export activity based on prices set in foreign currencies, as a result of which the Company is partly subject to natural hedging. There is a risk, however, that future FX fluctuations may have a temporary negative effect on the Company's financial performance.

11. ASSESSMENT OF FINANCIAL RESOURCES MANAGEMENT AND THE ABILITY TO COVER LIABILITIES

30% of the Company's activity is financed from external capital. Loan agreements require the Company to maintain its capitalisation ratio at an agreed level throughout the lending period. If this requirement is not met, the bank has the right to terminate the agreements.

The Company enjoys good relationships with banks and financial institutions and so far has had no problems renewing its loans on advantageous terms. The Company continues to maintain a high level of liquidity and pursues a conservative debt policy. That is why the Management Board considers the Company's ability to cover liabilities to be high.

At the moment, there are no events which may, according to the Management Board, have a negative effect on the Company's ability to cover its liabilities.

12. ASSESSMENT OF THE ABILITY TO CARRY OUT INVESTMENT OBJECTIVES

In the opinion of the Management Board, there are no threats to the implementation of the Company's investment objectives. The activities planned for the next quarters have been described in item 7. Apart from funds generated by its operations, the Company has secured external funding in the form of credit limits, pursuant to the agreements discussed in item 19.

13. MAIN COMMODITY GROUPS

13.1 Commodity groups

The Company offers a wide range of goods sold under its own brands:

- YATO (battery, electric, diesel, pneumatic and hand tools, safety products),
- VOREL (hand workshop and construction tools),
- LUND (power tools),
- STHOR (power tools),
- FALA (bathroom furnishings),
- FLO (hand and fuel-powered gardening tools, gardening power tools).



The Company's most recognisable and leading brand, which also generates the highest sales growth, is **YATO**. **Since 2012, YATO has had the largest share in the Company's sales.** It offers a wide range of professional hand and pneumatic tools intended for work in industrial and servicing conditions. YATO's products include both general-purpose and specialist tools.

The YATO brand sells primarily workshop, construction and gardening tools, such as spanners, sockets, impact sockets, torque wrenches and torque multipliers, screwdrivers and screwdriver bits, pliers and pipe wrenches, electrician tools, hammers, chisels, punches and axes, clamps, vices and supports, cutting and forming tools, hydraulic tools, fastening tools, construction tools, measuring tools, pneumatic tools, special automotive tools and equipment. In 2015, the YATO brand was expanded with the line of power tools that combines excellent technical parameters with product quality. The products were selected taking into account their use in modern construction and automotive industry, as well as market trends in the supported sales channels. The broad selection of products includes tools dedicated to installers from the electrical, hydraulic and HVAC industries, as well as professional car workshops that are traditionally related to the YATO brand. In 2017, the offer was further extended by products for professional gastronomy – pots, pans, jugs, containers and utensils, but also by specialized equipment for mechanical food processing (slicers, mixers, mincers), thermal processing (grills, cookers, burners) and large appliances such as refrigerated display cabinets and tables.

YATO products are made from high-quality steel alloys, using modern technologies of thermal and chemical treatment. YATO products combine innovative designs with ergonomics. The Company continuously improves the quality of its products and expands their range, launching several hundred new products each year. As a result, YATO enjoys good reputation in the market, both in terms of quality and offered prices.

Revenue from sales of YATO branded products accounted for 69% revenue of TOYA S.A. in 2022 (68% in 2021).



VOREL is the brand which used to have the highest share in the sales of the Company's products for approx. 10 years.

This brand's product range includes hand workshop and construction tools intended primarily for DIY enthusiasts and households. VOREL's product range includes, among others, spanners, sockets, accessories and sets, screwdrivers and screwdriver bits, pliers and pipe wrenches, electrician tools, hammers, chisels, punches and axes, clamps and vices, cutting tools, hydraulic tools, fastening tools, construction tools, measuring tools, pneumatic tools, special automotive tools and equipment, power tools and accessories, welding equipment, safes, padlocks, locks, tool bags, boxes, trolleys, safety products, electric products, garden tools.

Revenue from sales of VOREL branded products accounted for 16% of revenue of TOYA S.A. in 2022 (18% in 2021).



LUND is a brand established in mid-2010, under which the Company sells power tools. Its product offer includes a broad range of power tools useful in basic renovation, finishing and decoration works. LUND is a brand dedicated to DIY enthusiasts, for household and domestic workshop use. The product range of LUND includes: impact drills, cordless drills, angle grinders, multi-sanders, orbital sanders, polishers, jigsaws, circular saws, cutters, hot air guns and submersible pumps.

Revenue from sales of LUND branded products accounted for 4% of revenue of TOYA S.A. in 2022 and 2021.



Under the brand STHOR, the Company sells modern common use power tools. The brand's product range is addressed to DIY enthusiasts and households which do not use tools professionally. The tools offered include: impact drills, cordless tools, rotary hammers, grinders, jigsaws, circular saws, planers, soldering guns and decoration tools.

Revenue from sales of STHOR branded products accounted for 4% of revenue of TOYA S.A. in 2022 (3% in 2021).



Under **FALA** brand, the Company also sells bathroom fittings. The product range covers basic types of items, such as: faucets, bathroom and shower sets, shower hoses, pop-up wasters, shower heads, shower rails, bathroom scales, toilet seats and baby toilet seats as well as bathroom accessories.

Revenue from sales of FALA branded products accounted for 3% of revenue of TOYA S.A. in 2022 and 2021.



FLO is a brand which includes a wide range of garden hand, electric and gasoline tools. Products offered under this brand are nearly all the tools required for gardening works, such as garden hand tools, electric garden tools, gasoline garden tools, gasoline and electric garden accessories as well as other garden accessories.

Revenue from sales of FLO branded products accounted for 3% of revenue of TOYA S.A. in 2022 (2% in 2021).

13.2 Sales according to product groups

The most profitable brand is YATO. Every year, the Company records an increase in the sales volume of this brand on the domestic market, and since 2012, TOYA S.A. has achieved the highest revenue from the sale of YATO brand.

Revenue from sales in the TOYA S.A.'s core business, broken down by brand and its profitability for each financial year, are shown in the following table:

The structure and volume of sales revenue from core (trading) operations of the Company, broken down by brand

for 12 months ended 31 December	2022	% share	2021	% share
	PLN '000	%	PLN '000	%
YATO	412,171	69%	369,830	68%
VOREL	97,976	16%	96,297	18%
LUND	26,698	4%	20,681	4%
STHOR	18,298	3%	19,182	3%
FALA	17,702	3%	15,493	3%
FLO	14,991	3%	14,622	2%
Other	6,474	2%	6,993	2%
TOTAL	594,310	100%	543,098	100%

14. MAIN SELLING MARKETS

14.1 Sales structure

The main distribution channels of TOYA S.A. are:

a) domestically:

- Wholesale market, i.e. distributors, wholesalers and stores;
- Retail networks;
- Retail sales - mainly online sales, including through your own online store;

b) export.

The largest part of sales is generated by TOYA S.A. through the domestic wholesale distribution channel (44% share of the segment "Wholesale market" in sales revenue for 2022, with a profit margin of 25%). The Company's distribution channel with the second highest share in sales is the segment "Export". In 2022, its share in sales amounted to 37%, with a profit margin of 25%. Distribution through retail chains on the domestic market has the lowest share in sales revenue, which in 2022 reached the level of 12%, with a profit margin of 29%. In 2022, the share of sales of the online stores and via sales portals changed slightly, amounting to 8%, with a profitability of 41%.

Such diversified sales network provides access to a broad market, professional service as well as optimised availability of the entire range of products sold by the Company.

Revenue of the Company, broken down by distribution channels and their profitability, is shown in the following tables.

The structure and volume of sales revenue of the Company, broken down by segments which are distribution channels

for 12 months ended 31 December	2022	Share	2021	Share
	PLN '000	%	PLN '000	%
Wholesale market	259,657	44%	227,498	42%
Export	218,606	37%	206,937	38%
Retail networks	69,097	11%	71,062	13%
Retail sales	46,950	8%	37,601	7%
Total	594,310	100%	543,098	100%

Sales profitability of segments which are the Company's distribution channels

for 12 months ended 31 December [%]	2022	2021
Wholesale market	25%	32%
Export	25%	23%
Retail networks	29%	29%
Other	41%	44%
Average	27%	29%

Key:

Segment's sales profitability ratio – the ratio of segment's profit before tax to revenue from sales of good for certain segment (based on segment's financial information as disclosed in the financial statements)

Average – average weighted by sales for all the segments

14.1.1 Wholesale market – sales in Poland

TOYA S.A. has been present in Poland for more than 30 years. During this time, it has been systematically strengthening its market position. The highest sales in Poland take place through traditional distribution channels, i.e. through distributors, wholesalers and stores. In current year, TOYA S.A. cooperated with multiple authorised distributors. This network is constantly developing. The Company also cooperates with several dozen wholesale customers in all regions, meeting the rising demand for its products, in order to increase its margins and to promote its own brands. The Company employs a few dozen sales representatives – assistants of partners on the wholesale market – and is planning further development of this distribution channel.

The structure and volume of the Company's sales revenue on wholesale market in Poland

for 12 months ended 31 December	2022	% share	2021	% share
Distributors	201,347	78%	176,478	78%
Wholesalers and stores	58,310	22%	51,020	22%
Total	259,657	100%	227,498	100%

14.1.2 Retail networks – sales in Poland

Domestic sale to retail networks constitutes approx. 11% of the Company's sales revenue. TOYA S.A. cooperates with few large networks in Poland. The Company sells industrial goods on the basis of its customers' orders for specific quantities of products to be delivered on specific dates. Upon acceptance, these orders give rise to typical contractual obligations. In this channel, the Company cooperates with customers with established market positions that are reliable and financially transparent and have a sound payment history.

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

In 2022 and 2021 there were no entities with which the Company's turnover would constitute more than 10% of the Company's total revenue.

14.1.3 Export sales – TOYA S.A.

For many years, the Company has operated in international markets, focusing primarily on Central, Southern and Eastern Europe – Romanian, Hungarian, Czech, German, Balkan and Russian, Ukrainian, Belarusian and Lithuanian markets.

The structure and volume of revenue from the Company's export sales, broken down by countries.

for 12 months ended 31 December	2022	% share	2021	% share
Romania	54,092	25%	48,120	23%
Ukraine	26,128	12%	26,919	13%
Baltic countries	22,399	10%	22,145	11%
Hungary	21,096	10%	17,213	8%
Belarus	18,419	9%	17,673	9%
Moldova	11,825	5%	9,151	5%
Czech Republic	11,193	5%	13,434	7%
Bulgaria	9,348	4%	10,212	5%
Russia	7,335	3%	7,116	3%
Greece	7,016	3%	4,604	2%
Germany	6,641	3%	9,073	4%
Other	23,114	11%	21,278	10%
Total	218,606	100%	206,937	100%

14.1.4 Retail networks – sales in Poland

In 2022, Toya S.A. continued the development of the www.toya24.pl and yatogastro.com online stores. Sales in this channel are also conducted through popular online platforms. The share of sales revenues amounted to 8% with the gross sales profitability of 41%. The increase compared to the previous year was over 14%. One of the main reasons for such sales dynamics in this channel was the progressive change in the way consumers make purchases, who began to prefer online shopping to a greater extent since the announcement of the state of the pandemic.

14.2 Suppliers

The network of suppliers the Company cooperates with is highly diversified. For many years, the Company has cooperated with more than several hundred foreign and several dozen domestic suppliers, which allowed it to establish durable business contacts. This broad range of suppliers ensures high independence and even enables strengthening of the Company's negotiating position. This position is additionally improved by the presence of the subsidiaries Yato Tools (Shanghai) Co. Ltd. and Yato Tools (Jiaying) Co. Ltd., thanks to higher confidence of Asian manufacturers in a local partner as well as larger volumes of orders. The Company usually signs short-term agreements on delivery of specific products or places one-off orders for products, which ensures flexibility in negotiations and allows the Company to tailor the product offer to the changing customer expectations.

The Company's biggest suppliers are its subsidiaries - Yato Tools (Shanghai) Co. Ltd. and Yato Tools (Jiaying) Co. Ltd. Purchases from this entity represented 71% of all purchases of the Company in 2022 (74% in 2021).

15. CONCLUDED AGREEMENTS IMPORTANT TO THE COMPANY'S OPERATIONS

The criterion for recognising agreements as important adopted by the Company is agreement value exceeding 10% of the Company's equity. According to this criterion, in 2022 the Company concluded annexes to agreements with banks which were presented in item 19.

The table below includes insurance policies of the Company:

No	Insurance period	Object of insurance
1a	1 July 2022 -30 June 2023	Insurance against all risks of physical loss or damage of tangible fixed assets and properties
1b	1 July 2022 -30 June 2023	Insurance against all risks of physical loss or damage of tangible current assets
1c	1 July 2022 -30 June 2023	Insurance against all risks of physical loss or damage of electronic equipment
2	1 July 2022 -30 June 2023	Civil liability insurance due to owned property and conducted activity
3	5 October 2022 – 4 October 2023	Motor insurance of the vehicle fleet
4	20 September 2022 -19 September 2023	Civil liability insurance of members of companies' bodies
5	13 July 2022 – 12 July 2023	Professional liability insurance of accountants and payroll service providers
6	1 March 2022 -28 February 2023	Insurance of the trade credit risk on certain agreements
7	1 March 2022 – 28 February 2023	Insurance of property in CARGO transport
8	1 January 2022 - 31 December 2022	Guarantee for the payment of customs fees

16. THE ENTITY AUDITING THE FINANCIAL STATEMENTS

The entity authorised to audit and review individual and consolidated statements is KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. with its registered office in Warsaw, ul. Inflancka 4A. The auditor was appointed by the Supervisory Board on 10 December 2019.

The agreement on audit and review was concluded on 2 July 2020, and then annexed in 2021-2023, and it covers semi-annual review and annual audit of the individual and consolidated financial statements for years 2020-2022.

Remuneration of the entity authorized to conduct the audit is presented below (in PLN '000):

	2022	2021
Audit of annual financial statements (individual and consolidated)	230	150
Review of mid-year financial statements (individual and consolidated)	70	70
Other attestation services	-	28
TOTAL	300	248

In 2021, KPMG Audyt Sp. z o.o. sp.k. provided an assurance service related to the remuneration report of the Management Board and Supervisory Board. In 2022, the Company did not use other services of the appointed audit firm.

17. RELATED PARTY TRANSACTIONS

Related party transactions are entered into on the arm's length basis in the course of the Company's day-to-day operations. These transactions have been presented in note 31 to the financial statements.

In 2022 the Company did not conclude any transactions with related entities which were atypical or divergent from the arm's length basis.

18. DISPUTES

As of 31 December 2022, TOYA S.A. is not a party to any proceedings before courts, arbitration panels or public authorities.

19. LOANS AND BORROWINGS

The list of bank loans has been presented in a table on the subsequent page.

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

Object and value of agreement	Name of the Bank / covering bonds / granting loans	Loan amount as per agreement as at 31 December 2022	Amount outstanding as at 31 December 2022 (*)	Amount outstanding as at 31 December 2021 (*)	Current interest rate	Date of expiry
1. Overdraft facility agreement No BDK/KR-RB/000054601/0641/10 of 22 December 2010	Bank Handlowy w Warszawie S.A.	70,000	21,159	29,310	WIBOR 1 M + bank's margin	15 December 2023
2. Overdraft credit facility agreement No 09/030/19/Z/VV	mBank S.A. with its registered office in Warsaw	60,000	18,991	30,453	WIBOR 1 T + bank's margin	30 March 2023
3. Overdraft credit facility agreement No WAR/8833/20/326/CB	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	25,000	1,779	13,692	WIBOR 1 M + bank's margin	15 November 2023
4. Non-revolving loan agreement no WAR/8833/20/327/CB	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	40,000	40,238(**)	23,498	WIBOR 3 M + bank's margin	30 September 2024
Total liabilities, of which:		195,000	82,167	96,953		
– short-term portion		177,857	65,024	86,904		
– long-term portion		17,143	17,143	10,049		

(*) the amount used is presented together with interest due and not repaid as at 31 December 2022 and 2021

(**) including PLN 40,000 thousand of the loan used and PLN 238 thousand of accrued and unpaid interest as at 31 December 2022

20. EXTENDED LOANS AND BORROWINGS

In 2022, the Company did not extend any borrowings or loans.

21. GUARANTEES AND SURETIES GRANTED

As at 31 December 2022, the Company was a party to the following guarantee agreements in connection with their operations, granted by the following entities:

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 439,133	28 February 2023 (*)
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 2023

(*) after the end of the financial year, the guarantee was extended until 28 February 2023, for the amount of EUR 482,640.52.

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.

22. CONTINGENT LIABILITIES AND ASSETS

The Company has no significant contingent assets and contingent liabilities.

23. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

23.1 Change in the composition of the Audit Committee of TOYA S.A.

On 2 January 2023, the Supervisory Board made the following changes to the composition of the Audit Committee:

1. Supervisory Board dismissed from the Audit Committee of TOYA S.A. the following members:
 - Mr. Piotr Mondalski
 - Mr. Jan Szmidt
 - Mr. Grzegorz Maciąg
2. Supervisory Board appointed to the Audit Committee of TOYA S.A. the following member:
 - Mr. Wojciech Papierak
 - Mr. Michał Kobus

At the same time, the Supervisory Board entrusted the function of the Chairman of the Audit Committee to Mr. Wojciech Papierak.

TOYA S.A.

Directors' report on the Company's operations for 12 months ended 31 December 2022

After the above-mentioned changes, the Audit Committee of TOYA S.A. consists of the following persons:

1. Mr. Wojciech Papierak - Chairman of the Audit Committee
2. Mr. Michał Kobus – Member of the Audit Committee
3. Mr. Dariusz Górka – Member of the Audit Committee

24. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

In accordance with § 70 section 6 point 5) Regulation of the Minister of Finance dated 29 March 2018 on current and periodic information published by issuers of securities and conditions for recognizing as equivalent information required by laws of non-member state (Journal of Laws. Laws of 2020 item 622 as amended), the Management Board hereby presents its corporate governance statement for 2022.

24.1 Indication of the set of corporate governance rules governing the Parent Company and the place where the set is publicly available and any information about the Company's corporate governance practices that go beyond the requirements provided for by national law, together with the presentation of information on its corporate governance practices

From 1 July 2021, the Company applies the corporate governance principles set out in the "Best Practices of WSE Listed Companies 2021", attached to the Resolution of the Stock Exchange Supervisory Board No. 13/1834/2021 of 29 March 2021, the content of which is publicly available on the website of the Warsaw Stock Exchange S.A. at the address: <https://www.gpw.pl/dobre-praktyki2021>.

The text of the statements regarding each year with an indication of the extent to which the Company declared compliance with the rules mentioned above, is available on the Company's website at: <https://toya.pl/lad-korporacyjny> in the "Best practices" tab.

The Company does not apply any corporate governance practices that go beyond the requirements of local law.

24.2 An indication to the extent that the Company departed from the provisions of the set of principles of corporate governance, with an indication of those provisions and the reasons for the withdrawal

Pursuant to Article 29.3 of the Regulations of the Warsaw Stock Exchange S.A., the Management Board of the Company presented "Information on the status of the Company's application of the recommendations and principles contained in the Best Practices of WSE Listed Companies 2021" in the EBI report No. 1/2021 of 2 August 2021. In reference to the content of this document, in 2022 the Company complied with the detailed rules contained in the "Best Practices of WSE Listed Companies 2021", with the exception of the following:

1.3.1. Companies integrate ESG factors in their business strategy, including in particular environmental factors, including measures and risks relating to climate change and sustainable development;

Explanation of the Company's departure from the application of the principle: *In its business strategy, the Issuer does not include ESG factors, which include environmental factors, including measures and risks relating to climate change and sustainable development. The Issuer is aware of the growing importance of non-financial reporting as well as ESG issues, therefore, meeting the expectations of various stakeholder groups, it will consider taking steps to implement and apply this principle.*

1.3.2. Companies integrate ESG factors in their business strategy, including in particular social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations.

Explanation of the Company's departure from the application of the principle: *In its business strategy, the Issuer does not include ESG factors, including social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations. The Issuer is aware of the growing importance of non-financial reporting as well as ESG issues, therefore, meeting the expectations of various stakeholder groups, it will consider taking steps to implement and apply this principle. The Issuer and the entire TOYA S.A. Capital Group pays particular attention to the issues related to the core values to which this principle applies.*

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term

goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

Explanation of the Company's departure from the application of the principle: *The Issuer presents its Strategy within periodic reports. This information does not contain all the elements set out in this rule. If the Strategy document is formally adopted and disclosed in accordance with applicable regulations, it will be made available to stakeholders on the website. The Issuer is aware of the growing importance of non-financial reporting as well as ESG issues, therefore, meeting the expectations of various stakeholder groups, it will consider taking steps to implement and apply this principle.*

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

Explanation of the Company's departure from the application of the principle: *The Issuer's current Strategy does not take into account the ESG issues. The Issuer is aware of the growing importance of non-financial reporting as well as ESG issues, therefore, meeting the expectations of various stakeholder groups, it will consider taking steps to implement and apply this principle.*

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target.

Explanation of the Company's departure from the application of the principle: *The Strategy presented by the Issuer in its periodic reports does not address the issues raised in this principle. The Issuer pursues an active policy in the field of working conditions and employee pay, providing the Company with staff that contributes to the organic growth of the organization.*

1.5. Companies disclose at least on an annual basis the amounts expensed by the company and its group in support of culture, sports, charities, the media, social organisations, trade unions, etc. If the company or its group pay such expenses in the reporting year, the disclosure presents a list of such expenses.

Explanation of the Company's departure from the application of the principle: *The Issuer does not disclose the expenses incurred by the Issuer and its group for supporting culture, sports, charities, media, social organizations, trade unions, etc. The reason for this is the marginal scale of this type of expenses from the point of view of the Company's financial situation.*

1.6. Companies participating in the WIG20, mWIG40 or sWIG80 index hold on a quarterly basis and other companies hold at least on an annual basis a meeting with investors to which they invite in particular shareholders, analysts, industry experts and the media. At such meetings, the management board of the company presents and comments on the strategy and its implementation, the financial results of the company and its group, and the key events impacting the business of the company and its group, their results and outlook. At such meetings, the management board of the company publicly provides answers and explanations to questions raised.

Explanation of the Company's departure from the application of the principle: *The Issuer enables investors, analysts, shareholders and representatives of the media to ask questions and obtain explanations on topics of interest to these persons, provided that the applicable law provides for such a possibility. The implementation of this principle takes place in the form of direct meetings with the above-mentioned stakeholders or answers to questions in electronic form.*

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

Explanation of the Company's departure from the application of the principle: *The Issuer does not have a diversity policy towards the Management Board and the Supervisory Board adopted by the Supervisory Board or the General Meeting,*

respectively. Nevertheless, the principle of diversity among its bodies is close to the Issuer and constitutes an added value for the organization. The Issuer ensures that the bodies are composed of persons with the broadest possible scope of competences and qualifications. The members of the Supervisory Board are elected by the General Meeting, while the Management Board is appointed by the Supervisory Board. Despite the lack of a diversity policy, the Issuer is deeply convinced that the General Meeting and the Supervisory Board, when selecting the Supervisory Board and the Management Board, are guided primarily by the interests and needs of the Issuer to ensure a diverse pool of talents necessary to meet the challenges faced by the Issuer. The above can be confirmed by the current composition of the Supervisory Board and the Management Board, which ensures diversity in terms of education, specialist knowledge and age.

2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

Explanation of the Company's departure from the application of the principle: The members of the Supervisory Board are elected by the General Meeting, while the Management Board is appointed by the Supervisory Board. Despite the lack of a diversity policy, the Issuer is deeply convinced that the General Meeting and the Supervisory Board, when selecting the Supervisory Board and the Management Board, are guided primarily by the interests and needs of the Issuer to ensure a diverse pool of talents necessary to meet the challenges faced by the Issuer. The above can be confirmed by the current composition of the Supervisory Board and the Management Board, which ensures diversity in terms of education, specialist knowledge and age.

2.7. A company's management board members may sit on corporate bodies of companies other than members of its group subject to the approval of the supervisory board.

Explanation of the Company's departure from the application of the principle: A member of the Management Board may not, without the consent of the General Meeting, deal with competitive interests or participate in a competitive company as a partner in a civil partnership, partnership or as a member of a ruling body of a company, or participate in another competitive legal person as a member of a ruling body. This prohibition also covers participation in a competitive company, if a Management Board Member holds at least 10% of shares or stocks or the right to appoint at least one Management Board Member. The prohibition does not apply to performing functions in entities belonging to the capital group of the Company.

2.11.5. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following: assessment of the rationality of expenses referred to in principle 1.5;

Explanation of the Company's departure from the application of the principle: The Issuer does not disclose the expenses incurred by the Issuer and its group for supporting culture, sports, charities, media, social organizations, trade unions, etc. The reason for this is the marginal scale of this type of expenses from the point of view of the Company's financial situation.

2.11.6. In addition to its responsibilities laid down in the legislation, the supervisory board prepares and presents an annual report to the annual general meeting once per year. Such report includes at least the following: information regarding the degree of implementation of the diversity policy applicable to the management board and the supervisory board, including the achievement of goals referred to in principle 2.1.

Explanation of the Company's departure from the application of the principle: Due to the fact that the Issuer does not have a diversity policy towards the Management Board and the Supervisory Board adopted by the Supervisory Board or the General Meeting, respectively (for the entirety of the justification, see rule 2.1.), the annual report of the Supervisory Board referred to in rule 2.11 does not contain the information referred to in rule 2.11.6.

3.3. Companies participating in the WIG20, mWIG40 or sWIG80 index appoint an internal auditor to head the internal audit function in compliance with generally accepted international standards for the professional practice of internal auditing. In other companies which do not appoint an internal auditor who meets such requirements, the audit

committee (or the supervisory board if it performs the functions of the audit committee) assesses on an annual basis whether such person should be appointed.

Explanation of the Company's departure from the application of the principle: *As at the date of publication of this statement, the Issuer has not appointed an internal auditor to manage the internal audit function. The Issuer and the Audit Committee assess on an ongoing basis the legitimacy of the organizational separation of internal audit and, if there is a need for such separation, the Issuer will consider appointing such an auditor.*

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

Explanation of the Company's departure from the application of the principle: *The principle is not applied due to the fact that the Company has not appointed a person to manage internal audit. The Issuer monitors the needs of conducting an audit of individual areas of the Company's operations on an ongoing basis.*

3.10. Companies participating in the WIG20, mWIG40 or sWIG80 index have the internal audit function reviewed at least once every five years by an independent auditor appointed with the participation of the audit committee.

Explanation of the Company's departure from the application of the principle: *The principle is not applied as the Issuer has not yet distinguished an internal audit unit and has not separated the position of the person managing the internal audit function.*

4.3. Companies provide a public real-life broadcast of the general meeting

Explanation of the Company's departure from the application of the principle: *The Issuer does not provide publicly available real-time broadcasts of general meetings. The Issuer will monitor the demand of potential stakeholders for access to real-time broadcasts of the general meeting*

4.8. Draft resolutions of the general meeting on matters put on the agenda of the general meeting should be tabled by shareholders no later than three days before the general meeting.

Explanation of the Company's departure from the application of the principle: *The issuer encourages shareholders to submit draft resolutions of the general meeting on matters introduced to the agenda of the general meeting within a time allowing them to be read, but the Company's internal regulations do not provide for the deadline referred to in this rule.*

4.9.1. If the general meeting is to appoint members of the supervisory board or members of the supervisory board for a new term of office:

candidates for members of the supervisory board should be nominated with a notice necessary for shareholders present at the general meeting to make an informed decision and in any case no later than three days before the general meeting; the names of candidates and all related documents should be immediately published on the company's website.

Explanation of the Company's departure from the application of the principle: *The Issuer encourages shareholders to propose candidates for the Supervisory Board in time allowing them to become acquainted with their professional experience and competences, but the Company's internal regulations do not provide for a deadline for submitting candidates. On the other hand, the rule is applied in the scope of immediate publication by the Issuer of the candidates together with a complete set of materials concerning them on the Company's website, provided that the candidates are submitted within the time limit specified in the rule in question.*

4.14. Companies should strive to distribute their profits by paying out dividends. Companies may retain all their earnings subject to any of the following criteria: a) the earnings are minimal and consequently the dividend would be immaterial in relation to the value of the shares; b) the company reports uncovered losses from previous years and the earnings are used to reduce such losses; c) the company can demonstrate that investment of the earnings will generate tangible benefits for the shareholders; d) the company generates insufficient cash flows to pay out dividends; e) a dividend payment would substantially increase the risk to covenants under the company's binding credit facilities or terms of

bond issue; f) retention of the company's earnings follows recommendations of the authority which supervises the company by virtue of its business activity.

Explanation of the Company's departure from the application of the principle: *The intention of the rule is close to the Issuer. The Issuer's Management Board, in each application to the General Meeting as to the method of profit distribution for a given financial year, presents, together with the justification, its recommendations, which may include, inter alia, the current and projected financial situation of the Company and its capital group, further development strategy, including investment plans. The issuer shall immediately disclose the information in question to the public, and the above-mentioned application is assessed by the Supervisory Board. The final decision, taking into account the essential needs of the Issuer, the catalogue of which may exceed the premises indicated in the principle, is made by the Issuer's General Meeting.*

24.3 Description of basic features of internal control and risk management systems applied in the Company with respect to the process of preparing the financial statements

The Management Board of the Company is responsible for the internal control system in the Company and its effectiveness in the process of preparing financial statements and periodical reports developed and published in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodical information submitted by issuers of securities and on conditions for deeming as equivalent the information required under the provisions of the law of a Non-Member State. The Company applies internal control systems with regard to accounting and financial reporting to ensure reliable and transparent presentation of its financial and assets standing. The Company has in place documentation describing the adopted accounting principles, specifying the methods of assets and liabilities valuation and determination of the financial result, as well as the manner of keeping the books of account and the system for protection of data and data collections. The adopted accounting principles are applied on a continuous basis by ensuring comparability of financial statements while using the rule of going concern and prudent valuation. The Company's financial statements are audited by authorised entities selected by way of resolution of the Supervisory Board. The statements are published in accordance with the applicable provisions of the law.

The books of account are kept by the Company and its subsidiaries in the SAP R3 IT system. Access to information resources of the IT system is restricted by appropriate rights of authorised employees solely in the scope of their duties.

The Financial Director supervises the process of preparing the Company's financial statements and periodical reports from the subject-matter point of view.

Organising work related to preparing annual and semi-annual financial statements is the competence of the accounting and control department.

After its approval by the Financial Director and before its publication, the financial statements are verified by the Company's Management Board and Supervisory Board.

24.4 Shareholders who hold, directly or indirectly, major blocks of shares, the number of shares held by such entities, their percentage share in the share capital, the number of votes resulting from them and their percentage share in the total number of votes at the general meeting

The table below presents the ownership structure of shareholders who hold, directly or indirectly, major blocks of shares of TOYA S.A., the number of shares held by such entities, their percentage share in the share capital, the number of votes resulting from them and their percentage share in the total number of votes at the general meeting as of 31 December 2022 (status according to the best of the Company's knowledge and to information provided to Company by its shareholders):

Name	Number of shares/Number of votes	Percentage share in the share capital/Percentage share in the total number of votes at the general meeting
Jan Szmidt	28,284,304 ¹	37.69
Romuald Szałagan	9,652,290	12.86
Generali OFE	5,001,147	6.66

¹ Prepared based on:

- Current Report No. 27/2022 of 21 November 2022 containing a Notification of a transaction on shares of TOYA S.A. performed by a key management personnel.
- Current Report No. 28/2022 of 21 November 2022 containing a Notification of a transaction on shares of TOYA S.A. performed by a key management personnel.

24.5 Indication of the owners of any securities, which provide special control rights, together with the description of the rights

All shares in the Company are ordinary bearer shares which provide no special control rights. Apart from shares, the Company issued no other securities.

24.6 Restrictions on voting rights, such as limitation of the voting rights of holders of a given percentage or number of votes, time limits on the exercising of voting rights, or provisions under which, with the company's cooperation, equity rights attaching to securities are separated from the holding of the securities

Shares in the Company do not involve any restrictions with respect to exercising voting rights. Pursuant to the Articles of Association of TOYA S.A., each share carries one vote at the General Shareholders' Meeting.

24.7 Limitations in transferring the ownership right to the issuer's securities

In 2022, there were no such limitations.

24.8 Description of principles concerning appointment and dismissal of managers and their entitlements, in particular the right to decide on issuance or redemption of shares

Pursuant to the Articles of Association of TOYA S.A., the Management Board comprises one to seven members, including the President of the Management Board and, in the case of a Management Board comprising several members, the Vice-President of the Management Board. The number of Management Board members for a given term is specified by the Supervisory Board. Members of the Management Board are appointed for a joint, three-year term of office, while mandates of the Management Board members expire no later than on the day of the General Shareholders' Meeting which approves the financial statements for the last full financial year of the term of office.

Members of the Management Board of TOYA S.A. are appointed and dismissed by the Supervisory Board.

Members of the Management Board can be dismissed at any time, without detriment to their claims from the work relationship or a different legal relationship which is the basis for holding the office of a Management Board Member.

The Management Board's competencies relate to all matters of the Company not restricted to the competencies of the General Shareholders' Meeting or the Supervisory Board.

The Management Board operates on the basis of the Regulations approved by the Supervisory Board, as specified in the Articles of Association of TOYA S.A. The Regulations also specify detailed competencies of the Management Board. The

Management Board handles the affairs of the Company, manages its assets and represents the Company before third parties.

The following corporate documents, including a description of principles concerning appointment and dismissal of managers and their entitlements, in particular the right to decide on issuance or redemption of shares, are available on the website www.yato.pl in the tab: For investors - Materials for investors - Articles of Association, regulations:

- Articles of Association of TOYA S.A.,
- Regulations of the Management Board,
- Regulations of the Supervisory Board,
- Regulations of the General Shareholders' Meeting.

24.9 Principles of introducing amendments to the articles of association

Amendments to the Articles of Association of the Company are introduced in accordance with the provisions of the Commercial Companies Code. The resolutions amending the Articles of Association on the increase of the shareholders' benefits or limiting the rights granted to individual shareholders require the consent of all affected shareholders.

24.10 The functioning of the General Shareholders' Meeting, its basic entitlements, the rights of shareholders and the manner of exercising these rights and entitlements, and in particular the rules set forth by the Bylaws of the General Meeting of Shareholders provided such bylaws have been adopted, unless such information is determined directly by the provisions of law

The General Shareholders' Meetings of TOYA S.A. (the Company) take place in accordance with the provisions of the Commercial Companies Code, the Articles of Association of the Company as well as provisions of the Regulations, while taking into account other generally applicable provisions of law. The General Shareholders' Meetings may be ordinary or extraordinary. Ordinary General Shareholders' Meeting is convened by the Company's Management Board and should take place within 6 months of the end of each financial year. Extraordinary General Shareholders' Meeting is convened by the Management Board on its own initiative or at a written request of the Supervisory Board or at the request of shareholders representing at least 1/20 of the share capital submitted to the Management Board in writing or in electronic form. The request for convening the Meeting should determine issues to be discussed or it should include a draft of resolution concerning proposed agenda. Convening the Extraordinary General Shareholders' Meeting at the request of the Supervisory Board should take place within two weeks from the date of submission of the request.

The Supervisory Board convenes the General Shareholders' Meeting:

- a) if the Company's Management Board failed to convene the Ordinary General Shareholders' Meeting within the prescribed period,
- b) if, despite the submission of a request by the Supervisory Board, the Company's Management Board failed to convene the General Shareholders' Meeting in time, or
- c) whenever it deems such meeting necessary.

An Extraordinary General Shareholders' Meeting may be convened by shareholders representing at least half of the Company's share capital or at least half of the total number of votes in the Company. The Management Board is required to immediately announce the convening of the General Meeting in the manner provided for by the provisions of law. Shareholders can participate in the General Shareholders' Meeting and exercise the voting right in person or through a proxy. Shareholders may participate in the General Shareholders' Meeting using electronic means of communication, on conditions specified in detail by the Management Board.

The General Meeting may adopt resolutions regardless of the number of shareholders present at the meeting or the represented shares, unless otherwise provided in the provisions of law.

Resolutions of the General Shareholders' Meeting are adopted by an absolute majority of votes, unless the provisions of law or these Articles of Association provide otherwise. Resolutions of the General Shareholders' Meeting are adopted by the majority of $\frac{2}{3}$ votes cast with respect to the following issues:

- a. amendments to the Articles of Association, including issue of new shares,
- b. issue of convertible bonds or bonds with pre-emptive rights to acquire shares,

- c. merger of the Company with another company,
- d. decrease of the share capital,
- e. redemption of shares,
- f. disposal of the Company's enterprise or its organised part,
- g. dissolution of the Company.

The resolutions amending the Articles of Association on the increase of the shareholders' benefits or limiting the rights granted to individual shareholders require the consent of all affected shareholders.

Resolutions of the General Shareholders' Meeting are binding upon all bodies of the Company, as well as all shareholders, including shareholders who are not present on the General Shareholders' Meeting.

The competences of the General Meeting of Shareholders include adopting resolutions concerning the following issues:

- a) considering and approving the Management Board and Supervisory Board's report and the financial statements,
- b) adopting a resolution on the division of profits or covering of losses,
- c) discharging members of the Company's governing bodies from liability in the performance of their duties,
- d) taking all decisions concerning claims for the remedy of damage caused in incorporating the Company or in carrying out management or supervision,
- e) disposing of or leasing the Company's business or an organised part thereof and establishing a limited right in rem thereon,
- f) acquisition of own shares,
- g) issue of convertible bonds or bonds with pre-emptive rights to acquire shares,
- h) amendment to the Company's Articles of Association, including concerning a share capital increase or decrease,
- i) merger of the Company or transformation of the Company,
- j) dissolution and liquidation of the Company,
- k) determination of remuneration of the Supervisory Board members,
- l) appointment and dismissal of the Supervisory Board members,
- m) creation and liquidation of special funds,
- n) approval of the regulations of the Supervisory Board,
- o) redemption of shares.

Acquisition and disposal of real property, right of perpetual usufruct or share in a real property by the Company does not require a consent of the General Shareholders' Meeting.

Subject to cases specified in the Commercial Companies Code, if the General Shareholders' Meeting was convened correctly, it is valid and capable of adopting resolutions regardless of the number of shareholders or number of shares represented at the meeting, unless otherwise provided in the provisions of law. The General Shareholders' Meeting of the Company is convened by an announcement published on the Company's website and in a manner specified for transmitting current information, according to generally applicable regulations. The announcement should be made at least twenty six days before the date of the General Shareholders' Meeting. The announcement about the General Shareholders' Meeting of the Company should include at least:

- 1) the date, time and place of the General Shareholders' Meeting as well as a detailed agenda,
- 2) a precise description of procedures regarding participation in the General Meeting and executing the voting right, in particular information about:
 - a) the shareholder's right to demand specific issues to be included in the agenda,
 - b) the shareholder's right to submit draft resolutions regarding issues on the General Shareholders' Meeting's agenda or issues which are to be included in the agenda before the date of the General Shareholders' Meeting,
 - c) the shareholder's right to submit draft resolutions regarding issues on the General Shareholders' Meeting's agenda during the General Shareholders' Meeting,
 - d) the manner of exercising the voting right via proxy, including, in particular, information about forms used in voting through a proxy and the manner of notifying the Company about appointment of a proxy using electronic means of communication,
 - e) the possibility and the manner of participating in the General Shareholders' Meeting using electronic means of communication,

- f) the manner of voicing opinions during the General Shareholders' Meeting, using electronic means of communication,
 - g) the manner of exercising the voting right by correspondence or using electronic means of communication,
 - h) the shareholder's right to ask questions regarding matters on the agenda of the general meeting.
- 3) the date of registration of participation in the General Shareholders' Meeting,
 - 4) information on the right to participate in the General Shareholders' Meeting only applying to persons who are shareholders of the Company on the date of registering their participation in the General Shareholders' Meeting,
 - 5) information on where and how the person entitled to participate in the General Shareholders' Meeting can obtain the full text of documentation to be presented to the General Shareholders' Meeting
 - 6) draft resolutions,
 - 7) address of the website on which information concerning the General Shareholders' Meeting will be made available.

The right to participate in the General Shareholders' Meeting of the Company applies exclusively to persons who are shareholders of the Company sixteen days before the date of the General Shareholders' Meeting (the date of registering participation in the General Shareholders' Meeting). The General Meeting can be attended by shareholders who submitted, to the entity keeping the securities account, a request for issue of a registered certificate of the right to participate in the General Meeting not earlier than after the announcement on the General Meeting being convened and not later than on the first business day following the date of registration for the General Meeting. The Company determines the list of shareholders entitled to participate in the General Meeting on the basis of the list prepared by the entity maintaining the depository of securities, according to the provisions on trade in financial instruments, submitted to the Company not later than a week before the date of the General Meeting.

Shareholders can participate in the General Shareholders' Meeting and exercise the voting right in person or through a proxy. The power of attorney should be made in writing or in electronic form.

Upon arrival at the General Shareholders' Meeting, each shareholder on the list of shareholders entitled to participate in the General Shareholders' Meeting reports their attendance (at the shareholder registration point) to the shareholder service team and is entered onto the attendance list. Preparing the attendance list of the General Meeting Participants involves the following tasks:

- 1) verification of identity of the shareholder or their proxy (if the shareholder is represented by a proxy, this fact must be indicated on the attendance list),
- 2) providing the number of shares held by the reporting Participant,
- 3) specifying the number of votes to which the reporting Participant is entitled,
- 4) the Participant placing a signature on the attendance list,
- 5) issuing a voting card, voting instructions and other materials for the meeting to the Participant.

The attendance list is signed by the Chairperson of the General Shareholders' Meeting (the Chairperson) immediately after their election. The Chairperson is competent for resolving complaints regarding this list. The attendance list is made available to the Participants of the General Shareholders' Meeting throughout the time of the meeting and is updated on a current basis.

Upon the request of shareholders holding a tenth of the share capital represented at the General Shareholders' Meeting, the attendance list will be verified by a commission appointed for this purpose, comprising at least three persons, including one chosen by the applicants. If the commission issues a decision that is disadvantageous to a certain person, such a person can appeal to the General Shareholders' Meeting, which resolves the issue by voting. If a Participant leaves the room during the General Meeting, the Chairperson will correct the attendance list, making note of the time when the Participant left the room and recalculates the number of votes and the percentage of represented share capital. After doing calculations, the Chairperson declares whether the General Meeting has the quorum required and the majority of votes required to adopt resolutions, in particular if votes are planned on resolutions which require the qualified majority of votes.

If a Participant entitled to participate in the General Shareholders' Meeting is late, he/she should be allowed to attend the meeting. In such a case, the Chairperson orders a correction of the attendance list, marking the arrival time of the delayed Participant and the item of the agenda starting from which this person participates in the General Shareholders' Meeting, and once again calculates the number of votes and quorum represented since the arrival of the latecomer.

Members of the Management Board and the Supervisory Board participate in the General Shareholders' Meeting in composition which allows them to provide factual answers to questions asked during the General Shareholders' Meeting. If attendance of any of the participants of these bodies is impossible for important reasons, the participants of the General Meeting are informed about these reasons.

Members of the Management Board and the Supervisory Board of the Company taking part in the General Meeting should, within their competences and to the extent necessary to resolve issues on the agenda, provide the Participants with explanations and information concerning the Company, subject to restrictions following from the applicable regulations. In cases which require detailed, specialist knowledge of a given discipline, a Member of the Management Board or the Supervisory Board can appoint a person from among the employees of the Company who will provide such information or explanations. The registered auditor conducting the audit of the Company's financial statements is invited to the General Shareholders' Meeting, in particular if the agenda includes an item of the Company's financial matters. The General Shareholders' Meeting can be transmitted via the Internet. Information about public transmission of the meeting will be published on the Company's website right before the General Shareholders' Meeting.

The General Shareholders' Meeting is opened by the President of the Supervisory Board or, if they are absent, the Vice-President of the Supervisory Board or a person appointed by the President or the Vice-President of the Supervisory Board, respectively. The person opening the meeting orders and conducts the election of the Chairperson from among the persons entitled to vote. Until the abovementioned elections, the person opening the General Shareholders' Meeting has the Chairperson's rights.

Every Participant of the General Shareholders' Meeting is entitled to run for the Chairperson as well as to present one candidature for this post. The candidate is entered on the list of candidates after stating that they accept the candidature. The Chairperson of the General Meeting is elected in a secret ballot. The person opening the General Meeting supervises the correct course of the ballot and announces its results.

The Chairperson ensures smooth course of the meeting and observance of the rights and interests of all shareholders. The Chairperson should counter, in particular, abuse of Participants' rights and ensure that the rights of minority shareholders are respected. The Chairperson should not resign from their function without material reasons and neither can they, without justified causes, delay the signature of the minutes of the General Shareholders' Meeting.

Duties and rights of the Chairperson of the General Meeting, apart from those listed in the Regulations of the General Meeting, include in particular:

- 1) declaring correctness of the manner in which the General Meeting was convened and the ability to adopt resolutions,
- 2) presenting the announced agenda of the General Meeting,
- 3) giving floor and removing it from a Participant who voices their opinion clearly off-topic or violates the principles of decent behaviour with their speech,
- 4) ordering ballots, supervising their correct course and announcing their results,
- 5) removing persons who are not entitled to participate in the General Shareholders' Meeting or who interrupt the meeting from the room,
- 6) ordering breaks in meetings, subject to the provisions of Regulations of the General Shareholders' Meeting,
- 7) resolving doubts concerning regulations, if needed after obtaining the opinions of persons listed in the Regulations of the General Shareholders' Meeting,
- 8) concluding the General Shareholders' Meeting after the meeting agenda has been exhausted.

The Chairperson is entitled to appoint a Secretariat of the General Meeting comprising 1-3 persons for cooperation with the Chairperson during the General Meeting. The Chairperson of the General Meeting is entitled to consult the notary public, lawyers and other independent consultants appointed by the Management Board of the Company to service the General Meeting. The Chairperson informs the attendants about the presence of the abovementioned persons at the General Shareholders' Meeting.

Every Participant of the General Shareholders' Meeting is entitled to submit a motion regarding formal issues. Motions regarding formal issues are motions regarding the manner of holding the meeting and voting, in particular motions for:

- 1) postponement or closure of discussion,

- 2) breaks in the meeting,
- 3) the voting order of motions submitted under a given item of the agenda,
- 4) closure of the list of candidates upon elections.

Subject to paragraph 5 of the Regulations of the General Shareholders' Meeting, motions regarding formal issues are resolved by the Chairperson, and if any Participant objects to their decision – by voting.

The Chairperson may order a short break in the meeting, in particular in order to allow:

- 1) formulation of conclusions,
- 2) agreement upon the Participants' positions,
- 3) obtaining opinions of persons referred to in § 6 paragraph 5 of the Regulations of the General Shareholders' Meeting,
- 4) the Management Board and the Supervisory Board to assume their positions,
- 5) handling other cases which require such breaks, in particular if the General Shareholders' Meeting lasts longer than 2 hours.

The ordered breaks cannot be aimed at impeding users in exercising their rights. Should a break in the meeting cause postponement of the General Shareholders' Meeting at least until the following day, the General Shareholders' Meeting must adopt the relevant resolution with at least 2/3 of votes. In total, such breaks cannot be longer than 30 days.

Subject to the provisions of § 8 of the Regulations of the General Shareholders' Meeting, every Participant should voice their opinion only on matters covered by the adopted agenda which are currently being considered, in particular by asking questions to the representatives of the Company. Motions concerning draft resolutions or amendments thereof should be submitted, along with their justification, in writing to the Secretariat, or in the case of lack thereof, to the Chairperson. When taking the floor or submitting a motion, the Participant should provide their full name and, if they are not applying on their own behalf, also details of the shareholder they are representing.

The Chairperson gives the floor to Participants according to the order of applications and for the purpose of retorts – after the list of persons speaking on a given issue on the agenda is exhausted. The Chairperson can give the floor to the members of the Company's Supervisory Board and Management Board out of turn. The Chairperson can limit the speaking time of a Participant of the General Shareholders' Meeting if the number of Participants who intend to take part in the discussion is so large that the lack of time limits for their speeches could, taking into account the agenda, make it impossible to conduct the General Shareholders' Meeting efficiently. Restriction of the speaking time cannot cause a restriction in the shareholders' rights. The Participant can also voice their opinion by submitting a written statement, question or motion. After the list of speakers has been exhausted, the Chairperson informs the General Shareholders' Meeting about the content of such statements and organises explanations and, if needed, puts the submitted motions to vote. If there are doubts regarding the motion under vote, before voting, the Participant can ask the Chairperson to read the motion out. The Participant of the General Meeting who demanded an objection to be recorded in the minutes after the General Meeting adopted a resolution against which they had voted can briefly motivate the objection.

The Company publishes questions asked in relation with the General Meeting as well as provided answers on its website, immediately after the end of the General Meeting.

Resolutions cannot be adopted with respect to issues not covered by the agenda unless the entire share capital is represented at the General Meeting and none of the attendants objects to adoption of the resolution. The General Shareholders' Meeting can adopt, at any time, a resolution on convening an Extraordinary General Shareholders' Meeting, resolutions regarding the announced agenda and resolutions of organisational nature, which include:

- 1) a resolution on changing the order of individual discussed items on the agenda,
- 2) a resolution on removing individual issues from the agenda,
- 3) a resolution on the method of voting,
- 4) a resolution on breaks in the meeting.

A motion for a resolution on removing a specific issue from the agenda should be motivated. A matter whose consideration is obligatory pursuant to applicable regulations cannot be removed from the agenda.

A resolution is deemed adopted if its adoption was voted for by shareholders representing the majority of votes required according to the provisions of the Commercial Companies Code or the Articles of Association. If amendments were suggested for a draft resolution, these suggestions, subject to § 8 paragraph 2 of the Regulations of the General Shareholders' Meeting, are put to vote in the order determined by the Chairperson and, subsequently, a vote is held on the entire draft resolution, together with adopted improvements.

The Chairperson orders a secret ballot for elections and in the case of motions for dismissal of members of the Company's bodies, for holding them liable, as well as in the case of personnel issues. The Chairperson also orders a secret ballot on other issues upon request of at least one Participant, except for votes on motions relating to formal issues. Voting and counting votes are assisted by a company which counts votes using a computer technique or in a different manner, specified in the voting instruction submitted by the Chairperson.

The Supervisory Board comprises between five and seven members, appointed for a joint term of office in a manner specified in the Company's Articles of Association. The number of members of the Supervisory Board for a given term is determined by the General Shareholders' Meeting.

The principles below apply to appointment of members of the Supervisory Board by the General Shareholders' Meeting.

A candidate for an independent member of the Supervisory Board submits their agreement to be appointed member of the supervisory board and a curriculum vitae, as well as a written declaration of meeting the independence criteria referred to in the Company's Articles of Association. Every Participant of the General Meeting is entitled to put forward candidatures for a member of the Supervisory Board. The candidature put forward is accompanied by a justification and a short curriculum vitae of the candidate, which covers in particular their education and hitherto work experience.

The candidate put forward is added to the list of candidates after declaring acceptance of the candidature and compliance with the criteria, adopted by the Company, necessary to be recognised as an independent member of the Supervisory Board, as well as submitting other declarations, if any, required by generally applicable provisions. A candidate who is absent at the General Shareholders' Meeting is entered onto the list of candidates after the person who proposes them presents:

- 1) the candidate's written agreement along with a declaration of compliance with the independence requirements, or
- 2) a written declaration concerning the candidate being put forth with respect to consent to candidature and compliance with the independence criteria and
- 3) the candidate's other declarations required by the provisions of the law, submitted in the appropriate form.

Upon the request of the Chairperson or another Participant, the list of candidates for the Supervisory Board can be closed by the Chairperson if the number of elected candidates is at least equal to the number of posts to be appointed in the Supervisory Board. The list of proposed candidates for members of the Supervisory Board is prepared in alphabetic order by the Secretariat of the General Shareholders' Meeting.

Voting for the members of the Supervisory Board takes place separately for each candidate, in a secret ballot, according to absolute majority of votes. A vote cast for a number of candidates exceeding the number of mandate posts is invalid. The Supervisory Board comprises candidates who obtained the largest number and the absolute majority of votes; if there is an equal number of votes for the last mandate post, another vote is held for these candidates, with the above principles applying respectively. The provisions of this section also apply if the agenda of the General Shareholders' Meeting covers changes in the composition of the Supervisory Board.

A special voting procedure is ordered by the Chairperson of the General Shareholders' Meeting in the case of group elections to the Supervisory Board. Upon the motion of shareholders representing at least one fifth of the share capital, the Supervisory Board should be elected by way of voting in separate groups even if the Articles of Association provide for a different manner of appointment of the Supervisory Board. During a group ballot, one share corresponds to one vote. Groups of shareholders are created at the General Shareholders' Meeting in order to elect members of the Supervisory Board, provided that the number of created groups corresponds to the number of posts to be appointed in the Supervisory Board. A shareholder can only be a member of one voting group. The minimum number of shares needed for creating a group is established by dividing the number of shares represented at the General Shareholders' Meeting by the number of mandates to be appointed in the Supervisory Board. The group of shareholders is entitled to elect the number of members of the Supervisory Board equal to the number of times the shares

represented by it exceed the calculated minimum. Groups of shareholders can merge in order to make optimal use of jointly held shares to elect members of the Supervisory Board. For each group, the Chairperson orders a separate attendance list to be prepared. Each group holds a vote for the chairperson of the meeting of a given group, who will ensure organisation of the ballot within the group, i.e. proposing candidates, holding ballots and minutes from the group's meeting being drawn up by the notary public. Each of the established groups is provided with a separate room to hold the elections unless this is impossible for organisational reasons. In such a case, groups take turns and use a single room. Each group holds the ballot before the notary public who draws up the minutes; the order is determined by the Chairperson of the General Shareholders' Meeting.

After holding a group ballot, the chairperson of the group delivers written results of secret ballots held in groups to the Chairperson of the General Shareholders' Meeting. The Chairperson of the General Shareholders' Meeting announces the composition of the Supervisory Board after collecting all results of group ballots.

Resolutions of the General Shareholders' Meeting are recorded in the minutes by the notary public, otherwise being null and void. The minutes are signed by the notary public and the Chairperson of the General Shareholders' Meeting. The minutes declare that the General Shareholders' Meeting has been convened correctly and can adopt resolutions; they also list the adopted resolutions and, next to each of them, the number of shares from which valid votes were cast, the percentage of these shares in the share capital, the total number of valid votes, the number of votes for, against and withheld as well as voiced objections. The minutes are supplemented by the attendance list with signatures of the Participants. The Management Board of the Company enters the extract from the minutes to the minutes book. The minutes book is also supplemented with evidence for convening the General Shareholders' Meeting.

On its website, the Company publishes the ballot results within a week of the conclusion of the General Meeting. The ballot results will be available until the deadline for appealing against the resolution of the General Shareholders' Meeting.

General Shareholders' Meetings can be recorded; in such cases, the recording of the meeting will be published on the Company's website immediately after conclusion of the General Shareholders' Meeting.

24.11 Composition and the changes that occurred in the course of the last accounting year and the description of managing, supervisory and administrative bodies` as well as committees' operation, and with respect to the Audit Committee or Supervisory Board or other supervisory or controlling body performing the function of the Audit Committee, providing also information on:

- 24.11.1 on individuals who meet the statutory independence criteria and who have knowledge and skills in accounting or auditing of financial statements, including the manner of acquiring the same,**
- 24.11.2 on individuals who have knowledge and skills in the industry in which the Company operates, including the manner of acquiring the same,**
- 24.11.3 whether the Company has been provided with any permitted non-audit services by the auditing firm examining its financial statements, and whether the independence of this auditing firm has been assessed and the consent for the provision of such services has been given,**
- 24.11.4 main assumptions of the policy developed for the selection of an audit firm to carry out the audit and the policy of providing any permitted non-audit services by the audit firm, any entities related thereto and by the member of the auditing firm's chain,**
- 24.11.5 whether the recommendation regarding the selection of an audit firm to carry out the audit met the applicable conditions, and where the selection of the audit firm was not related to the extension of the agreement for the auditing of financial statements – whether such recommendation was prepared following the selection procedure organised by the Issuer and whether it complied with the applicable criteria,**
- 24.11.6 number of meetings of the Audit Committee or Supervisory Board or other supervisory or controlling body held,**
- 24.11.7 in case the functions of the Audit Committee are performed by the Supervisory Board or other supervisory or controlling body - information on which statutory conditions allowing such situation were met, along with necessary supporting data.**

MANAGEMENT BOARD

The composition of the Company's Management Board as at 31 December 2022 was as follows:

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

The Management Board operates on the basis of the Articles of Association of the Company, Regulations of the Management Board and in accordance with adopted principles of corporate governance.

The Management Board handles the affairs of the Company. Led by the President of the Management Board, it manages the Company and represents it before third parties. The manner of representation of the Company is specified in the Articles of Association, according to which the persons authorised to make declarations of will and to place signatures on behalf of the Company are the President of the Management Board individually or the Vice-President of the Management Board jointly with a member of the Management Board.

Detailed principles of operation of the Management Board are specified in the Regulations of the Management Board, published on the website www.yato.pl, in the tab: For investors - Materials for investors - Articles of Association, regulations.

SUPERVISORY BOARD

The composition of the Company's Supervisory Board as at 31 December 2022 was as follows:

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

AUDIT COMMITTEE

The composition of the Audit Committee as at 31 December 2022 was as follows:

- Dariusz Górka – President of the Audit Committee and Independent Member of the Audit Committee,
- Grzegorz Maciąg – Independent Member of the Audit Committee,
- Jan Szmidt,
- Piotr Mondalski – Independent Member of the Audit Committee.

Dariusz Górka is the member of the Audit Committee who has qualification in the field of accounting or audit of the financial statements. Dariusz Górka is, inter alia, graduate of Stern School of Business (New York, USA), where he had obtained an MBA degree in finance and acquired knowledge and competencies in the area mentioned above. He remains the member of Institute of Management Accountants (IMA) in Newark (New York, USA).

A member of the Audit Committee with knowledge and skills in the field of industry specializing in TOYA S.A. Is Jan Szmidt. Jan Szmidt is the originator and co-founder of the Company and has been with the Company since its inception. He has experience in business development area, proven by many successful accomplishments in the Polish and international markets. He studied at Faculty of Civil Engineering and Faculty of Computer Science and Management at Wrocław University of Science and Technology.

The main role of the Audit Committee is to advise and support the Supervisory Board in carrying out its control and supervisory duties concerning the widely understood financial reporting, including:

- 1) monitoring:
 - a) the Company's financial reporting process,
 - b) the effectiveness of internal control, risk management, compliance and internal audit systems, including with respect to the financial reporting,

- c) monitoring of performing of financial revisions, in particular performing of an audit by an audit company, taking into account any conclusions (motions) and arrangements of the Audit Supervision Committee stemming from an audit (inspection) performed at an audit company;
- 2) controlling and monitoring of independence and impartiality of the chartered accountant (certified auditor) and the entity entitled to examine financial statements, in particular in case other services than an audit are provided for the benefit of the Company;
- 3) informing the Supervisory Board of audit results and explaining as to who did the audit contribute to trustworthiness of financial reporting in the Company, and also what was the role of the Audit Committee in course of the audit;
- 4) performing the evaluation of independence of the certified auditor and expressing consent for performing by him of permitted services not constituting the audit within the Company;
- 5) developing the policy for selecting the auditing company to perform the audit;
- 6) developing a policy of performing by the auditing company performing the audit, entities related with the auditing company and members of the auditing company's corporate network of permitted services no constituting the audit;
- 7) defining the procedure for selecting the auditing company by the Company;
- 8) presenting to the Supervisory Board of recommendation, as required under Art. 16.2 Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2016 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (i.e. Official Journal of European Union L 158 of 2014, page 77), in line with policies referred to above in items 5 and 6;
- 9) presenting recommendations aimed at ensuring reliability of the financial reporting process within the Company,
- 10) performing other activities vested with audit committees pursuant to Act of 11 May 2017 on certified auditors, auditing companies and public oversight.

Main assumption of the Policy on appointing the Audit Firm to audit financial statements adopted by the Company are as follows:

- selection of the audit firm conducting the statutory audit should be held in accordance with the Policy on appointing the Audit Firm to audit financial statements adopted by the Company;
- the selection decisions are taken in the form of a resolution of the Supervisory Board, no later than by the end of December of the year proceeding the year which will be subject to an audit, provided that selection of the audit firm for 2018 was made by 30 March 2018;
- Audit Committee is entrusted with conducting the selection procedures, in accordance with applicable regulations and Policy on appointing the Audit Firm to audit financial statements;
- selection of the audit firm conducting the statutory audit is performed upon providing the recommendation for selection by the Audit Committee to the Company's Supervisory Board. When selection does not relate to extension of an existing audit contract, the recommendation submitted by the Audit Committee should contain at least two candidates, along with reasoning and indication of justified preferred option;
- in case of statutory audit, the first audit contract should be executed for a period not shorter than 2 years, with an option to be extended by subsequent, at least 2-year period, considering obligations to rotate audit firm and key certified auditor resulting from generally applicable legislations;
- while selecting the audit firm, principle regarding change of audit firm should be taken into consideration, according to which the maximum duration of continuous engagements of statutory audits, carried out by the same audit firm or an audit firm associated with that audit firm or any member of the network operating in the Member State of the European Union of which the audit firms belong, may not exceed 5 years. In case of key certified auditor, the maximum period during which the key certified auditor can provide statutory audit services shall not be longer than 5 consecutive years. Key certified auditor may again perform the statutory audit of the Company's financial statement at least 3 years after the end of the last statutory audit;
- the following criteria are applied while selecting the audit firm to perform audit of the financial statements:
 - a) proposal submitted by audit firm does not qualify for rejection under Article 9 point 4 of the Policy on appointing the Audit Firm;
 - b) audit firm has the ability to provide required audit procedures in foreign subsidiaries of TOYA S.A. Capital Group;
 - c) audit firm has:
 - knowledge and international connections which can be utilized in proper execution of the audit;

- experience in auditing financial statements of companies listed on the stock exchange, within the meaning of Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies of 29 July 2005, preparing their financial statements in accordance with International Financial Reporting Standards;
- personnel resources consisting of, among others, individuals being members of international association of finance, accounting and management professionals – ACCA;
- adequate expert knowledge and knowledge of the industry in which the Company operates;
- d) audit firm provides the Company, the Supervisory Board and the Audit Committee current and direct access to the key certified auditor;
- e) audit firm uses common IT tools and has experience in auditing accounting records maintained in SAP system;
- f) audit firm has its head office, branch or offices in Wrocław;
- g) during the duration of the audit contract, audit firm enables the Company to perform assessment of significant matters subject to the audit;
- h) audit firm submits a proposal containing elements referred to in Article 12 point 4 of the Policy on appointing the Audit Firm;
- i) price, however price offered by audit firm is not a decisive factor;
- j) impartiality, objectivity, integrity and independence of the audit firm;
- in case any circumstances indicating possible influence of third parties on the auditor's selection procedure are detected or disclosed, an individual who is associated with these circumstances shall immediately refrain from performing any activities related to the auditor selection procedure and inform the Audit Committee;
- the Management Board signs the agreement with audit firm appointed by the Supervisory Board.

Main assumption of the Policy on providing non-audit allowed services by audit firm performing the audit or an audit firm associated with that audit firm or any member of the network operating in the Member State of the European Union of which the audit firms belong are as follows:

- the policy is developed by the Audit Committee and is addressed to all entities of TOYA S.A. Capital Group;
- a statutory auditor or an audit firm carrying out the statutory audit of TOYA S.A. entity or Group, or any member of the network to which the statutory auditor or the audit firm belongs, shall not directly or indirectly provide to the audited entity, to its controlled undertakings within the Group any prohibited non-audit services including:
 - a) tax services relating to:
 - preparation of tax forms;
 - payroll tax;
 - customs duties;
 - identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;
 - support regarding tax inspections by tax authorities unless support from the statutory auditor or the audit firm in respect of such inspections is required by law;
 - calculation of direct and indirect tax and deferred tax;
 - provision of tax advice;
 - b) services that involve playing any part in the management or decision-making of the audited entity;
 - c) bookkeeping and preparing accounting records and financial statements;
 - d) payroll services;
 - e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
 - f) valuation services, including valuations performed in connection with actuarial services or litigation support services;
 - g) legal services, with respect to:
 - the provision of general counsel;
 - negotiating on behalf of the audited entity; and
 - acting in an advocacy role in the resolution of litigation;
 - services related to the audited entity's internal audit function;

- h) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- i) human resources services, with respect to:
 - management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
 - structuring the organisation design; and
 - cost control.
- statutory auditors and the audit firms shall be allowed to provide certain tax and valuation services when such services are immaterial or have no direct effect, separately or in the aggregate, on the audited financial statements. Where such services involve aggressive tax planning, they should not be considered as immaterial. A statutory auditor or an audit firm should be able to provide non-audit services, in the scope not related to the tax policies of the Company and/or the TOYA S.A. Group, which are not prohibited under the existing laws and regulations and which include:
 - a) services performed in connection with the prospectuses issued by the audited entity, conducted in accordance with the national standard of related services and consisting in conducting the agreed procedures:
 - of conducting due diligence procedures with regard to economic-financial condition;
 - issuing letters certifying;
 - b) assurance services with regard to pro forma financial information, forecasts of results or estimated results, published in the prospectus issued by the audited entity;
 - c) examination of historical financial information to of the Prospectus mentioned in the Regulation of the Commission (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (EU Journals of Laws L of 2004, no. 149, page 1 – repealed) – currently Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published in connection with the public offering of securities or admission to trading on a regulated market and repealing Directive 2003/71/EC (i.e., EU Journal of Laws L of 2017, No. 168, p. 12) and Commission Delegated Regulation (EU) 2019/980 of 14 March 2019, supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council, regarding the format, content, verification and approval of the prospectus to be published in connection with the public offering of securities or their admission to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (i.e. EU Journals of Laws L of 2019, No. 166, p. 26);
 - d) verification of consolidation packages;
 - e) confirmation of fulfilment of conditions of the concluded loan contracts on the basis of the analysis of financial information coming from financial statements audited by a given audit firm;
 - f) assurance services in reporting concerning corporate governance, risk management and corporate social responsibility;
 - g) services consisting in assessment of compliance of information revealed by financial institutions and investment companies with the requirements with regard to disclosing information concerning capital adequacy and variable remuneration;
 - h) certification concerning reports or other financial information for supervision bodies, the supervisory board or other supervisory authority of the company, or owners, exceeding the scope of the statutory audit, to help these authorities to perform their statutory duties.
- services other than audit services are provided in accordance with the independence requirements specified for those services in professional ethics principles and standards of providing such services;
- entities providing non-audit services shall have a critical attitude and alertness towards conditions that may indicate a possible distortion or behaviours contrary to binding regulations in the area of provided services;
- when the statutory auditor or the audit firm provides to the audited entity, its parent undertaking or its controlled undertakings, for a period of three or more consecutive financial years, non-audit services other than those referred to in point 3 of this Policy, the total fees for such services shall be limited to no more than 70 % of the average of the fees paid in the last three consecutive financial years for the statutory audit(s) of the audited entity and, where applicable, of its parent undertaking, of its controlled undertakings and of the consolidated financial statements of TOYA S.A. Capital Group of undertakings;

- providing permitted non-audit services is allowed only subject to the approval of the Audit Committee by the mean of appropriate resolution. The Audit Committee may approve providing permitted non-audit services if there is a justified need to use such services by one of the Company's bodies, after it has properly assessed threats to independence and the safeguards applied in accordance with Articles 69-73 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

Due to the fact that selection of audit firm in 2022 did not concern the extension of the contract for the audit of the financial statements, but the recommendation of the "TOYA" S.A. Audit Committee regarding the establishment of an audit company auditing the financial statements of "TOYA" S.A. in the years 2020-2022, it met the applicable conditions and was prepared following the selection procedure organized by the Company that met the applicable criteria, consisting of:

- inviting any audit firms to submit proposals for the provision of the statutory audit service on the condition that Article 17(3) of the Regulation (EU) no 537/2014 of the European Parliament and of the Council of 16 April 2016 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC;
- organization of the tender process does not in any way preclude the participation in the selection procedure of firms which received less than 15 % of the total audit fees from public-interest entities in the Member State concerned in the previous calendar year, included in the list of the audit firms, referred to in Article 91 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight;
- the audited entity shall prepare tender documents for the attention of the invited audit firms. Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;
- the audited entity shall be free to determine the selection procedure and may conduct direct negotiations with interested tenderers in the course of the procedure;
- the audited entity shall evaluate the proposals made by the audit firms in accordance with the selection criteria predefined in the tender documents
- the Company shall prepare a report on the conclusions of the selection procedure, which shall be approved by the resolution of the Audit Committee;
- the Company and the Audit Committee shall take into consideration any findings or conclusions of annual report, referred to in article 90 point 5 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight;
- At the request of the Financial Supervision Authority (KNF), the Company shall prove that the selection procedure was conducted in accordance with the requirements referred to in Article 130 points 2 and 3 of the Act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight.

During 2022, the Audit Committee held three meetings.

Management Board of Toya S.A.

Date	Name and surname	Position	Signature
23.03.2023	Grzegorz Pinkosz	President of the Management Board	
23.03.2023	Maciej Lubnauer	Vice-President of the Management Board	
23.03.2023	Robert Borys	Vice-President of the Management Board	