TOYA S.A. CAPITAL GROUP

Condensed interim consolidated financial statements
for the 6-month period ended 30 June 2021

Contents

(All amounts in PLN '000 unless indicated otherwise)

Interim consolidated statement of financial position

		30 June 2021 unaudited	31 December 2020
ASSETS			
Property, plant and equipment	5	29,031	26,487
Intangible assets		3,692	3,867
Right-of-use assets	6	34,851	33,808
Goodwill	7	770	751
Other receivables		50	52
Deferred income tax assets	21	3,861	3,569
Non-current assets		72,255	68,534
Inventory	8	219,864	219,351
Trade and other receivables	9	97,762	73,096
Cash and cash equivalents	10	65,282	33,961
Current assets		382,908	326,408
			-
Total assets		**455,163**	**394,942**
EQUITY AND LIABILITIES			
Share capital	12	7,504	7,504
Share premium		35,677	35,677
Reserve capital		329	329
Exchange differences from translating foreign entities		4,262	3,556
Other capitals		(194)	(194)
Retained earnings	14	211,287	190,861
Equity per shareholders of the Parent Company		258,865	237,733
Total equity		**258,865**	**237,733**
Liabilities from loans	15	5,907	4,360
Lease liabilities		22,326	22,741
Deferred income tax liability		726	-
Liabilities from employee benefits		633	633
Other long-term liabilities		39	39
Total long-term liabilities		29,631	27,773
Trade and other payables	16	117,890	76,834
Liabilities from employee benefits	21	8,258	9,591
Dividend liabilities	14	21,762	-
Liabilities from loans	15	2,369	27,141
Lease liabilities		9,327	8,048
Liabilities from current income tax		5,363	6,340
Provisions	21	1,698	1,482
Total short-term liabilities		166,667	129,436
Total liabilities		**196,298**	**157,209**
Total equity and liabilities		**455,163**	**394,942**

(All amounts in PLN '000 unless indicated otherwise)

Interim consolidated statement of profit or loss and other comprehensive income

	Note		6 months ended 30 June		3 months ended 30 June
		2021 unaudited	2020 unaudited	2021 unaudited	2020 unaudited
Revenue from sales of goods	17, 18	342,719	256,113	177,125	136,818
Cost of goods and materials sold	18, 19	(226,291)	(163,766)	(116,232)	(87,742)
Gross sales profit		**116,428**	**92,347**	**60,893**	**49,076**
Selling costs	19	(44,974)	(41,707)	(23,080)	(21,694)
Administrative expenses	19	(17,580)	(12,334)	(9,517)	(6,503)
Expected credit losses	21	254	(1,031)	329	(420)
Other operating revenue		354	2,187	200	1,873
Other operating expenses		(1,013)	(325)	90	(160)
Operating profit		**53,469**	**39,137**	**28,915**	**22,172**
Financial income		54	65	29	47
Financial expenses		(772)	(832)	(419)	(343)
Profit before tax		**52,751**	**38,370**	**28,525**	**21,876**
Income tax	20	(10,563)	(7,421)	(5,565)	(4,152)
Net profit		**42,188**	**30,949**	**22,960**	**17,724**
Other comprehensive income that may be reclassified to profit or loss					
Foreign operations currency translation differences		706	2,337	(2,631)	(2,784)
Other net comprehensive income		**706**	**2,337**	**(2,631)**	**(2,784)**
Total net comprehensive income for the period		**42,894**	**33,286**	**20,329**	**14,940**
Net profit for the year attributable to:					
Shareholders of the Parent Company		42,188	30,949	22,961	17,724
Non-controlling interests		-	-	-	-
Other comprehensive income attributable to:					
Shareholders of the Parent Company		706	2,337	(2,631)	(2,784)
Non-controlling interests		-	-	-	-
Total comprehensive income for the year attributable to:					
Shareholders of the Parent Company		42,894	33,286	20,329	14,940
Non-controlling interests		-	-	-	-

(All amounts in PLN '000 unless indicated otherwise)

Earnings per share

		6 months ended 30 June		3 months ended 30 June	
		2021 unaudited	**2020 unaudited**	**2021 unaudited**	**2020 unaudited**
Basic earnings per share in PLN	13	**0.56**	**0.41**	**0.31**	**0.24**
- from continuing operations		0.56	0.41	0.31	0.24
- from discontinued operations		-	-	-	-
Diluted earnings per share in PLN	13	**0.56**	**0.41**	**0.31**	**0.24**
- from continuing operations		0.56	0.41	0.31	0.24
- from discontinued operations		-	-	-	-

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(All amounts in PLN '000 unless indicated otherwise)

Interim consolidated statement of changes in equity

	Share capital	Share premium	Reserve capital	Exchange differences from translating foreign entities	Other capitals	Retained earnings	Attributable to shareholders of the Parent Company	Total equity
As at 1 January 2021	**7,504**	**35,677**	**329**	**3,556**	**(194)**	**190,861**	**237,733**	**237,733**
Comprehensive income							-	-
Net profit	-	-	-	-	-	42,188	42,188	42,188
Other comprehensive income	-	-	-	706	-	-	706	706
Total comprehensive income	**-**	**-**	**-**	**706**	**-**	**42,188**	**42,894**	**42,894**
Transactions with owners								-
Dividend declared	-	-	-	-	-	(21,762)	(21,762)	(21,762)
Total changes in equity	**-**	**-**	**-**	**706**	**-**	**20,426**	**21,132**	**21,132**
As at 30 June 2021 (unaudited)	**7,504**	**35,677**	**329**	**4,262**	**(194)**	**211,287**	**258,865**	**258,865**
As at 1 January 2020	**7,504**	**35,677**	**16,034**	**(890)**	**(147)**	**170,251**	**228,429**	**228,429**
Comprehensive income								-
Net profit	-	-	-	-	-	30,949	30,949	30,949
Other comprehensive income	-	-	-	2,337	-		2,337	2,337
Total comprehensive income	**-**	**-**		**2,337**	**-**	**30,949**	**33,286**	**33,286**
Transactions with owners	-	-	-	-	-	-	-	-
Total changes in equity	**-**	**-**	**-**	**2,337**	**-**	**30,949**	**33,286**	**33,286**
As at 30 June 2020 (unaudited)	**7,504**	**35,677**	**16,034**	**1,447**	**(147)**	**201,200**	**261,715**	**261,715**

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(All amounts in PLN '000 unless indicated otherwise)

Interim consolidated cash flow statement

	Note		6 months ended 30 June
		2021	**2020**
		unaudited	**unaudited**
Cash flows from operating activities			
Profit before tax		**52,751**	**38,370**
Adjustments for:			
Amortization and depreciation		6,947	4,911
Net interest		718	767
Profit/Loss on investing activities		(2)	64
Foreign exchange gains/losses		430	744
Changes in balance sheet items:			
Change in trade and other receivables	11	(18,932)	(6,509)
Change in inventories	11	465	18,549
Change in provisions	11	222	243
Change in trade and other payables	11	41,183	32,284
Change in employee benefit liabilities	11	(1,399)	(1,424)
Cash from operating activities		**82,383**	**87,999**
Income tax paid		(10,787)	(6,986)
Net cash from operating activities		**71,596**	**81,013**
Cash flows from investing activities			
Sale of property, plant and equipment		59	69
Purchases of property, plant and equipment and intangible assets		(11,874)	(4,424)
Interest received		54	65
Net cash from investing activities		**(11,761)**	**(4,290)**
Cash flows from financing activities			
Proceeds from loans		3,910	-
Repayments of loans		(27,133)	(44,885)
Repayment of lease liabilities		(4,481)	(6,359)
Interest paid on loans		(70)	(314)
Interests paid on leases		(618)	(193)
Net cash from financing activities		**(28,392)**	**(51,751)**
Net change in cash and cash equivalents		**31,443**	**24,972**
Balance sheet change in cash and cash equivalents		**31,321**	**25,654**
- effect of translation of cash and cash equivalents		(122)	682
Cash and cash equivalents at the beginning of the period	10	**33,961**	**17,460**
Cash and cash equivalents at the end of the period	10	**65,282**	**43,114**

Explanatory notes to condensed interim consolidated financial statements

1. General information

TOYA S.A. (the "Company" or the "Parent Company") is a joint stock company established under the Commercial Companies Code. The Company has its registered office in Wrocław at ul. Sołtysowicka 13-15. The Company's shares are publicly traded.

The Company is entered into the Commercial Register maintained by the District Court for Wrocław-Fabryczna, 6th Commercial Division under entry No KRS 0000066712. The Company's Statistical Identification Number (REGON) is 932093253.

The duration of the Company is unlimited.

The core business activities of TOYA S.A. and TOYA S.A. Group include import and distribution of industrial goods, including primarily hand and power tools for professional and DIY use.

In the period from 1 January 2021 to 30 June 2021 and as of the date of approval of these condensed interim consolidated financial statements, the Management Board of the Parent Company was composed of the following members:

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

In the period from 1 January to 30 June 2021 and as of the date of approval of these condensed interim consolidated financial statements, the Supervisory Board of the Parent Company was composed of the following members:

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

These condensed interim consolidated financial statements of the Group cover the period of 6 months ended on 30 June 2021. Comparative data is presented:

- as at 31 December 2020 - for the interim consolidated statement of financial position;
- for the period from 1 January 2020 to 30 June 2020 and from 1 April 2020 to 30 June 2020 - for the interim consolidated statement of profit or loss and other comprehensive income;
- for the period from 1 January 2020 to 30 June 2020 for the interim consolidated statement of cash flows;
- for the period from 1 January 2020 to 30 June 2020 for the interim consolidated statement of changes in equity.

These condensed interim consolidated financial statements of the Group for 6-month period ended 30 June 2021 were approved for publication by the Management Board of the Parent Company on 26 August 2021.

The Parent Company has also prepared the condensed interim stand-alone financial statements for the 6-month period ended 30 June 2021, which was approved for publication by the Management Board on 26 August 2021.

(All amounts in PLN '000 unless indicated otherwise)

2. Capital group structure

As at 30 June 2021, the TOYA S.A. Capital Group comprised the following entities:

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

In the first half of 2021, there were no changes in the structure of the Group.

3. Summary of significant accounting policies

3.1 Basis for preparation

These condensed interim consolidated financial statements have been prepared In accordance with IAS 34 „Interim Financial Reporting" approved by the EU.

They should be read jointly with the annual consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (called „IFRS") and interpretations issued by International Accounting Standards Board approved by European Union (called „EU").

Going concern

These condensed interim consolidated financial statements have been prepared on the assumption that the Group will continue as going concerns in the foreseeable future.

The Group was not significantly affected by the COVID-19 epidemic. Over the last few weeks, the Group realized stable and even periodically increased sales, and its business activity was continuous. Based on publicly available information as at the date these financial statements were approved for publication, the Group considered a number of extreme scenarios regarding the potential development of the epidemic and its expected impact on the Group and the economic environment in which it operates, including measures already taken by local state authorities and governments of other countries where the Group's main business partners come from.

In order to reduce the risk arising from potential adverse scenarios, the Group has implemented measures that include in particular:

- implementation of a rotating remote work program for a large group of employees;
- modifying business processes to implement all local health authority recommendations.

As at 30 June 2021, the Group's net working capital amounted to PLN 216,241 thousand, and available unused credit lines amounted to PLN 104,994 thousand.

In the Group's opinion, the above circumstances justify the assumption that the Group will have sufficient resources to continue its business activities for at least 12 months from the balance sheet date. The impact of the possible scenarios taken into account, when making this judgment, does not cause significant uncertainty regarding events and circumstances that would raise serious doubts as to the Group's ability to continue as a going concern. However, the Group cannot rule out that the prolonged period of restrictions on economic activity, expansion and prolongation of measures limiting the spread of the pandemic, which are severe for the Polish economy, will have a negative impact on the Group's financial position and operating results in the medium and long term. The Group is monitoring the situation on an ongoing basis and will react appropriately to mitigate the impact of these events if they occur.

Additional information on the possible impact of the pandemic on the Group's operations is included in the Management Board's report on the operations of the Company and the TOYA S.A. Group in the first half of 2021.

3.2 Accounting policies

The accounting principles are consistent with the principles applied in the annual consolidated financial statements for the financial year ended 31 December 2020, except for the adoption of new and amended standards, as described below.

3.3 Impact of new or amended standards and interpretations on the Group's financial statements

These financial statements were prepared on the basis of IFRS approved by the EU, issued and effective for reporting periods beginning on or after 1 January 2020.

a) New standards, interpretations and amendments to existing standards effective in 2021

- **Amendments to IFRS 16 Leases - Covid-19-related Rent Concessions**

The changes allow lessees not to assess whether the Covid-19 rent reliefs are a modification to their lease agreements. Therefore, under the appropriate conditions, lessees who apply a practical solution, will recognize the rent reliefs received until 30 June 2021 in profit or loss for the period in which the relief was granted. In the absence of a practical solution, the tax relief would be recognized in profit and loss over the term of the lease agreement.

The above changes did not affect the Group's consolidated financial statements as the Group did not receive any reductions in rents related to Covid-19.

- **Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance contracts and IFRS 16 Leases: Interest Rate Benchmark Reform**

The purpose of the amendments is to make it easier for entities to prepare financial statements in accordance with IFRS and provide users of financial statements with useful information in a situation where, due to a change in the reference rate ratio, there is a change in contractual cash flows or hedging relationships. The amendments provide for a practical solution for some changes in contractual cash flows and an exemption for certain hedge accounting requirements.

The amendments do not have a significant impact on the Group's consolidated financial statements.

(All amounts in PLN '000 unless indicated otherwise)

- **Amendments to IFRS 4 Insurance contracts**

The amendments extend by two years the period of temporary exemption from the application of IFRS 9 Financial Instruments, until annual periods beginning on 1 January 2023, in order to align with the first application of IFRS 17 Insurance Contracts, which replaces IFRS 4 Insurance Contracts.

The amendments do not have a significant impact on the Group's consolidated financial statements.

b) New standards, interpretations and amendments, which are not yet effective and have not been applied early by the Group

Standards and Interpretations - approved by the EU, which have not yet come into force for annual periods beginning on 1 January 2021

Standards and Interpretations	Type of anticipated change in accounting policies	Possible impact on the consolidated financial statements
Amendments to IFRS 3 Business combinations, IAS 16 Property, plant and equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements – 2018-2020 cycle (Effective for annual periods beginning on or after 1 January 2022, with early adoption permitted)	The package of changes includes three narrow scope changes to the standards: • updates the reference in IFRS 3 Business Combinations to the *Conceptual Framework for the Preparation and Presentation of Financial Statements*, without changing the accounting requirements for accounting for business combinations, • prohibits entities from reducing the cost of property, plant and equipment by amounts obtained from the sale of assets produced in the period when the entity prepares an item of property, plant and equipment for its intended use. Such income and the related costs will be recognized in profit or loss for the period, • explains which costs the entity uses in assessing whether a given contract will generate a loss (IAS 37). The package also includes Annual Improvements to the International Financial Reporting Standards (2018-2020 cycle), which clarify the terms used and adjust minor inconsistencies, or omissions between the requirements of the standards in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and illustrative examples in IFRS 16 Leases.	The above Amendments are not expected to have a significant impact on the consolidated financial statements of the Group.

Standards and Interpretations awaiting EU endorsement

Standards and Interpretations awaiting EU approval	Type of anticipated change in accounting policies	Possible impact on the consolidated financial statements
Sale or Transfer of Assets Between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates) *(The European Commission has decided to defer approval of these changes indefinitely)*	The amendments clarify that in the case of a transaction with an associate or joint venture, the extent to which the gain or loss related to the transaction should be recognized depends on whether the transferred or sold assets constituted a business: • the entire profit or loss is recognized if the transferred assets meet the definition of a business (regardless of whether the business is a subsidiary or not). • part of the profit or loss is recognized when the transaction concerns assets that do not constitute a business, even if these assets were held by a subsidiary.	*The Company does not expect the Amendments to have a significant impact on its financial statements as the Company does not have any associates or joint ventures.*

Standards and Interpretations awaiting EU approval	Type of anticipated change in accounting policies	Possible impact on the consolidated financial statements
IFRS 17 Insurance Contracts *(effective for annual periods beginning on or after 1 January 2023, prospective application, earlier application permitted)* *The standard has not yet been approved by the EU.*	IFRS 17 replaces the interim standard IFRS 4 Insurance Contracts which was introduced in 2004. IFRS 4 allowed entities to continue to recognize insurance contracts in accordance with the accounting principles applicable in national standards, which in turn meant the use of many different solutions. IFRS 17 addresses the comparability problem created by IFRS 4 by requiring that all insurance contracts are accounted for consistently, which will be beneficial to both investors and insurers. Liabilities arising from contracts will be recognized in current values, instead of historical cost,	*The Company does not expect the Standard to have a significant impact on its financial statements as the Company does not operate in the insurance industry.*
Amendments to IAS 1 Presentation of Financial Statements*: Classification of Liabilities as Current and Non-Current* *(effective for annual periods beginning on or after 1 January 2023, with earlier adoption permitted)* *The changes have not yet been approved by the EU.*	The amendments clarify that the presentation of liabilities as short-term or long-term should only depend on the existence of the entity's right to defer the settlement (extension) of a given liability for a period of at least 12 months from the reporting date, and on the fulfilment of the conditions for the implementation of such extension as at the balance sheet date. The above presentation is not affected by the intentions and expectations of the management of the entity as to the exercise of this right or as to the date when it would occur. The changes also provide explanations as to the events that are considered to be the settlement of liabilities.	*These Amendments are not expected to have a significant impact on the Company's financial statements.*
Amendments to IAS 1 Presentation of Financial Statements *(effective for annual periods beginning on or after 1 January 2023, with earlier adoption permitted)* *The changes have not yet been approved by the EU.*	Amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies.	*These Amendments are not expected to have a significant impact on the Company's financial statements.*
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Correcting Errors *(effective for annual periods beginning on or after 1 January 2023, with earlier adoption permitted)* *The changes have not yet been approved by the EU.*	The amendments introduce definitions of an estimate and contain other amendments to IAS 8 explaining how to distinguish a change in accounting policy from changes in estimates. This distinction is very important because changes in accounting policies are generally applied retrospectively, while changes in estimates are recognized in the period in which the changes occur.	*These Amendments are not expected to have a significant impact on the Company's financial statements.*

In these condensed interim consolidated financial statements, the Group has not decided to adopt earlier any standard, interpretation or amendment that has been published but has not yet come into force in the light of European Union regulations.

(All amounts in PLN '000 unless indicated otherwise)

4. Seasonality

The Group's offer is aimed at the consumer market, which is sensitive to the seasons and weather conditions. However seasonality practically does now exists now. This is the result of the implemented policy of introducing a new assortment, adjusted to the seasons of the year, as well as continuous improvement of logistics processes. The fact that the Group is present on both the European and Asian markets and takes advantage of the changing demand on these markets for cultural and climatic reasons observed at the same time is also significant for the disappearance of seasonality.

5. Property, plant and equipment

	30 June 2021 unaudited	31 December 2020
Land	2,907	2,907
Buildings and structures	9,430	9,709
Plant and equipment	4,457	4,961
Vehicles	811	1,047
Other	7,446	7,125
Total	**25,051**	**25,749**
Property, plant and equipment not transferred for use	3,980	738
Total property, plant and equipment	**29,031**	**26,487**

In the item "other", the Group mainly includes storage and display shelves as well as furniture for offices and warehouses.

In the period from 1 January to 30 June 2021, the gross value of property, plant and equipment increased by PLN 4,362 thousand, mainly due to the continued construction of a new warehouse by the subsidiary in China and purchase of IT equipment and storage and display racks by the Parent Entity and a subsidiary in Romania. Fixed assets with a net book value of PLN 57 thousand were liquidated. Depreciation of property, plant and equipment recognized in profit or loss amounted to PLN 2,106 thousand. Other changes result from differences from the translation of foreign entities.

6. Right-of-use assets

	30 June 2021 unaudited	31 December 2020
Land	6,487	6,431
Buildings and structures	19,321	22,980
Plant and equipment	2,228	640
Vehicles	6,815	3,757
Total	**34,851**	**33,808**

The increase in right-of-use assets resulted mainly from:

- commissioning of subsequent forklifts with an initial value of PLN 1,549 thousand, as a result of the concluded forklift leasing agreement;
- conclusion of a passenger car lease agreement, as a result of which right-of-use assets were recognized in the amount of PLN 2,233 thousand. At the same time, the existing passenger car leasing agreement was terminated, as a result of which assets with a gross value of PLN 1,236 thousand were liquidated (net value of PLN 2 thousand);
- concluding a server lease agreement, as a result of which right-of-use asset was recognized in the amount of PLN 1,775 thousand;
- indexation of the warehouse lease agreement in the amount of PLN 33 thousand.

(All amounts in PLN '000 unless indicated otherwise)

Depreciation of the right-of-use assets recognized in profit or loss amounted to PLN 4,301 thousand.

Other changes result from differences from the translation of foreign entities.

7. Goodwill

Goodwill amounting to PLN 770 thousand includes only the goodwill resulting from the acquisitions of Yato Tools (Shanghai) Co. Ltd. in 2013. In the first half of 2021, goodwill increased by PLN 19 thousand as a result of converting the value of the assets into the presentation currency.

8. Inventory

	30 June 2021 unaudited	31 December 2020
Goods for resale at warehouse and in transit	218,790	218,191
Asset for expected returns from customers	1,074	1,160
Total inventory (per balance sheet)	**219,864**	**219,351**
Revaluation write-down for goods for resale	2,858	2,994
Total inventory (gross)	**222,722**	**222,345**

Creation and reversal of inventory write-down is recognized in profit or loss and presented as "cost of goods sold".

In accordance with IFRS 15, in the item "assets for expected returns from customers", the Group presents the value of goods which may be expected to be returned from customers after the end of the reporting period.

The table below presents changes in revaluation write-downs on inventory:

	2021	2020
As at 1 January	**2,994**	**2,557**
Increase	65	618
Reversal/utilisation	(190)	(253)
Currency translation differences	(11)	72
As at 30 June (unaudited) / 31 December	**2,858**	**2,994**

(All amounts in PLN '000 unless indicated otherwise)

9. Trade and other short-term receivables

	30 June 2021 unaudited	31 December 2020
Trade receivables from related parties	1	1
Trade receivables from third parties	66,679	60,303
Total trade receivables	**66,680**	**60,304**
Taxes, custom duties and social security receivables	11,065	8,344
Other receivables from third parties	2,620	502
Advances for deliveries of goods for resale	12,155	4,923
Advances for deliveries of property, plant and equipment	6,755	-
Prepayments and deferred costs	1,447	2,239
Total gross receivables	**100,722**	**76,312**
Allowance for the expected credit losses on trade receivables	(2,905)	(3,142)
Impairment write-downs of other receivables	(55)	(74)
Total net receivables	**97,762**	**73,096**

The Group performs individual and group analysis of impairment of trade receivables. Receivables are analysed individually when there is an objective evidence of impairment that may have a negative effect on the amount of future cash flows. Significant objective conditions include, for example, taking legal action against a debtor, serious financial problems of the debtor, significant overdue payments. In the case of short-term trade receivables analysed in groups, which do not have a significant financing element, the Group applies the simplified approach required in IFRS 9 and measures impairment losses in the amount of credit losses expected throughout the lifetime of the receivable from its initial recognition. The Group utilizes provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

Changes in the allowance for the expected credit losses of trade receivables are presented in the table below:

	2021	2020
As at 1 January	**3,142**	**4,655**
Write-off created in the period	99	764
Reversal of unused write-offs	(216)	(1,207)
Use of write-offs created in previous periods	(137)	(1,160)
Currency translation differences	17	90
As at 30 June (unaudited) / 31 December	**2,905**	**3,142**

Recognition and reversal of impairment losses on receivables has been included in the item: "expected credit losses".

(All amounts in PLN '000 unless indicated otherwise)

10. Cash and cash equivalents

	30 June 2021 unaudited	31 December 2020
Cash in hand and at bank	65,282	33,961
Total cash and cash equivalents	**65,282**	**33,961**

11. Additional explanation to the cash flow statement

Reconciliation of changes in balance sheet items as shown in the statements of financial position and in the statements of cash flows:

6 months ended on 30 June 2021		Adjustments			
	Balance sheet change	Advances paid for property, plant and equipment	Measurement of cash in foreign currencies	Effect of currency translation of foreign entities	Change in statement of cash flows
Change in trade and other receivables	(24,664)	6,716	-	(984)	(18,932)
Change in inventories	(513)		-	978	465
Change in provisions	216		-	6	222
Change in trade and other payables	41,056		-	127	41,183
Change in employee benefit liabilities	(1,333)		-	(66)	(1,399)
Change in cash	31,321	-	122		31,443

6 months ended on 30 June 2020		Adjustments		
	Balance sheet change	Measurement of cash in foreign currencies	Effect of currency translation of foreign entities	Change in statement of cash flows
Change in trade and other receivables	(7,124)	-	615	(6,509)
Change in inventories	17,393	-	1,156	18,549
Change in provisions	254	-	(11)	243
Change in trade and other payables	33,214	-	(930)	32,284
Change in employee benefit liabilities	(1,316)	-	(108)	(1,424)
Change in cash	25,654	(682)	-	24,972

12. Share capital

As at 30 June 2021, the share capital amounts to PLN 7,504,222.60 and comprises 75,042,226 shares with a par value of PLN 0.1 each.

In the first half of 2021, there were no changes in the amount of share capital.

13. Earnings per share

	6 months ended 30 June		3 months ended 30 June	
	2021	**2020**	**2021**	**2020**
	unaudited	**Unaudited**	**unaudited**	**Unaudited**
Net profit	42,188	30,949	22,960	17,724
Weighted average number of ordinary shares ('000)	75,042	75,042	75,042	75,042
Basic earnings per share from continuing operations (PLN)	**0.56**	**0.41**	**0.31**	**0.24**
Net profit attributable to ordinary shareholders used to calculate diluted earnings per share	42,188	30,949	22,960	17,724
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	75,042	75,042	75,042	75,042
Diluted earnings per share from continuing operations (PLN)	**0.56**	**0.41**	**0.31**	**0.24**

Basic earnings per share were calculated by dividing the net profit by the weighted average number of ordinary shares during the period.

In the first half of 2021 and 2020 the Group had no potential dilutive instruments.

14. Resolutions on approving the annual consolidated report of Toya S.A. Group for 2020 and distribution of profit of the Parent Company

On 29 June 2021, the General Meeting of Shareholders of Toya S.A. approved the consolidated financial statements of TOYA Group and the financial statements of TOYA S.A. for 2020, and also decided to distribute the profit of TOYA S.A. for 2020 as follows:

- PLN 21,762.2 thousand was allocated for the payment of dividend;
- PLN 32,977.4 thousand was allocated to supplementary capital.

(All amounts in PLN '000 unless indicated otherwise)

15. Loans and borrowings liabilities

	30 June 2021 unaudited	31 December 2020
Long-term bank loans an borrowings liabilities	5,907	4,360
Short-term bank loans an borrowings liabilities	2,369	27,141
Total bank loans an borrowings liabilities	**8,276**	**31,501**

Compliance with the provisions of the loan agreement

As at 30 June 2021, the Group did not default on its debt repayment obligations or on any other of its obligations under loan agreements in a manner which would result in an acceleration of debt repayment.

Working capital loan agreements provide that the borrower maintains the financial debt ratios at the agreed level throughout the loan period. If the condition of maintaining the ratios at the level specified by the bank is not met, the bank has the right to terminate the loan agreements.

The nature of other loan repayment collaterals has not changed as compared to 31 December 2020.

(All amounts in PLN ‘000 unless indicated otherwise)

15. Loans and borrowings liabilities (cont.)

Characteristics of credit agreements:

Object and value of agreement	Name of the Bank / covering bonds / granting loans	Loan amount as per agreement as at 30.06.2021	Amount outstanding as at 30.06.2021	Amount outstanding as at 31.12.2020	Current interest rate	Date of expiry
1. Overdraft facility agreement No BDK/KR-RB/000054601/0641/10 of 22 December 2010	Bank Handlowy w Warszawie S.A.	40,000	-	8,555	WIBOR 1 M + bank’s margin	17 December 2021
2. Overdraft credit facility agreement No 09/030/19/Z/VV	mBank S.A. with its registered office in Warsaw	40,000	-	8,585	WIBOR 1 T + bank’s margin	30 September 2021
3. Overdraft credit facility agreement No WAR/8833/20/326/CB	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	25,000	6	10,001	WIBOR 1 M + bank’s margin	19 September 2021
4. Non-revolving loan agreement no WAR/8833/20/327/CB	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	24,000	8,270	4,360	WIBOR 1 M + bank’s margin	30 September 2023
Total liabilities, of which:		**129,000**	**8,276**	**31,501**		
– short-term portion		105,000	2,369	27,141		
– long-term portion		24,000	5,907	4,360		

(All amounts in PLN '000 unless indicated otherwise)

16. Trade and other payables

	30 June 2021 unaudited	31 December 2020
Trade payables to related parties	-	-
Trade payables to third parties	102,515	64,548
Total trade payables	**102,515**	**64,548**
Tax liabilities	7,224	6,156
Liability due to expected goods returns	1,877	2,014
Prepayments received	4,634	3,715
Other payables to third parties	1,640	401
Total other current payables	**15,375**	**12,286**
Total	**117,890**	**76,834**

17. Sales revenue

	6 months ended 30 June		3 months ended 30 June	
	2021 unaudited	2020 unaudited	2021 unaudited	2020 unaudited
Sales of goods for resale	342,719	256,113	177,125	136,818
Total sales revenue	**342,719**	**256,113**	**177,125**	**136,818**

The geographical structure of revenues from sales has been presented below:

	6 months ended 30 June 2021		6 months ended 30 June 2020		3 months ended 30 June 2021		3 months ended 30 June 2020	
	Sales revenue	Share	Sales revenue	Share	Sales revenue	Share	Sales revenue	Share
Ukraine	19,427	5.7%	12,390	4.9%	9,628	5.4%	5,763	4.2%
Baltic countries	11,024	3.2%	8,172	3.2%	6,153	3.5%	4,518	3.3%
Hungary	9,513	2.8%	8,302	3.2%	4,707	2.7%	3,518	2.6%
Belarus	8,033	2.3%	6,551	2.6%	4,056	2.3%	3,082	2.3%
Czech Republic	7,572	2.2%	6,123	2.4%	3,916	2.2%	3,233	2.4%
Germany	5,473	1.6%	4,086	1.6%	2,536	1.4%	2,225	1.6%
Russia	4,295	1.3%	3,677	1.4%	2,558	1.4%	1,687	1.2%
Europe – other EU countries	16,661	4.8%	5,684	2.2%	8,989	5.1%	3,237	2.4%
Europe – other non-EU countries	8,361	2.4%	6,900	2.7%	4,132	2.3%	2,988	2.2%
Africa	4,520	1.3%	8,680	3.4%	3,197	1.8%	7,156	5.2%
Central and South America	12,031	3.5%	8,099	3.2%	7,223	4.1%	6,094	4.4%
Asia	11,518	3.4%	7,759	3.0%	4,613	2.6%	3,105	2.3%
Australia and Oceania	257	0.1%	103	0.0%	142	0.1%	31	0.0%
Total export	118,685	34.6%	86,526	33.8%	61,850	34.9%	46,637	34.1%
Poland	169,530	49.5%	134,116	52.4%	86,490	48.8%	70,602	51.6%
Romania	36,509	10.6%	24,265	9.4%	19,464	11.0%	13,014	9.5%
China	17,995	5.3%	11,206	4.4%	9,321	5.3%	6,565	4.8%
Total sales revenue	**342,719**	**100.0%**	**256,113**	**100.0%**	**177,125**	**100.0%**	**136,818**	**100.0%**

18. Operating segments

The Management Board of the Parent Company makes decisions related to the Group's operations from the perspective of distribution channels and geographical coverage.

The Group specifies four operating and reporting segments for its activities:

- sales on local markets (Poland, Romania and China) to retail networks;
- sales on local markets (Poland, Romania and China) – wholesale market;
- export sales;
- retail sales, mainly e-commerce.

As part of the retail networks segment, the Group cooperates with large retail networks throughout Poland and Romania. Wholesale on all markets where the Group holds its entities is conducted through a network of wholesalers, authorised retail stores and sales representatives. Foreign markets are supported using sales department of the Parent Company and subsidiaries Yato Tools (Shanghai) Co. Ltd. and Yato Tools (Jiaxing) Co. Ltd. As part of retail sales, sales are mainly realized through an online store and online sales platforms.

Data analysed by the Management Board of the Parent Company for segment description is consistent with the data disclosed in the statement of comprehensive income.

The Group did not record revenue from sale to a single external customer exceeding 10% of total sales revenue.

As at 30 June 2021, the Group's assets amounted to PLN 455,163 thousand, and the Group's liabilities amounted to PLN 196,298 thousand and were related only to trading activities. The Management Board of the Parent Company does not examine the assets of the Group for each segment separately.

The Parent Company has no non-current assets located abroad. Non-current assets of the subsidiaries are located outside of Poland. The net value of property, plant and equipment located in Romania as at 30 June 2021 is PLN 5,879 thousand and located in China is PLN 6,216 thousand.

18. Operating segments (cont.)

6 months ended 30 June 2021 (unaudited)	*EXPORT SALES*	*WHOLESALE MARKET*	*RETAIL NETWORKS*	*RETAIL SALES*	TOTAL
Sales revenue					
Sales to external customers	118,685	165,509	36,024	22,501	342,719
Total segment revenue	**118,685**	**165,509**	**36,024**	**22,501**	**342,719**
Cost of goods sold					
Sales to external customers	(82,901)	(107,680)	(23,788)	(11,922)	(226,291)
Total costs of goods sold	**(82,901)**	**(107,680)**	**(23,788)**	**(11,922)**	**(226,291)**
Gross profit	**35,784**	**57,829**	**12,236**	**10,579**	**116,428**
Gross profit margin	**30%**	**35%**	**34%**	**47%**	**34%**

6 months ended 30 June 2020 (unaudited)	*EXPORT SALES*	*WHOLESALE MARKET*	*RETAIL NETWORKS*	*RETAIL SALES*	TOTAL
Sales revenue					
Sales to external customers	86,526	114,984	35,756	18,847	256,113
Total segment revenue	**86,526**	**114,984**	**35,756**	**18,847**	**256,113**
Cost of goods sold					
Sales to external customers	(53,452)	(75,103)	(24,854)	(10,357)	(163,766)
Total costs of goods sold	**(53,452)**	**(75,103)**	**(24,854)**	**(10,357)**	**(163,766)**
Gross profit	**33,074**	**39,881**	**10,902**	**8,490**	**92,347**
Gross profit margin	**38%**	**35%**	**30%**	**45%**	**36%**

(All amounts in PLN '000 unless indicated otherwise)

18. Operating segments (cont.)

3 months ended 30 June 2021 (unaudited)	***EXPORT SALES***	***WHOLESALE MARKET***	***RETAIL NETWORKS***	***RETAIL SALES***	**TOTAL**
Sales revenue					
Sales to external customers	61,850	87,219	16,072	11,984	177,125
Total segment revenue	**61,850**	**87,219**	**16,072**	**11,984**	**177,125**
Cost of goods sold					
Sales to external customers	(43,344)	(56,149)	(10,521)	(6,218)	(116,232)
Total costs of goods sold	**(43,344)**	**(56,149)**	**(10,521)**	**(6,218)**	**(116,232)**
Gross profit	**18,506**	**31,070**	**5,551**	**5,766**	**60,893**
Gross profit margin	**30%**	**36%**	**35%**	**48%**	**34%**

3 months ended 30 June 2020 (unaudited)	***EXPORT SALES***	***WHOLESALE MARKET***	***RETAIL NETWORKS***	***RETAIL SALES***	**TOTAL**
Sales revenue					
Sales to external customers	46,637	60,535	17,415	12,231	136,818
Total segment revenue	**46,637**	**60,535**	**17,415**	**12,231**	**136,818**
Cost of goods sold					
Sales to external customers	(30,173)	(38,852)	(11,765)	(6,952)	(87,742)
Total costs of goods sold	**(30,173)**	**(38,852)**	**(11,765)**	**(6,952)**	**(87,742)**
Gross profit	**16,464**	**21,683**	**5,650**	**5,279**	**49,076**
Gross profit margin	**35%**	**36%**	**32%**	**43%**	**36%**

19. Costs by type and cost of goods for resale sold

	6 months ended 30 June		3 months ended 30 June	
	2021	**2020**	**2021**	**2020**
	unaudited	**unaudited**	**unaudited**	**unaudited**
Amortisation and depreciation	6,947	4,911	3,502	2,689
Material and energy consumption	2,749	2,108	1,417	930
Third-party services, including:	15,462	14,002	8,579	6,781
costs of transportation	*5,226*	*4,637*	*2,833*	*2,192*
logistics services (external warehouses)	-	*1,930*	-	*757*
IT, telecommunications and postal costs	*1,163*	*974*	*639*	*556*
online sales platform access services	*2,111*	*1,423*	*1,088*	*948*
short-term rental and service charges related to leases	*2,069*	*1,568*	*1,378*	*699*
legal, audit and consulting costs	*1,283*	*783*	*914*	*321*
other third-party services	*3,610*	*2,687*	*1,727*	*1,308*
Taxes and fees	830	688	387	317
Costs of employee benefits, including:	31,340	26,200	16,058	13,665
Salaries	*26,424*	*22,638*	*13,547*	*12,000*
Social security	*4,120*	*3,126*	*2,076*	*1,427*
Employee capital plans	*68*	*70*	*39*	*43*
Other	*728*	*366*	*396*	*195*
Other costs by type	5,226	6,132	2,654	3,815
Value of goods for resale and materials sold	226,291	163,766	116,232	87,742
Total costs by type and value of goods for resale sold	**288,845**	**217,807**	**148,829**	**115,939**

Selling costs, including:	44,974	41,707	23,080	21,694
amortisation and depreciation	*5,470*	*3,786*	*2,772*	*2,085*
costs of employee benefits	*21,574*	*17,450*	*11,219*	*8,942*
Administrative expenses, including:	17,580	12,334	9,517	6,503
amortisation and depreciation	*1,477*	*1,125*	*730*	*604*
costs of employee benefits	*9,766*	*8,750*	*4,839*	*4,723*
Value of goods for resale sold	226,291	163,766	116,232	87,742
Costs by type and value of goods sold	**288,845**	**217,807**	**148,829**	**115,939**

(All amounts in PLN '000 unless indicated otherwise)

20. Income tax

	6 months ended 30 June		3 months ended 30 June	
	2021	**2020**	**2021**	**2020**
	unaudited	**unaudited**	**unaudited**	**unaudited**
Profit before tax	52,751	38,370	28,525	21,876
Tax rate applicable in the period	19%	19%	19%	19%
Tax calculated at the applicable tax rate	**10,023**	**7,290**	**5,420**	**4,156**
Tax effect of the following items:				
- permanent tax differences – costs	109	123	3	28
- temporary differences for which assets were not created	(8)	(166)	(133)	(192)
- tax relating to previous years	-	-	103	-
Tax credits	(1)	(38)	(1)	(17)
Difference in tax rates between countries (16% rate in Romania, 25% in China)	440	212	172	177
Income tax reported in the profit and loss account	**10,563**	**7,421**	**5,564**	**4,152**
- current portion	10,135	8,778	5,611	4,754
- deferred portion	428	(1,357)	(47)	(602)

21. Changes in estimates

21.1 Inventory write-down

In the first half of 2021, the Group decreased the inventory write-down by PLN 136 thousand, while in the same period of 2020 the write-down on inventories was increased by PLN 60 thousand.

21.2 Write-off for expected credit losses on receivables

In the first half of 2021, the Group decreased the write-off due to expected credit losses related to trade receivables by PLN 237 thousand – see note 9 for more details. In the same period of 2020 the write-off was increased by PLN 1,031 thousand.

21.3 Employee benefits obligations

In the first half of 2021, liabilities due to employee benefits decreased by PLN 1,332 thousand, mainly as a result of settlement of employee salaries liabilities recognized as at 31 December 2020. At the same time, the Group has increased the provision for unused holidays by the amount of PLN 542 thousand (in the same period of 2020 the provision was increased by PLN 519 thousand).

21.4 Provisions

In the first half of 2021, the Group increased the warranty provision by PLN 216 thousand (in the same period of 2020 the provision was increased by PLN 254 thousand).

(All amounts in PLN '000 unless indicated otherwise)

21.5 Deferred tax

Deferred tax asset has increased in the first half of 2021 by PLN 282 thousand, mainly as a result of temporary differences from provisions created. Deferred tax provision was increased by PLN 998 thousand in the same period of 2020. In the opinion of the Management Board of the Parent Company, there is no risk that the deferred tax asset could not be realized.

22. Fair value

Book value of financial assets and liabilities approximates their fair value. In the first half of 2021 and 2020, there were no changes in the business conditions and economic situation that would affect the fair value of financial assets and liabilities.

23. Financial guarantees granted and received

As at 30 June 2021, the Group had the following guarantees:

No	Counterparty	Type of guarantee	Subject matter and value	Date of expiry
1	Bank Handlowy w Warszawie S.A.	Guarantee of payment for the lease of warehouses in Nadarzyn	Bank guarantee in the amount of EUR 429,980	28 February 2022
2	Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.	Contract on granting a customs debt guarantee	The security for repayment of custom debts, taxes and other fees associated with goods released into free circulation based on customs declaration, in the amount of PLN 270,000	31 December 2021
3	BRD Groupe Societe Generale	Guarantee of payment for warehouse rental in Bucharest	Bank guarantee in the amount of EUR 193,719	3 August 2021

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

24. Contingent assets and liabilities

As at 30 June 2021, the Group had no significant contingent liabilities or contingent assets.

(All amounts in PLN '000 unless indicated otherwise)

25. Transactions with related entities

In the first half of 2021 and 2020, the Group effected transactions with the following related parties:

- Toya Development Sp. z o.o. S.K. in liquidation – entity related through key management personnel,
- Grzegorz Pinkosz – President of the Management Board – key management personnel,
- Maciej Lubnauer – Vice-President of the Management Board – key management personnel,
- Piotr Mondalski – President of the Supervisory Board – key management personnel,
- Jan Szmidt – Vice-President of the Supervisory Board – key management personnel,
- Grzegorz Maciąg – Member of the Supervisory Board – key management personnel,
- Dariusz Górka – Member of the Supervisory Board – key management personnel,
- Michał Kobus - Member of the Supervisory Board – key management personnel,
- Wojciech Bartłomiej Papierak - Member of the Supervisory Board – key management personnel,
- Beata Szmidt - Member of the Supervisory Board – key management personnel.

	Trade and other receivables	Revenue from sales of goods	Purchase of goods and services	Salaries
	30.06.2021		**1.01.2021 - 30.06.2021**	
Entities related through key management personnel	1	2	-	-
Key management personnel	-	-	-	2,394
Total	**1**	**2**	**-**	**2,394**
	31.12.2020		**1.01.2020 - 30.06.2020**	
Entities related through key management personnel	1	9	2	-
Key management personnel	-	-	-	1,932
Total	**1**	**9**	**2**	**1,932**

Related party transactions are entered into on arm's length terms in the course of the Group's day-to-day operations.

(All amounts in PLN '000 unless indicated otherwise)

26. Material events subsequent to the end of reporting period

26.1 Contribution to the share capital of Yato Tools (Jiaxing) Co. Ltd.

On 26 July 2021, the Parent Company made a payment of USD 1,400 thousand (PLN 5,449 thousand) for the share capital of Yato Tools (Jiaxing) Co. Ltd.

26.2 Dividend payment

On 13 August 2021, a dividend in the amount of PLN 21,762 thousand was paid out, i.e. PLN 0.29 per share.

Management Board of Toya S.A.

Date	**Name and surname**	**Position**	**Signature**
26 August 2021	Grzegorz Pinkosz	President of the Management Board	
26 August 2021	Maciej Lubnauer	Vice-President of the Management Board	

Person responsible for bookkeeping:

Date	**Name and surname**	**Position**	**Signature**
26 August 2021	Iwona Banik	Chief Accountant	