DIRECTORS' REPORT
ON THE OPERATIONS OF
TOYA S.A.
FOR 2011

Table of contents

1. DESCRIPTION OF THE COMPANY

1.1 Toya S.A. – general profile

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 seat in Wrocław at ul. Sołtysowicka 13/15.

TOYA S.A. was formed on the basis of a Notarial Deed drawn up on 17 November 1999 by Notary Public Jolanta Ołpińska in the Notarial Office in Wrocław (Rep. A No. 5945/99). 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, VI Commercial Division, under entry No. RHB 9053. By virtue of a decision of 4 December 2001, the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, resolved to enter the Company in the Register of Entrepreneurs under entry No. 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 seat in Wrocław, which began to operate in August 1990. The partners, given the scale of the business and its rapid development, resolved 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 seat, in Nadarzyn. Until 10 August 2011, Toya S.A. still owned a branch in Kryniczno, which was deleted from the National Court Register on that day.

The branch in Kryniczno was established on 7 November 2007 in order to conduct golfing and developer operations. The branch was provided with assets, liabilities and receivables associated with these operations. In connection with the plans to introduce the shares of Toya S.A. to public trading, shareholders of Toya S.A. established the company Toya Development Sp. z o.o. S.K.A. in order to separate the developer and golfing operations. On 30 September 2010, an agreement was concluded on handing over the organised part of the enterprise (the Kryniczno Branch) for management against payment. On 6 April 2011, the assets and liabilities of the Kryniczno Branch were transferred as a contribution in kind to Toya Development Sp. z o.o. S.K.A.
Detailed information regarding changes in the structure of the Group resulting from separation of the golfing and developer operations is presented in item 2.

The core business activities of TOYA S.A. are importing and distributing 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 (Czech Republic, Moldova, Germany, Hungary, Romania, the Balkan States, Lithuania, Russia, Ukraine and Belarus).

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

1.2 The Management Board and the Supervisory Board

During 2011, the Management Board consisted of the following members:

- Grzegorz Pinkosz	President of the Management Board
- Dariusz Hajek	Vice-President of the Management Board
- Tomasz Suchowierski	Vice-President of the Management Board until 30 November 2011

On 29 November 2011, Tomasz Suchowierski resigned from the post of Vice-President of the Management Board of TOYA S.A., effective as of 30 November 2011. As at 31 December 2011 and the date of submission of the annual report, the Management Board consists of:

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

As at 31 December 2011 the date of submission of the annual report, the Supervisory Board of the Company consists of:

- Piotr Mondalski	- President of the Supervisory Board – since 14 February 2011
- Jan Szmidt	- Vice-President of the Supervisory Board – since 14 February 2011 (Member of the Supervisory Board since 13 January 2011)
- Tomasz Koprowski	– Member of the Supervisory Board – since 14 February 2011
- Romuald Szałagan	– Member of the Supervisory Board – since 14 February 2011
- Piotr Wojciechowski	– Member of the Supervisory Board – since 13 January 2011.
- Dariusz Górka	– Member of the Supervisory Board – since 14 February 2011
- Grzegorz Maciąg	– Member of the Supervisory Board – since 14 February 2011

The following changes in the composition of the Supervisory Board took place during 2011:

- Beata Szałagan	– President of the Supervisory Board until 14 February 2011
- Wioletta Koprowska	– Member of the Supervisory Board until 14 February 2011
- Elżbieta Wojciechowska	– Member of the Supervisory Board until 14 February 2011

1.3 Share capital

As at 31 December 2011, the share capital of the Company amounted to PLN 7,484 thousand and comprised 74,836,800 shares with a par value of PLN 0.1 each.

In 2011, the share capital of the Company was increased by PLN 926.3 thousand through the issue of 9,263,000 Series C shares.

On 8 February 2011, the Extraordinary General Shareholders Meeting adopted a resolution to increase the share capital through the issue of Series C shares in a public offering with disapplication of the existing shareholders' pre-emptive rights. The Company's share capital was to be increased from the amount of PLN 6,557 thousand to no more than PLN 9,368 thousand through the issue of up to 28,103,060 Series C ordinary bearer shares with a par value of PLN 0.10 each.

On 8 February 2011, the Extraordinary General Shareholders Meeting adopted a resolution on a conditional share capital increase through the issue of Series D shares. The Company's share capital was conditionally increased by an amount of up to PLN 224 thousand, through the issue of 2,243,430 Series D ordinary bearer shares with a par value of PLN 0.10 each. The conditional increase in share capital of the Company is effected with a view to granting rights to acquire Series D shares to the holders of Series A subscription warrants (see item 1.5.3 for further information on the scheme). The right to acquire Series D shares expires on 31 December 2015.

On 14 February 2011, the Extraordinary General Shareholders Meeting adopted a resolution authorising the Management Board to increase the Company's share capital through the issue of new shares with a total par value of no more than PLN 162 thousand, as part of three share capital increases within the above limit (authorised share capital), to provide for the implementation of a resolution of the Extraordinary General Shareholders Meeting concerning remuneration of the Supervisory Board members (the scheme is described in item 1.5.3). The issue price will be equal to the par value of the shares.

Based on the resolution of Extraordinary General Shareholders Meeting dated 8 February 2011, the Board conducted a public offer, as a result of which 9,263,000 shares have been allocated to individual and institutional investors, at the issue price of PLN 2.8 per share.

In the course of the public share issue, on 4 August 2011, the Board of the National Depository for Securities, based on resolution No. 737/11, decided to register on 8 August 2011 in the National Depository for Securities 9,263,000 rights to ordinary series C shares of TOYA S.A. with a par value of PLN 0.10 per share.

On 11 August 2011, the Board of the Warsaw Stock Exchange, based on resolution No. 1060/2011, decided to introduce by way of an ordinary procedure to exchange trading on the parallel market 9,263,000 rights to Series C ordinary bearer shares of the parent entity.

On 12 August 2011, the first quotation of the rights to shares took place on the Warsaw Stock Exchange.

On 19 August 2011, the increase of the share capital by PLN 926,300 was registered.

Information about changes in the share capital after the balance sheet date can be found in item 20.1.

1.4 Own shares

In 2011, the Company did not acquire its own shares.

1.5 Shareholders

The Company's shareholders as at the date of submission of the annual report:

Name	Status	Series of shares	Number of shares	Type of shares	Par value of the shares (PLN)	Stake (%)
Jan Szmidt	natural person	A	28,170,647	ordinary, bearer	2,817,065	37.6%
Tomasz Koprowski	natural person	A	14,644,030	ordinary, bearer	1,464,403	19.6%
Romuald Szałagan	natural person	A	10,938,874	ordinary, bearer	1,093,887	14.6%
Piotr Wojciechowski	natural person	B	5,057,728	ordinary, bearer	505,773	6.8%
Generali OFE	legal person	C	4,800,000	ordinary, bearer	480,000	6.4%
Other - share below 5%	not applicable	C	11,225,521	ordinary, bearer	1,122,552	15.0%
TOTAL:			**74,836,800**		**7,483,680**	**100%**

<u>Shareholders with at least 5% of the total number of votes,</u>
According to the information available to Toya S.A., shareholders holding directly or indirectly at least 5% of the total number of votes are:

	Number of shares	Share (%)	Number of votes	Share (%)
Jan Szmidt	28,170,647	37.6%	28,170,647	37.6%
Tomasz Koprowski	14,644,030	19.6%	14,644,030	19.6%
Romuald Szałagan	10,938,874	14.6%	10,938,874	14.6%
Piotr Wojciechowski	5,057,728	6.8%	5,057,728	6.8%
Generali OFE	4,800,000	6.4%	4,800,000	6.4%

Since the submission of the last quarterly report, Toya S.A. has not received notification from the shareholders about any changes in the ownership structure of significant blocks of shares.

1.6 Shares held by managers and supervisors

1.6.1 Shares held by members of the Management Board

As at 31 December 2011 and the day of submission of the annual report, members of the Management Board do not hold any shares in the Company. The General Meeting adopted a resolution on the introduction of an Incentive Scheme, as described in item 1.6.3, under which members of the Management Board may be granted subscription warrants carrying the right to subscribe for shares in the Company. As at the publication date of this annual report, members of the Management Board had not taken up any shares under the Scheme.

1.6.2 Shares held by members of the 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	28,170,647	2,817,065	28,170,647	37.6%
Tomasz Koprowski	14,644,030	1,464,403	14,644,030	19.6%
Romuald Szałagan	10,938,874	1,093,887	10,938,874	14.6%
Piotr Wojciechowski	5,057,728	505,773	5,057,728	6.8%
Piotr Mondalski	1,000	100	1,000	-
TOAL	**58,812,279**	**5,881,228**	**58,812,279**	**78.6%**

1.6.3 Share option scheme for the Supervisory Board

By virtue of Resolution No. 10, the Annual General Shareholders Meeting of 23 May 2011 approved the rules of remuneration of the Supervisory Board members. In accordance with the approved scheme, three members of the Supervisory Board appointed by the Shareholders' Meeting on 14 February 2011 are entitled to remuneration in the form of shares in the Group's parent entity for serving as members of the Supervisory Board during a three-year term (2011–2013). According to the Articles of Association of Toya S.A., the term of office of the Supervisory Board lasts three years from the date of appointment and expires no later than on the day of the General Meeting which approves the financial statements for the last full financial year of the term of office.

Pursuant to the approved scheme:

a) Three members of the Supervisory Board (Piotr Mondalski, Dariusz Górka and Grzegorz Maciąg) will receive remuneration in the form of a right to acquire the Company shares in an aggregate number equal to 0.75% of all the Company shares registered on the date when the offer to acquire the shares is made, of which Piotr Mondalski will have the right to acquire 0.35% of such shares, whereas Dariusz Górka and Grzegorz Maciąg will each have the right to acquire 0.2% of the shares. In total, 561,277 such rights were granted. The shares will be acquired in three tranches: the first tranche between 1 December 2011 and 30 April 2012, the second between 1 December 2012 and 30 April 2013, and the third between 1 December 2013 and 30 April 2014. In the event the offered shares are not acquired by the eligible persons as stated above, they will be offered to them in next tranches. The entitled members of the Supervisory Board may indicate another entity to acquire the shares.

b) The remaining four members of the Supervisory Board (the existing shareholders) will not be entitled to any remuneration for serving as members of the Supervisory Board.

c) The Management Board will offer the shares to the Supervisory Board members at their par value (i.e. PLN 0.1).

d) Each of the Supervisory Board members may decide to collect his remuneration in cash, up to the maximum amount of PLN 7 thousand a month. If a Supervisory Board member decides to collect a portion of his remuneration in cash, the number of shares to be offered to him by the Management Board will be reduced accordingly.

Detailed information on the measurement and recognition in the financial statements is presented in item 16.1 of the financial statements.

Information about resolutions adopted after the balance sheet date, connected with the offering of the first tranche of shares to the authorised members of the Supervisory Board is provided in item 20.1.

1.6.4 Information on the system of control of the employee stock option scheme

A management incentive scheme has been introduced at the Company to create incentive mechanisms to ensure long-term growth of the Company's value and a steady increase of net profit, as well as stabilisation of the management staff. Based on Resolution No. 2 of the Extraordinary General Shareholders Meeting of 8 February 2011, approving the rules of the incentive scheme for the Company's management staff and key employees, the Company launched an incentive scheme which will be implemented over four consecutive financial years: 2011–2014. On 8 November 2011, the Supervisory Board approved detailed terms of the Incentive Scheme together with its Rules, the list of Eligible Persons and the number of Options available for each person. The total number of shares issued as part of the incentive scheme would not be higher than 2,243,430. The eligible persons would have the right to acquire no more than: 18% of shares for 2011, 25% of shares for 2012, 27% of shares for 2013, and 30% of shares for 2014.

According to the Supervisory Board Resolution dated 8 November 2011, as at 31 December 2011 there are 20 eligible persons that could be granted a total of 1.049.740 share options.

Detailed information on the terms under which the options are granted is presented in item 16.2 of the financial statements.

As at 31 December 2011 and by the date of publication of this report, no share options have been granted under the scheme. In accordance with the agreed schedule, the allocation of the first tranche to the participants of the scheme will take place by 30 June 2012.

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

Apart from the share option scheme for the Supervisory Board and the Management Board members, the Company has no knowledge of any other agreements that may lead to 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 supervisors

Remuneration of the Management Board:

Full name	Position	2011 Gross remuneration (PLN '000)	2011 Cost of awarded share options (PLN '000)	2010 Gross remuneration (PLN '000)	2010 Cost of awarded share options (PLN '000)
Grzegorz Pinkosz	President of the Management Board	417	32	373	-
Dariusz Hajek	Vice-President of the Management Board	417	32	385	-
Tomasz Suchowierski	Vice-President of the Management Board	436		384	-

Remuneration of the Supervisory Board

Full name	Position	2011 Cost of awarded share options (PLN '000)	2011 Dividend paid from the profit for 2010
Piotr Mondalski	President of the Supervisory Board	486	
Jan Szmidt	Vice-President of the Supervisory Board		4,446
Tomasz Koprowski	Member of the Supervisory Board		2,311
Romuald Szałagan	Member of the Supervisory Board		1,727
Piotr Wojciechowski	Member of the Supervisory Board		798
Dariusz Górka	Member of the Supervisory Board	277	
Grzegorz Maciąg	Member of the Supervisory Board	277	

In 2010, members of the Supervisory Board did not receive any remuneration, rewards or other benefits.

The cost of awarded share options, reflected in the tables above, relates to the cost recognised in the financial result for 2011, resulting from the valuation of the share option scheme for the members of the Supervisory Board (for details see item 1.6.3) and the Management Board (for details see item 1.6.4). As at the date of publication of this report, the options have not been exercised by the members of the Management Board. Information on the exercise of options by the members of the Supervisory Board after the balance sheet date and before the publication of this report is included in Section 20.2.

At at 31.12.2011, 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 without a valid reason or if his/her dismissal results from a merger of the Company by way of acquisition.

1.9 Changes in the methods of managing the company

There were no significant changes in the methods of managing the Company in 2011.

2. THE MOST SIGNIFICANT EVENTS OF 2011

Separation of golfing and developer business

On 31 August 2010, TOYA S.A. joined the newly established limited joint-stock partnership Toya Development Sp. z o.o. S.K.A. as a general partner. Toya Development Sp. z o.o. S.K.A. and TOYA S.A. are jointly controlled by the same shareholders. TOYA S.A. joined the partnership as part of the plan to separate the property development and golfing business conducted by the Kryniczno Branch of TOYA S.A. from the trading activities of TOYA S.A. The intention of TOYA S.A.'s owners was to transfer the benefits and risks associated with the operations of the Kryniczno Branch of TOYA S.A. onto the newly established Toya Development Sp. z o.o. S.K.A.

In 2011, the golfing and developer business was finally separated. In accordance with the adopted resolutions and the agreement signed on 6 April 2011, the assets and liabilities of the Kryniczno Branch were transferred as a contribution in kind to Toya Development Sp. z o.o. S.K.A with dispositive effect. The book value of net assets of the Kryniczno Branch as at 5 April 2011 has been disclosed in Note No. 35 to the financial statements.

On 4 May 2011, the Extraordinary General Shareholders' Meeting of Toya Development Sp. z o.o. S.K.A. adopted a resolution to approve Toya S.A.'s withdrawal as a general partner from Toya Development Sp. z o.o. S.K.A. The date of withdrawal was set for 4 May 2011. The compensation due to Toya S.A. for its withdrawal was agreed at PLN 2,250 thousand, payable in 18 monthly instalments starting from May 2011. On 16 May 2011, the changes connected with Toya S.A.'s withdrawal from Toya Development SKA were registered in the National Court Register.

Public issue of Series C shares

In 2011, a public issue of Series C shares was carried out, as described in item 1.3 of this report. The share capital was increased by the amount of PLN 926.4 thousand through the issue of 9,263,000 shares at an issue price of PLN 2.8 per share. Total proceeds from the issue of shares amounted to PLN 25,936,400, while the costs of issue incurred by the Company amounted to PLN 2,103,254.37.

As at the date of publication date of this report, the funds received from the issue had been used in the following manner:

1. Working capital – increasing the scale of business activities by stepwise extension of the product range – PLN 7.6 million
2. Development of the traditional distribution channel in Poland – strengthening of the retail distribution channel by developing the YATO chain of authorised retail stores – PLN 240 thousand.
3. Development of a modern on-line sales channel and development of IT sales support systems – PLN 420 thousand.
4. Development of CRP – a "Product Development Centre" – PLN 190 thousand.

3. ORGANISATIONAL AND EQUITY LINKS WITH OTHER ENTITIES

3.1 Equity links

As at the date of publication of the report on operations, the Company is related in terms of equity to the following entities:

Entity name	Seat	Business profile	Type of equity link	% of shares and votes held	Link establishment date	Method of consolidation / recognition as at the end of the reporting period
Toya S.A.	Wrocław, Poland	Distribution of tools and power tools, developer operations, servicing of golf fields	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
Toya Golf & Country Club Sp. z o.o.(*)	Wrocław, Poland	Leisure, sports, real estate trading – the company is dormant	Subsidiary	100.00	November 2008	Full consolidation method
Yato China Trading Co., Ltd (**)	Shanghai, China	Distribution of tools and power tools	Co-subsidiary	51.00	June 2008	Equity method

(*) In November 2008, the Company established Toya Golf & Country Club Sp. z o.o., acquiring 1,000 shares with a par value of PLN 50 per share in the new entity. All the shares were paid up with a cash contribution. By virtue of a resolution adopted by the shareholders on 21 January 2011, Toya Golf & Country Club Sp. z o.o. was put in liquidation.

(**) In June 2008, the Company and Saame Tools (Shanghai) Import & Export Co., Ltd China established a joint venture under the name Yato China Trading Co., Ltd. The Company acquired a 51% stake in the share capital, the remaining 49% was acquired by Saame Tools (Shanghai) Import & Export Co., Ltd China. All the shares were paid up with a cash contribution. Although the Company holds 51% of the shares and total vote in Yato China Trading Co., Ltd., it does not control the entity – in accordance with the articles of association of the joint venture, material operational and financial decisions must be made unanimously by the partners.

The following changes took place during the year:

- On 6 April 2011, the assets and liabilities of the Kryniczno Branch were transferred as an in-kind contribution to Toya Development Sp. z o.o. S.K.A. and on this date, they were removed from the books of Toya S.A. The transaction also included transfer of shares of Armada Development Sp. z o.o. that were acquired by Toya S.A. in December 2008. (1,000,000 shares with a par value of PLN 6 per share, constituting a 50% stake in the share capital). Up until 6 April 2011, the shares of Armada Development S.A. had been appraised in the consolidated financial statements using the equity method and as at 31 December 2010, they had been classified as "Assets for distribution". On 6 April 2011, shares in Armada Development S.A. were transferred to Toya Development Sp. z o.o. S.K.A.
- On 4 May 2011, the Extraordinary General Shareholders' Meeting of Toya Development Sp. z o.o. S.K.A. adopted a resolution to approve Toya S.A.'s withdrawal as a general partner from Toya Development Sp. z o.o. S.K.A. The date of withdrawal was set for 4 May 2011. The compensation due to Toya S.A. for its withdrawal was agreed at PLN 2,250 thousand, payable in 18 monthly instalments starting from May 2011. On 16 May 2011, the changes connected with Toya S.A.'s withdrawal from Toya Development S.K.A. were registered in the National Court Register.

3.2 Personal links

As at the date of publication of the report on operations, the Company has personal links with the following entities:

- Toya Development Sp. z o.o. S.K.A. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Toya Development Sp. z o.o. S.K. in liquidation – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Toya Development Sp. z o.o. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Golf Telecom Sp. z o.o. SKA – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Scubatech Sp. z o.o. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Jesionowa 40 Sp. z o.o. – entity related through a shareholder,
- Maal-Bis SP. z o.o. – entity related through a shareholder,
- Marina-Maal Sp. z o.o. – entity related through a shareholder,
- TM EBERHARD Sp. z o.o. – entity related through a shareholder,
- Talos Sp. z o.o. – entity related through a shareholder.

4. MAJOR R&D ACHIEVEMENTS

In accordance with the objectives of share issue set forth in the prospectus, the Company plans to develop a Product Development Centre. In August, TOYA S.A. purchased software to prepare new product designs – Creo 1.0., a module of the Product Development System. The Wrocław University of Technology issued an opinion on innovativeness for this software.

The Creo technology is by far the most effective method to combine parametric modeling with direct modeling resulting in a versatile working environment for industrial engineers and designers. The system enables its users to create virtual models and prototypes which are then delivered to the final provider who prepares the injection mould.

The Company prepares product designs which are going to be outsourced for production to subcontractors ensuring high quality, using the main functionality of the system, including

- surface modelling – basic surfacing tools & Interactive Surface Design Extension (ISDX) and
- Top Down Design – the Advanced Assembly Extension (AAX).

5. FACTORS AND EVENTS AFFECTING FINANCIAL RESULTS

5.1 Basic economic and financial values; factors and events affecting the Company's operations in 2011.

Revenues and profitability of TOYA S.A. – continuing operations and discontinued operations (PLN '000).

	For 12 months ended 31 December	
	2011	**2010**
Continuing operations		
Sales revenues	202,352	185,301
Gross profit from sales	66,085	57,623
Profit from operating activity	33,840	28,627
Pre-tax profit	29,911	25,241
Net proft from continuing operations	24,012	20,961
Discontinued operations		
Net profit/(loss) from discontinued operations	497	-2,396

In 2011, sales revenues from continuing operations amounted to PLN 202,352 thousand and exceeded the level of revenues achieved in 2010 by PLN 17,051 thousand, i.e. by 9.2%. An increase in gross profit on sales by PLN 8,462 thousand in 2011 as compared to 2010 resulted from increased sales, lower costs associated with the purchase of goods and an increase in the gross margin on goods sold by 1.6 percentage points.

A significant increase in gross profit made it possible in 2011 to achieve an operating profit of PLN 33,840 thousand, which exceeded that achieved in 2010 by 18.2%.

In order to raise the necessary working capital, the Company uses mainly short-term bank loans and borrowings. Given the significant impact of financial costs associated with these loans and borrowings 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, an increase in the level of inventories as well as trade and other receivables
in 2011 as compared to the end of the previous year resulted in higher borrowing needs of the Company and triggered higher financial costs than in 2010.

In 2011, the net profit from continuing operations increased by PLN 3,051 thousand, i.e. by 14,6% as compared to 2010, and reached the level of PLN 24,012 thousand.

Profit margins for continuing operations of TOYA S.A.

	For the period ended 31 December	
	2011	**2010**
Sales profit margin	32.7%	31.1%
Operating profit margin	16.7%	15.4%
Pre-tax profit margin	14.8%	13.6%
Net profit margin	11.9%	11.3%

Key:

Sales profit margin – the ratio of gross profit to sales revenues

Operating profit margin – the ratio of operating profit to sales revenues

Pre-tax profit margin – the ratio of pre-tax profit to sales revenues

Net profit margin – the ratio of net profit from continuing operations to sales revenues

For TOYA S.A., the sales profit margin is the key indicator of the Company's market competitiveness and has a decisive impact on its financial position. Analysis of this ratio for 2011 shows that the return on sales in this period increased by 1.6 percentage points as compared to 2010, generating PLN 3,238 thousand of additional gross profit over the analysed period.

Profit margins at the level of the operating profit, pre-tax profit and net profit from continuing operations show a clear upward trend in 2011 as compared to the previous year. This is mainly connected with the continued growth in sales and the continued optimisation of the operating and financial expenses.

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

	For 12 months ended 31 December	
	2011	**2010**
Continued operations		
Cash flows from operating activities	5,759	6,331
Cash flows from investment activities	-2,347	-1,587
Cash flows from financial activities	-2,858	11,593
Net change in cash balanace – continuing operations	**554**	**16,337**
Cash and cash equivalents as at the beginning of the period	1,598	1,358
Cash and cash equivalents as at the end of the period	1,820	1,598

In 2011, TOYA S.A. recorded positive cash flows from operating activities, amounting to PLN 5.8 million, despite the fact that in order to increase the scale of orders and purchases made by customers as well as to adapt to their needs and to ensure the availability of goods, the Company increased its inventories by PLN 23 million and raised the level of trade and other receivables by PLN 4.1 million.

In 2011, the Company did not undertake any significant investment activities in the area of continuing operations. Cash outflows during that period were mainly connected with the renovation of warehouse buildings and the purchase of computer software.

In 2011, the Company generated negative cash flows from financial activity, primarily due to the reduction of its credit exposure and the payment of dividends in the amount of PLN 9.3 million. TOYA S.A. decreased the level of loans and borrowings by PLN 13.7 million within the existing limits set by financing banks. In 2011, the Company obtained proceeds from issue of shares in the amount of PLN 25.9 million. These proceeds allowed for financing the increase in inventory levels, which in turn resulted from a growing number of orders from customers and implementation of the share issue objectives.

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

Liquidity ratios for continuing operations

	31.12.2011	**31.12.2010**
Current ratio	1.86	1.43
Quick ratio	0.58	0.50

Key:

Current ratio – the ratio of current assets to short-term liabilities (excluding "Liabilities directly associated with the Disposal Group classified as held for distribution" – the liabilities of the Separated Branch of TOYA S.A. in Kryniczno)

Quick ratio – the ratio of current assets less inventories to short-term liabilities (excluding "Liabilities directly associated with the disposal Group classified as held for distribution")

The value of the current ratio increased to 1.86 as at 31 December 2011 in relation to 1.43 as at 31 December 2010. A higher level of the current ratio indicates a lower growth rate of liabilities in relation to the growth rate of the working capital.
The value of the quick ratio increased to 0.58 as at 31 December 2011 in relation to 0.5 as at 31 December 2010. It is notable that this ratio remains at a very safe level.

5.2 The structure of assets and liabilities

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

	31.12.2011	31.12.2010*
Fixed assets	20,250	19,839
Intangible assets	621	342
Tangible fixed assets	15,574	15,169
Investments in jointly controlled entities appraised using the equity method	3,243	3,243
Current assets	137,590	109,936
Inventories	94,354	71,317
Trade and other receivables	41,416	37,331

* Excluding the "Disposal Group classified as held for distribution" (assets of the Separated Branch of TOYA S.A.)

% asset structure of TOYA S.A.

	31.12.2011	31.12.2010*
Fixed assets / Assets	13%	15%
Intangible assets / Assets	0%	0%
Tangible fixed assets / Assets	10%	12%
Investments in jointly controlled entities appraised using the equity method / Assets	2%	2%
Current assets / Assets	87%	85%
Inventories / Assets	60%	55%
Trade and other receivables / Assets	26%	29%

* Excluding the "Disposal Group classified as held for distribution"

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

	31.12.2011	31.12.2010*
Equity due to the shareholders of the Parent Company	83,555	82,751
Trade and other payables	23,114	25,194
Short-term payables	74,024	77,002
Long-term payables	261	11,638

* Excluding "Liabilities directly associated with the Disposal Group classified as held for distribution"

% liability structure of TOYA S.A.

	31.12.2011	31.12.2010*
Equity due to the shareholders of the Parent Company / Liabilities	53%	48%
Short-term payables / Liabilities	47%	45%
Long-term payables / Liabilities	0%	7%
Short-term payables / Payables	100%	87%
Long-term payables / Payables	0%	13%

* excluding "Liabilities directly associated with the Disposal Group classified as held for distribution" (liabilities of the Separated Branch of TOYA S.A.)

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

	For 12 months ended	
	2011	2010
Return on assets ratio (ROA)	15%	16%
Return on equity ratio (ROE)	29%	25%
Return on current assets ratio	17%	19%

Key:

Return on assets ratio (ROA) – the ratio of net profit from continuing operations to total assets as at the end of the period, excluding the "Disposal Group classified as held for distribution"

Return on equity ratio (ROE) – the ratio of net profit from continuing operations to equity as at the end of the period

Return on current assets ratio – the ratio of net profit from continuing operations to current assets as at the end of the period, excluding the "Disposal Group classified as held for distribution"

As at 31 December 2011, the tangible fixed assets of TOYA S.A. constitute 10% of total assets used in continuing operations. Tangible fixed assets comprise primarily land, buildings and structures necessary for TOYA S.A.'s commercial activities. There were no material changes in their structure during the analysed period.

As at 31 December 2011, investments in subsidiaries and jointly controlled entities, appraised using the equity method, include shares in Toya Romania S.A. totalling PLN 1,885 thousand, in Yato China Trading totalling PLN 1,307 thousand and in Toya Golf & Country Sp z o.o. (in liquidation) totalling PLN 51 thousand.

The structure of current assets used in continuing operations of TOYA S.A., which as at 31 December 2011 constitute 87% of total assets, includes primarily inventories and trade and other receivables, which is characteristic of the business activity conducted by TOYA S.A. Both these items constitute in total 99% of current assets involved in continuing operations as at 31 December 2011 and as at 31 December 2010.

TOYA S.A. conducts efficient warehouse management by adjusting stock levels to the customers' demand. In 2011, the Company increased its inventories by 32,3% as compared to the end of 2010, in order to ensure coverage of the continuously growing number of customer orders.

Equity structure and debt ratios of TOYA S.A.

	31.12.2011	31.12.2010*
Total debt ratio	47%	52%
Equity debt ratio	89%	107%
Long-term debt ratio	0%	7%
Short-term debt ratio	47%	45%
The ratio of coverage of fixed assets with equity and long-term liabilities	414%	476%

* excluding "Liabilities directly associated with the Disposal Group classified as held for distribution"

Key:

Total debt ratio – the ratio of long- and short-term liabilities to total liabilities (excluding "Liabilities directly associated with the Disposal Group classified as held for distribution")

Equity debt ratio – the ratio of long- and short-term liabilities (excluding "Liabilities directly associated with the Disposal Group classified as held for distribution") to equity

Long-term debt ratio – the ratio of long-term liabilities to total liabilities (excluding "Liabilities directly associated with the Disposal Group classified as held for distribution")

Short-term debt ratio – the ratio of short-term liabilities to total liabilities (excluding "Liabilities directly associated with the Disposal Group classified as held for distribution")

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

As at 31 December 2011, the main item in the equity of TOYA S.A. was retained earnings totalling PLN 51,989 thousand. As at 31 December 2011, the share capital of TOYA S.A. increased as compared to 31 December 2010 by PLN 926.3 thousand through a public issue of 9,263,000 Series C shares, and amounted to PLN 7,484 thousand.
Based on resolution of Extraordinary General Shareholders' Meeting dated 8 February 2011, the Board conducted a public offer. As a result, 9 263 000 shares were allocated and sold to individual and institutional investors, at the issue price of PLN 2.8 per share. The surplus of the issue price over the par value was reduced by the transaction costs and recognised under the item Supplementary capital from surplus of issue price over the par value in the amount of PLN 22,907 thousand.

The main sources of financing for the continuing operations, in particular for current assets, include the Company's equity and short-term financing – mainly bank loans. As at 31 December 2011, TOYA S.A. financed 53% of its operations from equity. As at this date, the Company's short-term liabilities due to loans, borrowings and other debt instruments amounted to PLN 46,692 thousand. The long-term debt ratio in continuing operations as at 31 December 2011 amounts to 0%.

TOYA S.A. management effectiveness ratios

	For 12 months ended 31 December	
	2011	2010*
Inventories turnover period (days)	168	139
Receivables inflow period (days)	74	73
Liabilities repayment period (days)	41	49

* excluding the "Disposal group classified as held for distribution" (assets of the Separated Branch of TOYA S.A.) and liabilities directly associated with the Disposal Group classified as held for distribution (liabilities of the Separated Branch of TOYA S.A.); applicable to continuing operations

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 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 2011, 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. Such a situation implies a higher demand for the working capital, which is typical of the sector in which TOYA S.A. conducts its commercial activities. The inventories turnover period increased in 2011 as compared to 2010, primarily due to a stepwise expansion of the product range in response to dynamic increase in demand for products offered by the Company, which was one of the share issue objectives. Importantly, 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 fourth quarter of the year is usually characterised by a lower level of sales and net profit as compared to previous quarters (in Q4 2011, sales revenue amounted to PLN 45,405 thousand, which accounted for 22.4% of the annual sales revenue, while the net profit during this quarter amounted to PLN 4,990 thousand, making up 20.8% of the net profit on continuing operations for 2011). The main reasons for seasonality in sales are weather factors (lower demand for the Company's goods in winter), lower likelihood for customers to stock up on the goods (tendency for companies to maintain low warehouse stocks at the end of the year due to the obligatory inventory counts) as well as lower activity in sectors using hand and power tools. TOYA S.A. counters seasonality mainly by expanding its product range. The seasonality of the Company's revenues also impacts the 3rd quarter, which has been the highest revenue for the last two years. In 2011, revenues in the 3rd quarter amounted to PLN 53,889 thousand and constituted 26.6% of the annual sales revenue.

5.3 External and internal factors crucial for the Company's development; the Company's development perspectives in 2012, taking into account the components of its market strategy

Macroeconomic situation

The Company's economic standing is connected with the macroeconomic situation in Europe and GDP growth rate, which has a considerable impact on demand for goods sold by the Company. As Polish economy is strictly interconnected with the global economy, the global economic situation can also impact the economic situation in Poland and the volume of purchases made by domestic customers. Additional factors, such as the government's economic policy, decisions made by the National Bank of Poland and the Monetary Policy Council which affect money supply, interest rates and currency exchange rates, the tax system, inflation and unemployment rate, can also affect, in the Company's opinion, internal demand and the Company's development.

Competition

The Polish market for distribution of industrial goods, which is the Company's field of operation, is relatively highly dispersed in spite of the presence of three market leaders. Entities currently competing with the Company can take additional steps to intensify their development through an aggressive pricing policy aimed at the current, target or potential customers of the Company. Such actions may impede and slow down the increase in market share. Intense activity of the competition can also have a negative effect on the Company's financial standing and financial results. TOYA S.A. is monitoring the market in which it operates and takes measures in order to maintain a competitive advantage.

Changes in FX markets

The Company's strict link with foreign suppliers and settlements made primarily in USD make its financial results sensitive to changes in FX rates. The Company has a policy of fixed prices, updated only periodically to reflect developments in the market. However, in order to maintain fixed prices for products sold on the Polish market, the company may decrease the sales margin, which may have a negative effect on financial results.

A part of the Company's sales revenues comes from export activity based on prices set in foreign currencies – USD and EUR – which to some extent protects the Company from adverse movements in exchange rates. However, due to the fact that the main currency used in trade with foreign customers is EUR, it is possible that in the future, FX fluctuations may still have negative impact on the Company's financial performance. To minimise this risk, the Company concluded framework agreements with banks; however, the company did not not carry out any transactions in derivatives in 2011

Interest rate movements
The Company makes considerable use of external capital funding. An increase in interest rates could have a negative influence on the servicing costs of financing and could impair the Company's profitability, since Toya S.A. has entered into loan agreements with variable interest rates in PLN.

In order to minimise this risk, the Company runs simulations of various scenarios in order to select optimal sources of financing, taking into consideration refinancing, roll-over of the existing positions and alternative financing.

Interpretation and application of legal regulations
Changes in legislation and diverse interpretations of the law impede the Company's operations. Possible changes in legislation, in particular in tax, customs, labour and social insurance law, may have negative consequences for the Company's activity. Frequent changes in the interpretation of the tax law and lack of uniform practices of national fiscal authorities and courts in the application of tax legislation, including the areas of transactions and restructuring processes, are particularly burdensome. Such transactions involve the risk of third-party claims and proceedings of various state authorities. Moreover, because of their complexity and inconsistent taxation practices, they 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 the Toya S.A. participated, may have adverse impact on the Company and its 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.

The Company's development prospects for 2012

The Company intends to undertake a series of development activities in 2012. The key activities will be taken using funds raised through the public offering which took place in mid-2011. Share issue objectives should be met in the following areas:

- Increasing the scale of business activities by stepwise extension of the product range. The Company remains an industry leader in terms of introducing new items to its product range. It is estimated that several hundred new products are introduced each year. The objective is to expand the customer base and to better tailor the offer to customer expectations and habits as well as to technological changes in the market. This policy of development has been pursued successfully for several years;
- Acquisitions - in addition to organic growth, the company is interested in equity investments, which should lead to an extension of the Toya S.A. Capital Group. The goal of growth through acquisition is the rapid development of the Group in the areas which the Company considers to be particularly attractive. The Company is constantly monitoring the market and is going to implement the project should an attractive entity that can be taken over emerge;
- Development of YATO authorised retail stores. The Company finds it extremely important to develop its authorised stores, and is the industry leader in this respect. The Management Board intends to

continue this project and plans to launch approximately 60 new stores in this segment each year. The creation of a retail chain in this format should be completed in 2013.

- Recapitalisation of Yato China. One of the key elements of the capital group is the jointly controlled Yato China company. The Company is aware of the huge potential of the Asian market, where Yato China operates, and finds it necessary to support the latter entity through recapitalisation. The Management Board of Toya S.A. expects that this will trigger further dynamic growth of that company;
- The Company attaches great importance to the development of traditional sales channels, at the same time recognising the need to develop modern distribution channels. A significant development of the on-line sales channel and expansion of the customer base preferring this type of distribution are planned for the first half of 2012;
- The company employs a number of measures aimed at increasing its market share. One of the crucial elements is the constant modernisation of IT sales systems. This is due to the fact that the Company's strategy assumes that the key to improve sales handling is an IT system which should always be adjusted to changing market conditions.
- Another crucial development priority for 2012 is establishment of a Product Development Centre (CRP) which will ensure that the product range is better suited to the customer needs. Through the development of CRP, the Company's Management Board expects to improve its competitive advantage by offering products which are more ergonomic, have a higher value in use and, most of all, a higher degree of quality and innovation.

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

The Management Board of Toya S.A. did not publish financial result forecasts for 2011.

7. MAIN RISKS AND HAZARDS

7.1 Financial risks

The main financial risks include:

- FX risk
- interest rate risk
- liquidity risk

The above-mentioned financial risks and risk management are discussed in item 8.

7.2 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 legal regulations and taxation.

The above risks have been described in item 5.3.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

8.1 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 — the main settlements currency. The above factors affect the level of applied margins. 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. 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 credit risk is not material due to high dispersion of customers. The highest turnover volume is carried out with commercial chains with an established market position. Additionally, to reduce the risk of overdue receivables from counterparties (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. A transaction exceeding the credit limit may only be executed upon authorisation by the sales director. 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 insurance its receivables.

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. At present, this 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. Its lenders include financial institutions with high credibility ratings. Interest rate on received 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. Based on this, the Board believes that the risk resulting from short term debt is not significant.

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.

8.2 Objectives and methods of financial risk management

Due to strict link with foreign suppliers and settlements made primarily in USD, 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 revenues comes from export activity based on prices set in foreign currencies, mainly EUR, 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 negative effect on the Company's financial performance.

To minimise the FX risk, the Company has entered into framework agreements with two banks for cooperation regarding forward transactions and derivative transactions. In 2011, the Company did not conclude any transactions involving derivatives. Therefore, the Company does not apply hedge accounting.

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

47% of the Company's activity is financed from external capital. Loan agreements require the Company to maintain its financial debt ratios and debt servicing ratios at an agreed level throughout the lending period. The bank has the right to terminate the loan agreements if the requirement to maintain such ratios at the level specified by the bank is not fulfilled.

The Company enjoys very good relationships with banks and financial institutions and so far has had no problems renewing its loans on advantageous terms. The Company continues to dynamically expand its activity, maintains 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.

10. 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 2012 have been described in item 5.3. 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 15.

11.MAIN COMMODITY GROUPS

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

YATO (professional hand tools, gardening tools),
POWER UP, STHOR, LUND (power tools),
VOREL (hand workshop and construction tools),
FLO (hand and fuel-powered gardening tools, gardening power tools),
FALA (bathroom furnishings).

TOYA S.A. is also the general distributor of the Italian brand GAV (pneumatic tools).

YATO

The Company's most recognisable and leading brand, which also generates the highest sales growth, is **YATO**. It is also the Company's best known brand. 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.

Items sold under the YATO brand include 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's 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.

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.

Revenues from sales of YATO branded products accounted for 38% of the Company's revenues in 2011. (31% in 2010).

VOREL is the brand with the highest share in the sales of the Company's products for approx. 9 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.

Revenues from sales of VOREL branded products accounted for 43% of the Company's revenues in 2011. (47% in 2010).

FLO is a brand which includes a wide range of garden hand, electric and gasoline tools. Products offered under this brand include 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.

Revenues from sales of FLO branded products accounted for 7% of the Company's revenues in 2011. (9% in 2010).

The product range of **POWER UP** brand covers power tools**.** Products under this brand are intended for workshops and demanding DIY enthusiasts. The range of POWER UP products includes, among others: impact drills, rotary hammers, cordless tools, grinders, polishers, jig saws, circular saws, planers, decoration tools, soldering guns, mortar mixers, stationary power tools, water pumps and electric pressure washers.

Revenues from sales of POWER UP branded products accounted for 6% of the Company's revenues in 2011. (7% in 2010).

Under the **FALA** brand, TOYA S.A. 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.

Revenues from sales of FALA branded products accounted for 2% of the Company's revenues in 2011. (3% in 2010).

Under the **STHOR** brand, the Company sells modern consumer 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, jig saws, circular saws, planers, soldering guns and decoration tools.

Revenues from sales of STHOR branded products accounted for 2% of the Company's revenues in 2011 and 2010.

The latest brand, established in mid-2010, under which the Company sells power tools, is **LUND**. 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 in-house and domestic workshop use. The product range of LUND includes: impact drills, cordless drills, angle grinders, multi-sanders, orbital sanders, polishers, jig saws, circular saws, cutters, hot air guns, and submersible pumps.

Revenues from sales of LUND branded products accounted for 1% of the Company's revenues in 2011 (less than 1% in 2010).

GAV is an Italian brand. TOYA S.A. is not its owner but the general distributor. Products sold under this brand include pneumatic tools used in moderns automotive services. The brand is characterised by Italian style, innovativeness and high-quality manufacturing.

Revenues from sales of GAV branded products accounted for 1% of the Company's revenues in 2011 and 2010.

The most profitable brand is YATO. Every year, the Company records an increase in the sales volume of this brand in the domestic market. However, the Company still achieves the highest revenues from the sale of the VOREL brand

Revenues from sales in the Company's core business, broken down by brand and its profitability for each financial year, are shown in the following tables:

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

Sales revenues	**For 12 months ended 31 December**			
	2011		**2010**	
	PLN '000	%	PLN '000	%
VOREL	86,217	43%	87,173	47%
YATO	78,247	38%	57,600	31%
FLO	14,544	7%	16,184	9%
POWER UP	11,381	6%	13,720	7%
FALA	4,566	2%	5,334	3%
STHOR	3,502	2%	3,838	2%
LUND	2,342	1%	313	0%
Other	1,553	1%	1,139	1%
Total	**202,352**		**185,301**	

Table. The profitability of sales in core (trading) operations of the Company, broken down by brand

Profit margin on sales [%]	**For 12 months ended 31 December**	
	2011	**2010**
VOREL	30%	28%
YATO	38%	38%
FLO	31%	26%
POWER UP	30%	29%
FALA	30%	28%
STHOR	27%	29%
LUND	26%	12%
Other	25%	48%
Total	**33%**	**31%**

12. MAIN SELLING MARKETS

12.1 Sales structure

The main distribution channels of Toya S.A. are:
a) domestically:

- The wholesale market, i.e. distributors, wholesalers and stores
- Retail chains and
- The on-line store,

b) export.

The largest part of sales is generated by TOYA S.A. through the domestic wholesale distribution channel (45% share of the segment "Trading activity – the wholesale market" in sales revenues for 2011, with a profit margin of 37%). The Company's second distribution channel with respect to share in sales is the "Trading activity – export" segment; in 2011, its share in sales amounted to 32% with a profit margin of 28%. Distribution through retail chains in the domestic market has the lowest share in sales revenues, which in 2011 reached the level of 23%, with a profit margin of 31%.

Abroad, the goods are launched through the subsidiary Toya Romania S.A., a company jointly controlled by Yato China Trading, and through authorised distributors and agents. Such a diversified sales network provides access to a broad market, ensures professional service and optimisation of the availability of the Company's entire product range.
Revenues of the Company, broken down by distribution channels and their profitability, are shown in the following tables.

Table. The structure and volume of sales revenues from continuing (trading) operations of the Company, broken down by segments which are distribution channels

Sales revenues of TOYA S.A.	**2011**		**2010**	
	PLN '000	%	PLN '000	%
Trading operations – wholesale market	91,365	45%	81,321	44%
Trading operations – export	65,008	32%	54,076	29%
Trading operations – retail chains	45,979	23%	49,904	27%
Total	**202,352**		**185,301**	

Table. Sales profitability on continuing operations of segments which are the Company's distribution channels

Profit margin on sales [%]	**2011**	**2010**
Trading operations – wholesale market	37%	35%
Trading operations – export	28%	26%
Trading operations – retail chains	31%	30%
Weighted average	**33%**	**31%**

Taking into account the Company's core operations alone, almost one half (45%) of the sales revenues generated in 2011 was attributable to the wholesale segment.

12.1.1 Wholesale market – sales in Poland

TOYA S.A. has been present in Poland for more than 20 years and during that time, it has systematically strengthened its market position. The largest sales in Poland takes place through traditional distribution channels, i.e. through distributors, wholesalers and stores. In 2011, TOYA S.A. cooperated with 9 authorised distributors and with several dozen wholesale customers in all regions in order to increase its sales, margins and to promote its own brands. The company employs several dozen sales representatives – assistants of partners in the wholesale market – and is planning to further develop this distribution channel.

Table. The structure and volume of the Company's sales revenues in wholesale market in Poland

Sales revenues	**2011**		**2010**	
	PLN '000	%	PLN '000	%
Authorised distributors	58,709	64%	52,053	64%
Wholesalers and retail stores	32,656	36%	29,268	36%
Total	**91,365**		**81,321**	

Table. The structure and volume of the Company's wholesale revenues, broken down by regions

Sales revenues	**2011**		**2010**	
	PLN '000	%	PLN '000	%
Dolnośląskie Province	**13,416**	**15%**	**11,213**	**15%**
Kujawsko-Pomorskie Province	5,674	5%	5,629	7%
Lubelskie Province	3,899	4%	2,836	3%
Lubuskie Province	1,638	2%	1,407	2%
Łódzkie Province	2,588	3%	1,966	2%
Małopolskie Province	4,631	5%	5,209	6%
Mazowieckie Province	**20,624**	**23%**	**16,246**	**20%**
Opolskie Province	642	1%	820	1%
Podkarpackie Province	2,595	3%	1,931	2%
Podlaskie Province	5,794	6%	4,732	6%
Pomorskie Province	3,847	4%	3,851	5%
Śląskie Province	3,601	4%	3,029	4%
Świętokrzyskie Province	**12,337**	**14%**	**13,149**	**16%**
Wielkopolskie Province	5,975	6%	5,894	7%
Warmińsko-Mazurskie Province	2,710	3%	2,003	2%
Zachodniopomorskie Province	1,394	2%	1,406	2%
Total	**91,365**		**81,321**	

Table. The structure and volume of the Company's revenues from sales to wholesale customers in Poland

Sales revenues	For 12 months ended 31 December 2011		2010	
	PLN '000	%	PLN '000	%
Wholesale customer 1	13,137	14%	8,464	10%
Wholesale customer 2	11,641	13%	9,808	12%
Wholesale customer 3	11,042	12%	12,034	15%
Wholesale customer 4	5,631	6%	4,654	6%
Wholesale customer 5	5,389	6%	5,219	6%
Wholesale customer 6	3,478	4%	3,360	4%
Wholesale customer 7	3,212	4%	3,491	4%
Wholesale customer 8	2,713	3%	2,375	3%
Wholesale customer 9	2,506	3%	2,979	4%
Wholesale customer 10	2,468	3%	2,647	3%
Wholesale customer 11	1,601	2%	1,732	2%
Wholesale customer 12	1,289	1%	1,114	1%
Wholesale customer 13	887	1%	1,001	1%
Wholesale customer 14	680	1%	761	1%
Other	25,691	27%	21,682	28%
Total	**91,365**		**81,321**	

12.1.2 Retail chains– sales in Poland

Domestic sale to retail chains constitutes approx. 23% of the company's sales revenues. TOYA S.A. cooperates with more than 10 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. Sales revenues and structure of sales to retail chains in Poland have been presented in the table below.

Table. The structure and volume of the Company's revenues from sales to retail chains in Poland

Sales revenues	For 12 months ended 31 December 2011		2010	
	PLN '000	%	PLN '000	%
Retail network 1	17,923	39%	17,797	36%
Retail network 2	7,601	17%	5,705	11%
Retail network 3	5,320	12%	6,742	13%
Retail network 4	4,734	10%	5,959	12%
Retail network 5	3,203	7%	3,982	8%
Retail network 6	2,144	5%	2,407	5%
Retail network 7	1,950	4%	2,516	5%
Retail network 8	1,716	4%	2,934	6%
Retail network 9	650	1%	883	2%
Retail network 10	647	1%	821	2%
Other	91	0%	158	0%
Total	**45,979**		**49,904**	

12.1.3 The Company's export sales and foreign activity

Export sales – TOYA S.A.

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

Table. The structure and volume of revenues from the Company's export sales, broken down by country

Sales revenues	For 12 months ended 31 December 2011		2010	
	PLN '000	%	PLN '000	%
Russia	21,144	33%	15,200	28%
Baltic States	9,782	15%	7,403	14%
Romania	7,792	12%	9,272	17%
Hungary	5,731	9%	5,286	10%
Germany	4,582	7%	3,141	6%
Czech Republic	4,132	6%	2,794	5%
Ukraine	3,166	5%	1,414	3%
Belarus	2,681	4%	3,088	6%
The Balkans	1,994	3%	1,734	3%
Moldova	1,476	2%	572	1%
Italy	676	1%	481	1%
Spain	402	1%	669	1%
Other	1,450	2%	3,022	5%
Total	**65,008**		**54,076**	

12.1.4 On-line store – sales in Poland

In 2010, TOYA S.A. opened an on-line store at www.yato-shop.pl. As this distribution channel has not been operating for long, its share in the Company's sales is not significant yet. The Company is planning further dynamic development of the e-store and eventually a higher share of e-commerce in the Company's sales structure.

12.2 Suppliers

The network of suppliers the Company cooperates with is highly diversified. For many years, the Company has cooperated with more than 100 foreign and more than 70 domestic suppliers, which has allowed it to establish durable business contacts. Such a broad range of suppliers ensures high independence and even enables the Company to strengthen its negotiating position. This position is additionally improved by the presence of Yato China Trading, both 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.

13. CONCLUDED AGREEMENTS IMPORTANT TO THE COMPANY'S OPERATIONS

The criterion adopted by the Company for recognising agreements as important is agreement value exceeding 10% of TOYA's equity.

According to this criterion, the commercial cooperation agreement, concluded on 12 September 2011 with Selgros Sp. z o.o. with its seat in Poznań, was deemed important.

The table below includes the Company's insurance policies, including those meeting the criterion for being recognised as important agreements.

No.	Policy No	Insurance Period	Insurer	Insured Property	Total sum insured
1.	PO/00403063/01/2011	1 July 2011 30 June 2012	Generali T.U. S.A. with its seat in Warsaw / Ergo HESTIA S.A. Branch in Wrocław, with its seat in Sopot	Insurance against all risks of physical loss or damage to property (property in Wrocław, ul. Sołtysowicka 39)	PLN 11 million
2.	PO/00403063/02/2011	1 July 2011 - 30 June 2012		Insurance against all risks of physical loss or damage to property (property in Wrocław, ul. Sołtysowicka 13-15)	PLN 7.8 million
3.	PO/00403063/03/2011	1 July 2011 - 30 June 2012		Insurance against all risks of physical loss or damage to property (tangible fixed assets, cash, employee property)	PLN 9.3 million
4.	PO/00403063/04/2011 , Annex No 1, 2,	1 July 2011 - 30 June 2012		Insurance against all risks of physical loss or damage of property (current assets – inventories of goods)	PLN 82 million
5.	PO/00403063/05/2011	1 July 2011 - 30 June 2012		Insurance against all risks of physical loss or damage to property (computer hardware, data and software, increased costs)	PLN 3.3 million
Total value of insurance of property constituting tangible fixed assets and inventories of the Company's commercial goods					**PLN 113.4 million**
6.	General Agreement G/WROD/24/2011	17 August 2011 - 16 August 2012	TUiR Warta S.A. with its seat in Warsaw	Motor insurance of the vehicle fleet — a total of 52 vehicles	The market value of the vehicles (according to Info Export)
7.	PO/00401464/2011	1 July 2011 – 30 June 2012	Generali T.U. S.A. with its seat in Warsaw / Ergo HESTIA S.A. Branch in Wrocław, with its seat in Sopot	Civil liability insurance due to owned property and conducted activity	PLN 2 million
8.	000-11-444-05883118	20 August 2011 – 19 August 2012	TUiR Allianz S.A. with its seat in Warsaw	Civil liability insurance of members of corporate bodies	PLN 10 million
9.	702914	1 May 2011 – 30 April 2012	TU Euler Hermes S.A. with its seat in Warsaw	Insurance of the trade credit risk on certain agreements	maximally 40 times the contribution paid for a given insurance year
10.	0861001050	1 March 2012 – 28 February 2013	Chartis Europe S.A. Branch in Poland with its seat in Warsaw	Insurance of property in CARGO transport	Liability limit per 1 vehicle: USD 230,000 (road transport) USD 2,000,000 (maritime transport)

Moreover, item 17 describes loan agreements.

14. THE ENTITY AUDITING THE FINANCIAL STATEMENTS

The entity authorised to audit and review individual and consolidated statements is PricewaterhouseCoopers Sp. z o.o. with its seat in Warsaw, Al. Armii Ludowej 14, 00-638 Warszawa.
The agreement on audit and review was concluded on 16 May 2011 and it covers semi-annual review and annual review of the individual and consolidated financial statements for 2011.

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

	2011	2010
Audit of annual financial statements (individual and consolidated)	165	190
Review of semi-annual financial statements	55	0
Other certification services (*)	35	130
Other services (**)	537	185
TOAL	**792**	**505**

(*) concerns certification services rendered in relation with development of the prospectus before public issue of series C shares
(**) includes advisory services in relation with public issue of series C shares

15. TRANSACTIONS WITH RELATED ENTITIES

Transactions with related entities are entered into on arm's length terms in the course of the Company's day-to-day operations. These transactions have been presented in note 32 to the financial statements.

In 2011, TOYA S.A. did not conclude any transactions with related entities which were atypical or divergent from the arm's length basis, whose character and terms did not follow from the current operations and whose value exceeded the PLN equivalent of EUR 500 thousand.

16. DISPUTES

As at 31 December 2011, the total value of the proceedings pending before courts, authorities responsible for arbitration and public administration bodies, concerning receivables and liabilities of the Company, did not amount to at least 10% of the equity of TOYA S.A.

17. LOANS AND BORROWINGS TAKEN OUT

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

Object and value of agreement	Bank / person granting the borrowing	Loan amount as per agreement as at 31 December 2011 (PLN '000)	Amount outstanding as at 31 December 2011 (PLN '000)	Amount outstanding as at 31 December 2010 (PLN '000)	Current interest rate	Date of expiry
1. Overdraft facility agreement No. 62853219/05 of 18 March 2005 and revolving credit facility agreement No. 63060970 of 30 March 2005	Bank Millennium S.A. with its seat in Warsaw	-	-	24,881	WIBOR 1M + bank's margin	6 December 2011
2. Debt limit facility agreement No. CRD/L/11381/02 of 2 October 2002 (with the option to be used in PLN, USD and EUR)	Raiffeisen Bank Polska S.A. with its seat in Warsaw	30,000	25,899	11,394	WIBOR 1M + bank's margin EURIBOR/LIBOR 1 M+ bank's margin	20 February 2012
3. Overdraft facility agreement No. BDK/KR-RB/000054601/0641/10 of 22 December 2010	Bank Citi Handlowy with its seat in Warsaw	15,000	13,094	12,994	WIBOR 1M + bank's margin	21 December 2012
4. Overdraft facility agreement No. 0007156 of 30 November 2011	Bank Zachodni WBK S.A. with its seat in Wrocław	35,000	7,699	0	WIBOR 1M + bank's margin	30 September 2012
5. Working capital loan agreement No. 41/2005 of 1 April 2005 (including revolving credit facility available in EUR and USD, and overdraft credit facility available in PLN, USD, and EUR) (***)	Bank DnB NORD Polska S.A. with its seat in Warsaw	-	-	5,788		13 January 2011
6. Investment loan agreement No. K0004411 of 12 December 2007 (*)	Bank Zachodni WBK S.A. with its seat in Wrocław	-	-	12,004		4 May 2011
7. Loan agreement No. CRD/19815/05 of 11 October 2005 (*)	Raiffeisen Bank Polska S.A. with its seat in Warsaw	-	-	13,994		6 April 2011
8. Borrowings (**)	Jan Szmidt	-	-	5,295	8.50%	
Total liabilities, including:			**46,692**	**86,350**		
- current portion			46,692	48,958		
- non-current portion			-	11,394		
- (*) classified as Disposal Group classified as held for distribution				25,998		
(**) Borrowings received from related parties						

(*) Agreements with Bank BZ WBK S.A.
Pursuant to Annex 9 of 6 April 2011 to investment loan agreement No. K0004411 of 12 December 2007 executed with Bank BZ WBK S.A., the borrower under agreement was changed to Toya Development Sp. z o.o. S.K.A., while TOYA S.A. became a guarantor in respect of the loan. Pursuant to the annex, any claims by the lender towards the Company under the guarantee agreement may not exceed PLN 21,770 thousand and are effective until Toya Development Sp. z o.o. S.K.A. repays the loan but no longer than until 30 June 2014. The loan has been fully repaid on 4 May 2011 and the surety has expired.

(*) Agreements with Raiffeisen Bank Polska S.A.
Pursuant to Annex No. 10 of 6 April 2011 to loan agreement No. CRD/19815/05 of 11 October 2005 with Raiffeisen Bank Polska S.A., the borrower under agreement was changed to Toya Development Sp. z o.o. S.K.A. On the same day, TOYA S.A. executed an agreement with Raiffeisen Bank Polska S.A. providing for its accession to obligations under the agreement. Under the agreement, TOYA S.A. is jointly and severally responsible with the borrower for its liabilities up to the amount of PLN 19,974 thousand. The end of term of the debt accession agreement was defined as the date of full repayment of the debt under the loan agreement with BZ WBK S.A., but no later than 26 February 2019. The loan agreement with BZ WBK S.A. has been fully repaid by Toya Development Sp. z o.o. S.K.A. on 4 May 2011. On 12 May 2011 the bank confirmed that Toya S.A.'s accession to the debt had expired.

(***) Pursuant to the annex of 13 January 2011, the agreement with Bank DnB Nord was terminated. The entire debt along with the due interest was repaid on 13 January 2011.

List of borrowings received in 2011:

No.	Lender	Agreement date	Interest rate	Borrowing amount as per agreement (PLN '000)	Amount as at 31 December 2010 (PLN '000)	Maturity
1	Jan Szmidt – shareholder	Loan agreement of 22 February 2010 Agreement of 10 May 2010 on earlier repayment of a portion of the loan Agreement of 27 July 2010 on earlier repayment of a portion of the loan	8.5% p.a.	2,650 (700) (1,000)	950	31 March 2011
2	Jan Szmidt – shareholder	Loan agreement of 6 July 2010	8.5% p.a.	500	500	31 March 2011
3	Jan Szmidt – shareholder	Loan agreement of 2 September 2010	8.5% p.a.	1,400	1,400	11 April 2011
4	Jan Szmidt – shareholder	Loan agreement of 8 September 2010	8.5% p.a.	600	600	11 April 2011
5	Jan Szmidt – shareholder	Loan agreement of 20 December 2010	8.5% p.a.	1,700	1,700	30 December 2011
		Total principal Interest Total liability			5,150 145 5,295	

As at 31 December 2011, all the above-mentioned borrowings had been repaid.

List of borrowings received in 2011:

No.	Lender	Agreement date	Interest rate	Borrowing amount as per agreement (PLN '000)	Maturity
1	Jan Szmidt – shareholder	Loan agreement of 26 May 2011	8.5% p.a.	3,000	30 December 2011
2	Jan Szmidt – shareholder	Loan agreement of 2 June 2011	8.5% p.a.	2,000	30 December 2011
			Total	5,000	

As at 31 December 2011, all the above-mentioned borrowings had been repaid.

18. EXTENDED LOANS AND BORROWINGS

In 2011, the Company did not extend any borrowings or loans.

19. GRANTED GUARANTEES AND SURETIES CONTINGENT LIABILITIES AND ASSETS

In 2011, the Company granted the following guarantees:

No.	Counterparty	Type of guarantee	Subject matter and value	Date of expiry
1	Bank Handlowy	Guarantee of repayment of loan liabilities by Yato China Trading (*)	Bank guarantee of USD 2,500 thousand	31 December 2012

(*) To secure repayment of the loan, Toya S.A. established a USD 2,500 thousand mortgage on real estate located at ul. Sołtysowicka 13-15 in Wrocław (Land and Mortgage Register No. WR1K/00096765/9).

On 24 March 2011, the Company was released by Raiffeisen Bank Polska S.A. from its obligations under the guarantee issued to Scubatech Sp. z o.o.

The Company has no other contingent liabilities or assets.

20. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

20.1 Adoption of the resolution on increasing the share capital in connection with the allocation of shares to the entitled members of the Supervisory Board.

After the balance sheet date, on 27 March 2012, the Management Board of Toya S.A. adopted a resolution concerning an increase of the share capital by issuing E series shares within authorised capital and a resolution concerning the exclusion of subscription right for new E series shares by existing shareholders.

The Management Board, acting pursuant to an authorisation granted under § 7 items 5-7 of the Articles of Association of the Company, adopted a resolution concerning an increase of the share capital from PLN 7,484 thousand to PLN 7,502 thousand, by way of issue of 187,842 ordinary bearer series E shares with a par value of PLN 0.10 and an issue price of PLN 0.10 per share.

The share capital is increased in order to offer shares to Supervisory Board Members in private subscription. Persons entitled to subscribe for series E shares are exclusively the Supervisory Board Members (or entities indicated by them) listed in Resolution No. 10 of the Ordinary General Shareholders' Meeting dated 23 May 2011 concerning the remuneration of the Supervisory Board members (for detailed information – see Note 16.1).

Given the fact that the agreements concerning the acquisitions of shares were signed by all the authorised members of the Supervisory Board and that all the shares were paid for, on 19 April 2012, the Management Board of Toya S.A. adopted a resolution concerning the allocation of the shares. An application for the registration of the capital increase will be filed with the National Court Register in the coming days.

After registration of the new shares by the Court, the Company will apply for admission of the series E shares to trading in the regulated market on Warsaw Stock Exchange.

20.2 Agreements with banks

<u>Agreement with Raiffeisen Bank Polska S.A.</u>

In connection with the terms of the debt limit facility agreement No. CRD/L/11381/02 of 2 October 2002, as amended, on 16 February 2012, annex No 17 was signed to extend the contract until 28 September 2012 and to increase the bank's margin.

21. STATEMENT ON THE APPLICATION OF CORPORATE GOVERNANCE PRINCIPLES

21.1 The set of principles of corporate governance to which the Company is subject and the location where the text of the principles is publicly available

The has Company adopted the principles of corporate governance set out in the document entitled "Good Practices of Companies Listed on the Warsaw Stock Exchange", the content of which is available on the website www.corp-gov.pl. This statement concerning application of the principles of corporate governance, included in the Annual Report for the financial year 2011 refers to the principles of corporate governance applicable in 2011.

21.2 The scope in which the Company departed from the provisions of the set of principles of corporate governance, indication of these provisions and explanation of the reasons for this departure

In 2011, the Company observed the principles of corporate governance specified in the document entitled "Good Practices of Companies Listed on the Warsaw Stock Exchange", except for the principles listed below.

A. <u>With regard to recommendations concerning the best practices for listed companies:</u>

- <u>Enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website</u>
- The Company did not broadcast General Meetings over the Internet. In the opinion of the Management Board, non-compliance with the principle to this extent does not pose a risk, since the Company publishes news in the form of current reports and makes available on its website all the legally required information and documents, thus enabling the investors to become familiar with the

matters discussed during the General Meeting. Due to the shareholding structure, this solution would result in costs disproportionate to the effects. The Company will consider fulfilling this recommendation in the future.

- The company should have a remuneration policy in place, as well as rules for defining the policy. The remuneration policy should in particular determine the form, structure, and level of remuneration of members of supervisory and management bodies. Commission Recommendation of 14 December 2004 fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC) and Commission Recommendation of 30 April 2009 complementing that Recommendation (2009/385/EC) should apply in defining the remuneration policy for members of supervisory and management bodies of the Company.

- This principle was not observed with regard to remuneration of members of the Supervisory Board since in accordance with the Company's current Articles of Association, remuneration of the members of the Supervisory Board is determined by the General Meeting. By way of resolution dated 23 May 2011, the General Meeting determined the principles of remuneration of the Supervisory Board members for a three-year term of office, granting certain members the right to acquire the Company's shares in the quantity and on terms specified therein. For these members of the Supervisory board, it is the basic remuneration for holding the office of a Supervisory Board member and also an incentive. Supervisory Board members who are the Company's shareholders do not receive remuneration for holding their office. According to the Articles of Association, remuneration of Management Board Members is determined by the Supervisory Board. The Company has no documents specifying the principles of shaping the remuneration policy. The amount of remuneration of the Company's bodies is presented in annual reports.

- The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business.

- In the opinion of the Company's Management Board, the main criterion for electing members of the Management Board or the Supervisory Board is the candidate's experience and competencies for the applied position. The Company declares that it will consider the recommendation and possibly comply with corporate governance in this respect.

B. With regard to good practices applied by management boards of listed companies:

- The Company ensures operation of its website, also in English, at least in the scope indicated in part II. item 1.

- TOYA S.A. declares gradual implementation of its website, including in English – at least in the scope indicated in part II item 1.

C. With regard to good practices implemented by the shareholders

- The Company should enable its shareholders to participate in the general meeting using electronic means of communication in the following manner:

  1) real-time transmission of the general meeting,

  2) two-way real-time communication which allows the shareholders to speak during the general meeting while being present at a location other than the location of the meeting,

  3) exercising the voting right during the general meeting, in person or through a proxy.

The Company did not implement these principles in 2011. According to the new principles of Corporate Governance, published at www.corp-gov.gpw.pl and in force since 1 January 2012, this principle should be applied starting from 1 January 2013 at the latest.
TOYA S.A. declares that it will consider gradual implementation of appropriate corporate mechanisms, in particular additional organisational and technical means, allowing for application of the principles of corporate governance in the above-mentioned scope.

21.3 Description of basic features of internal control and risk management systems applied in the Company with respect to the process of preparing 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 consolidated 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 (Journal of Laws No. 33, item 259). The Company applies internal control systems with regard to accounting and financial reporting to ensure reliable and transparent presentation of its financial position 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 consolidated financial statements are audited by authorised entities selected by way of resolution of the Supervisory Board. The statements are published according to the applicable provisions of the law.

The books of account are kept by the Company and its subsidiaries in the ERP class 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.

21.4 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 share capital of TOYA S.A. as at 31 December 2011 amounted to PLN 7,483,680.00 and was divided into 74,836,800 shares with a par value of PLN 0.10 each. The shares are not preference shares and they correspond to one vote at the General Meeting.

	Number of shares	Number of votes	Share (%) in the share capital	Share (%) in votes at the general meeting
Jan Szmidt	28,170,647	28,170,647	37.6%	37.6%
Tomasz Koprowski	14,644,030	14,644,030	19.6%	19.6%
Romuald Szałagan	10,938,874	10,938,874	14.6%	14.6%
Piotr Wojciechowski	5,057,728	5,057,728	6.8%	6.8%
Generali OFE	4,800,000	4,800,000	6.4%	6.4%
Other shareholders	11,225,521	11,225,521	15.00%	15.0%
TOAL	**74,836,800**	**74,836,800**	**100%**	**100%**

21.5 Holders of any securities which provide special control rights

All shares in the Company are ordinary bearer shares. Apart from shares, the Company did not issue any other securities.

21.6 Restrictions regarding the exercise of voting rights

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

21.7 Any limitations in transferring the ownership right to the issuer's securities

On 29 August 2011, by signing appropriate agreements, shareholders of the Company (i.e. Jan Szmidt, Tomasz Koprowski, Romuald Szałagan and Piotr Wojciechowski) made a commitment to Wood & Company Financial Services ("Wood & Co") that within twelve months of allocation of Offered Shares, without prior written consent:

(a) they shall not sell any shares of the Company held on the date of execution of the "Lock up" agreement, provided that shares can be sold without approval of Wood & Co exclusively in the case of: (i) a public call for sale or conversion of the Company's shares in a quantity ensuring that 33% of the total number of votes in the Company is achieved or exceeded or (ii) sale of shares to an investor who acquires or holds a majority block of all the shares in the Company; and

b) they shall not perform any other actions which may result in transfer of the ownership of shares during the contractual period of reduced transferability. Reduced transferability of shares will not apply to any transfer of ownership of the shares by a shareholder of the Company to other shareholders (listed above), provided that the shareholder purchasing shares submits a written declaration to Wood & Co that they will be bound by all transferability restrictions.

Shareholders are liable towards Wood & Co for non-performance or failure to duly perform agreements on reduced transferability on general principles following from the Civil Code, i.e. for damage caused by non-performance or failure to duly perform obligations under these agreements.

Moreover, on 30 June 2011, the Company committed itself towards Wood & Co that within 360 days of the date of allocation of Series C Shares under the Offer, without prior written agreement, it would not take any actions aimed, directly or indirectly, at:

- offering any shares or other equity securities of the Company to be taken up or acquired, except for debt securities, such as bonds,
- public announcement of the intention to offer the shares in the Company to be taken up or acquired,
- sale of shares in the Company or other disposal of these shares,
- commitment to issue or sell shares of the Company or otherwise dispose of these shares (including not to establish a pledge on the Company's shares),
- issue of the Company's shares or any financial instruments convertible to or exchangeable for shares in the Company or financial instruments which provide any other rights to acquire shares in the Company,
- concluding any other transaction concerning the Company (including a transaction involving the use of derivatives) whose economic effect would be similar to that of sale or issue of the Company's shares.

On 9 August 2011, new shareholders joined the Company. On 9 August 2011, Ms Beata Szmidt, Ms Beata Szałagan, Ms Elżbieta Wojciechowska and Ms Wioletta Koprowska (new shareholders) concluded a lock-up agreement with WOOD & Co on the same terms as lock-up agreements concluded with hitherto shareholders. Lock-up agreements of current shareholders have been adjusted appropriately in order to take into account changes in the shareholding structure.

21.8 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, the Management Board comprises from 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 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 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 above-mentioned 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.toya.pl in the Investor Relations tab.

- Articles of Association of Toya S.A.
- Regulations of the Management Board
- Regulations of the Supervisory Board
- Regulations of the General Meeting

21.9 Principles of introducing amendments to the articles of association

Amendments to the Articles of Association of the Company, including increases or decreases in the share capital, are introduced according to the provisions of the Commercial Companies Code and are the sole competence of the Company's General Meeting.

21.10 The functioning of the General Meeting, its basic entitlements, the rights of shareholders and the manner of exercising these rights and entitlements

The General 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. Subject to cases specified in the Commercial Companies Code, if the General Meeting was convened correctly, it is valid and capable of adopting resolutions regardless of the number of shares represented at the meeting. The General 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 Meeting. The announcement about the General Meeting of the Company should include at least:
1) the date, time and place of the General 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 Meeting's agenda or issues which are to be included in the agenda before the date of the General Meeting,
   c) the shareholder's right to submit draft resolutions regarding issues on the General Meeting's agenda during the General 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 Meeting using electronic means of communication,
   f) the manner of voicing opinions during the General Meeting, using electronic means of communication,
   g) the manner of exercising the voting right by correspondence or using electronic means of communication,
3) the date of registration of participation in the General Meeting,
4) information that the right to participate in the General Meeting only applies to persons who are shareholders of the Company on the date of registering their participation in the General Meeting,
5) information on where and how the person entitled to participate in the General Meeting can obtain the full text of documentation to be presented to the General Meeting as well as draft resolutions,
6) address of the website on which information concerning the General Meeting will be made available.

The right to participate in the General Meeting of the Company applies exclusively to persons who are shareholders of the Company sixteen days before the date of the General Meeting (the date of registering participation in the General Meeting). The shareholder or their proxy are hereinafter also referred to as the Participants of the General Meeting (the Participant or Participants). 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 no later than a week before the date of the General Meeting.

Shareholders can participate in the General 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 meeting, each shareholder on the list of shareholders entitled to participate in the General 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 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 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 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 disadvantageous to a certain person, that person can appeal to the General Meeting, which resolves the issue by voting. If a Participant left the room during the General Meeting, the Chairperson corrects 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 calculations, the Chairperson declares whether the General Meeting has the required quorum 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 Meeting is late, they 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 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 Meeting in composition which allows them to provide factual answers to questions asked during the General 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 competencies 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 Meeting, in particular if the agenda includes an item of the Company's financial matters. The General Meeting can be transmitted via the Internet. Information about public transmission of the meeting will be published on the Company's website immediately before the General Meeting.

The General 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 above-mentioned elections, the person opening the General Meeting has the Chairperson's rights.

Every Participant of the General 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 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 Meeting or who interrupt the meeting from the room,
6) ordering breaks in meetings, subject to the provisions of Regulations of the General Meeting,
7) resolving doubts concerning regulations, if needed after obtaining the opinions of persons listed in the Regulations of the General Meeting,
8) concluding the General Meeting after the meeting agenda has been exhausted.

The Chairperson is entitled to appoint a Secretariat of the General meeting (the Secretariat) 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 above-mentioned persons at the General Meeting.

Every Participant of the General 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 Meeting, motions regarding formal issues are resolved by the Chairperson and if any Participant objects 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 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 Meeting lasts longer than 2 hours.

The ordered breaks cannot be aimed at preventing users from exercising their rights. Should a break in the meeting cause postponement of the General Meeting at least until the following day, the General 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 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 amendment 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 Meeting if the number of Participants who intend to take part in the discussion is so large that lack of time limits for their speeches could, taking into account the agenda, render impossible conducting the General 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 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.

Questions asked in relation with the General Meeting along with answers are published by the Company 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 object to adoption of the resolution. The General Meeting can adopt, at any time, a resolution on convening an Extraordinary General 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 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 amendments.

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 Meeting.

The principles below apply to appointment of members of the Supervisory Board by the General 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 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 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 Meeting covers changes in the composition of the Supervisory Board.

A special voting procedure is ordered by the Chairperson of the General 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 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 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 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 Meeting. The Chairperson of the General Meeting announces the composition of the Supervisory Board after collecting all results of group ballots.

Resolutions of the General 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 Meeting. The minutes declare that the General 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 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 Meeting.

General 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 Meeting.

21.11 Principles of introducing amendments to the articles of association or memorandum of association of the Company

Adopting resolutions concerning amendments to the Articles of Association of the Company, including increases or decreases in the share capital, is the competence of the Company's General Meeting.
In cases concerning amendments to the Articles of Association, including issue of new shares, resolutions of the General Meeting are adopted by the majority of ¾ votes cast (except for amendments for which the Commercial Companies Code provides otherwise).

21.12 Composition and operation of the company's managing and supervisory bodies and their committees

MANAGEMENT BOARD

The composition of the Management Board as at 31.12.2011 was as follows:

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

In 2011, a change took place in the Management Board of TOYA S.A. On 29 November 2011, Mr Tomasz Suchowierski resigned from the post of Vice-President of the Management Board of TOYA S.A. for personal reasons, effective as of 30 November 2011.

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 and led by the President of the Management Board, 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 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.toya.pl

SUPERVISORY BOARD

As of 31 December 2011, the composition of the Supervisory Board was as follows:

- Piotr Mondalski – President of the Supervisory Board – since 14 February 2011
- Jan Szmidt – Vice-President of the Supervisory Board – since 14 February 2011
  (Member of the Supervisory Board since 13 January 2011)
- Tomasz Koprowski – Member of the Supervisory Board – since 14 February 2011

- Romuald Szałagan – Member of the Supervisory Board – since 14 February 2011
- Piotr Wojciechowski – Supervisory Board – from 13 January 2011
- Grzegorz Maciąg – Member of the Supervisory Board – since 14 February 2011
- Dariusz Górka – Member of the Supervisory Board – since 14 February 2011

Pursuant to the Resolution No. 1/07/2011 of 278 July 2011, the Supervisory Board, fulfilling the obligation referred to in Article 86 of the Act of 7 May 2009 on registered auditors and their council, entities entitled to provide an audit of the financial statements and public supervision, appointed from among its members the Audit Committee in the following composition:

- Piotr Wojciechowski
- Dariusz Górka
- Grzegorz Maciąg

The member of the Audit Committee who meets the conditions of independence, has qualification in the field of accounting and financial revisions provided for in the Act is Dariusz Górka.

Tasks of the Audit Committee include:

- monitoring the Company's financial reporting process and performing financial revision tasks, among others by monitoring the process of preparation of the financial statements and monitoring reliability of the financial information presented by the Company;
- monitoring the effectiveness of internal control systems, internal audit (if appointed) and risk management through, among others, reviewing, at least once a year, the internal control and risk management procedures in order to ensure compliance with the provisions and internal regulations, as well as assessment of compliance with risk management principles and presenting recommendations in this scope;
- monitoring performance of financial revision tasks, among other through monitoring independence of the auditor with respect to audit conducted by them and discussion of the audit process with the auditor;
- monitoring the independence of the registered auditor and the company authorized to audit financial statements, including rendering services other than financial review activities.

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

Wrocław, 25 April 2012