



**DIRECTORS' REPORT ON THE OPERATIONS OF  
TOYA S.A. AND THE CAPITAL GROUP TOYA S.A.  
IN THE FIRST HALF OF 2021**



## Contents

1. PROFILE OF THE PARENT COMPANY .....	3
1.1 General Information – Toya S.A.....	3
1.2 Management Board and Supervisory Board .....	3
1.3 Share capital .....	4
1.4 Shareholders structure and indication of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the general meeting.....	4
1.5 Shares held by managers and supervisors.....	4
1.5.1 Shares held by members of the Management Board .....	4
1.5.2 Shares held by members of the Supervisory Board .....	5
1.5.3 Share option plans .....	5
2. ORGANIZATIONAL STRUCTURE OF THE CAPITAL GROUP AND ITS CHANGES.....	5
3. POSITION OF THE MANAGEMENT BOARD ON THE POSSIBILITY OF FULFILLING PREVIOUSLY PUBLISHED FORECASTS.....	6
4. DESCRIPTION OF THE MOST IMPORTANT EVENTS DURING THE FIRST HALF OF 2021, SIGNIFICANT ACHIEVEMENTS OR FAILURES.....	6
4.1 Transactions in major blocks of shares.....	6
4.2 Contribution to the share capital of Yato Tools (Jiaxing) Co. Ltd.....	6
4.3 Transactions in major blocks of shares.....	6
4.4 Resolutions adopted by the General Meeting of Shareholders on 29 June 2021 .....	6
4.5 Impact of the COVID-19 coronavirus pandemic on the Group's operations .....	7
5. DESCRIPTION OF FACTORS AND EVENTS, INCLUDING THOSE OF UNUSUAL NATURE, WHICH HAVE A SIGNIFICANT IMPACT ON THE CONDENSED STAND-ALONE AND CONSOLIDATED FINANCIAL STATEMENTS....	7
5.1 Comment on the financial results achieved BY Toya S.A.....	7
5.2 Structure of TOYA S.A. assets and liabilities .....	9
5.3 Commentary on the financial results achieved by TOYA Group.....	12
5.4 Structure of the TOYA S.A. Group's assets and liabilities .....	14
5.5 Assessment of the Company's and Group's ability to meet their obligations.....	17
6. DESCRIPTION OF BASIC RISKS, THREATS AND FACTORS WHICH WILL AFFECT THE RESULTS ACHIEVED IN THE NEXT HALF YEAR .....	17
6.1 Basic risks and threats .....	17
6.2 Factors influencing the result in the next six months.....	19
7. DISPUTES.....	21
8. RELATED PARTY TRANSACTIONS.....	21
9. GUARANTEES GRANTED AND RECEIVED .....	21
10. CONTINGENT ASSETS AND LIABILITIES .....	21
11. INFORMATION ON SIGNIFICANT EVENTS AFTER 30 JUNE 2021 .....	22
11.1 Share capital payment of Yato Tools (Jiaxing) Co. Ltd. ....	22
11.2 Payment of Dividends.....	22

## **1. PROFILE OF THE PARENT COMPANY**

### **1.1 General Information – Toya S.A.**

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

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

The duration of the Company is unlimited.

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

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

### **1.2 Management Board and Supervisory Board**

In the first half of 2021 and as at the date of approval of this report for publication, the Management Board was composed of the following members:

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

In the first half of 2021 and as at the date of approval of this report for publication, the Supervisory Board was composed of the following members:

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

## TOYA S.A. Capital Group

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

### 1.3 Share capital

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

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

### 1.4 Shareholders structure and indication of shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the general meeting

The shareholding structure of the Parent Company, according to information held by TOYA S.A. as at 30 June 2021 and as at the date of publication of this report was as follows:

	Number of shares	Share in the share capital (%)	Number of votes at the AGM	Share of votes at the AGM (%)
Jan Szmidt	28,170,647	37.54%	28,170,647	37.54%
Romuald Szałagan	9,652,290	12.86%	9,652,290	12.86%
Generali OFE	5,001,147	6.66%	5,001,147	6.66%
Other shareholders	32,218,142	42.94%	32,218,142	42.94%
<b>Total</b>	<b>75,042,226</b>	<b>100.00%</b>	<b>75,042,226</b>	<b>100.00%</b>

There have been no changes in the ownership structure of significant blocks of shares in TOYA S.A. since the date of submitting the previous periodic report (i.e. from 7 May 2021).

### 1.5 Shares held by managers and supervisors

#### 1.5.1 Shares held by members of the Management Board

The number of shares as at the date of submitting the report and changes in the shares held by the Management Board Members from the date of submitting the last report (quarterly report for the 1st quarter of 2021 published on 7 May 2021), in accordance with the information possessed by the Company is presented in the table below:

	According to information possessed as of 7 May 2021	Increases / Decreases	According to information possessed as of 26 August 2021
Grzegorz Pinkosz	146,812	-	146,812
Maciej Lubnauer	61,831	-	61,831
<b>TOTAL</b>	<b>208,643</b>	<b>-</b>	<b>208,643</b>

## TOYA S.A. Capital Group

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

### 1.5.2 Shares held by members of the Supervisory Board

The number of shares as at the date of submitting the consolidated semi-annual report and changes in the shares held by the Supervisory Board Members from the date of submitting the last report (quarterly report for the 1st quarter of 2021 published on 7 May 2021), in accordance with the information possessed by the Company is presented in the table below:

	According to information possessed as of 7 May 2021	Increases / Decreases	According to information possessed as of 26 August 2021
Jan Szmidt	28,170,647	-	28,170,647
Beata Szmidt	3,239,253	-	3,239,253
Grzegorz Maciąg	5,275	-	5,275
<b>TOTAL</b>	<b>31,415,175</b>	-	<b>31,415,175</b>

### 1.5.3 Share option plans

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

## 2. ORGANIZATIONAL STRUCTURE OF THE CAPITAL GROUP AND ITS CHANGES

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

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

In the first half of 2021, there were no changes in the organizational structure of the TOYA S.A. Capital Group.

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

The Management Board of Toya S.A. did not publish forecasts of the Company's or the Group's results for 2021.

### **4. DESCRIPTION OF THE MOST IMPORTANT EVENTS DURING THE FIRST HALF OF 2021, SIGNIFICANT ACHIEVEMENTS OR FAILURES**

#### **4.1 Transactions in major blocks of shares**

On 17 March 2021, the Company received a notification from the shareholder, Tomasz Koprowski, about the transactions that he concluded between 1 January and 15 March 2021. As a result of the sale of 4,800,000 shares, the shareholder decreased his share in the share capital and in the total number of votes in the General Meeting to a level below 5%.

#### **4.2 Contribution to the share capital of Yato Tools (Jiaxing) Co. Ltd.**

On 29 March 2021, the Company paid USD 1 million (PLN 3,931 thousand) for the share capital of Yato Tools (Jiaxing) Co. Ltd., which decreased the liability for the purchase of shares disclosed as at 31 December 2020. The next payment was made in July 2021 - details are included in point 11.1.

#### **4.3 Transactions in major blocks of shares**

On 27 April 2021, the Company received a notification from a shareholder, Rockbridge Towarzystwo Funduszy Inwestycyjnych S.A. on the transaction concluded on 22 April 2021. As a result of the sale of 73,000 shares, the shareholder decreased its share in the share capital and in the total number of votes in the General Meeting, and therefore, as at the date of publication of this report, this share does not exceed 5%.

#### **4.4 Resolutions adopted by the General Meeting of Shareholders on 29 June 2021**

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

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

#### **4.5 Impact of the COVID-19 coronavirus pandemic on the Group's operations**

The Group purchases goods from suppliers located in various parts of the world, but in particular in Asia. The spread of the COVID-19 coronavirus in that area in 2020 had an impact on the temporary interruption of deliveries of goods from that area.

All Group companies followed the recommendations of local state authorities, including sanitary authorities, regarding the protection of employees, their families and all contractors. Some operational processes have been modified in order to introduce sanitary regimes in accordance with the best knowledge and business practice. Remote work was introduced in operational processes, where possible. The companies cooperated with all institutions and state authorities with the utmost care, in accordance with the applicable local laws.

In the first half of the year, all companies belonging to the Group conducted normal operating activities.

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

#### **5.1 Comment on the financial results achieved BY Toya S.A.**

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

	<b>6 month period ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Sales revenue	282,880	214,273
Gross sales profit	82,663	67,838
Operating profit	44,104	32,951
Profit before tax	43,722	32,253
Net profit	35,326	26,011

In the first half of 2021, sales revenues amounted to PLN 282,880 thousand and were 32% higher than the revenues achieved in the first half of 2020. Gross profit on sales was higher by PLN 14,825 thousand (21.9%) in the analysed period of 2021, as compared to the corresponding period of 2020, which was mainly caused by a higher level of sales by PLN 68,607 thousand. The largest increase in sales, by PLN 33,193 thousand (41.4%) was recorded in the export channel. The traditional channel also recorded a significant increase in revenues by PLN 32,760 thousand (39.7%). An important factor in the increase in sales was the high, constant availability of goods and the expansion of the product offer.

Operating profit was higher by PLN 11,153 thousand as compared to the first half of 2020, which was mainly due to a higher level of gross profit.

The Company decreased its exposure to short-term bank loans compared to the first half of 2020. In the first half of 2021, interest expenses on loans amounted to PLN 69 thousand, as compared to PLN 284 thousand in the corresponding period of the previous year.

**TOYA S.A. Capital Group**

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

Net profit in the first half of 2021 increased by PLN 9,315 thousand, i.e. by 35.8%, as compared to the period of the first six months of 2020, to the level of PLN 35,326 thousand.

**Profitability ratios**

	6 month period ended June 30	
	2021	2020
Sales profit margin	29.2%	31.7%
Operating profit margin	15.6%	15.4%
Pre-tax profit margin	15.5%	15.1%
Net profit margin	12.5%	12.1%

Key:

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

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

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

Net profit margin – the ratio of net profit to sales revenue

For TOYA S.A., the sales profit margin is the key indicator of the Company's market competitiveness and has a decisive impact on its financial position. Analysis of this ratio for the first half of 2021 shows that the sales profit margin in this period remains high.

**Cash flows of the Company (PLN '000)**

	6 month period ended June 30	
	2021	2020
Cash flows from operating activities	58,117	57,933
Cash flows from investment activities	(4,502)	(9,281)
Cash flows from financial activities	(26,732)	(46,883)
<b>Change in net cash</b>	<b>26,883</b>	<b>1,769</b>
Cash and cash equivalents at the beginning of the period	584	586
Cash and cash equivalents at the end of the period	27,539	2,375

In the first six months of 2021, the Company showed positive cash flows from operating activities, which amounted to PLN 58,117 thousand. and were slightly higher than in the corresponding period of 2020.

In the first half of 2021, the Company made a payment to the share capital of Yato Tools (Jiaxing) Co. Ltd. in the amount of PLN 3,931 thousand. Apart from that, the Company did not conduct any significant investment activity. Cash spent in this period was mainly related to the purchase of storage racks and computer equipment.

In the analysed six-month period of 2021, the Company generated negative cash flows from financing activities, mainly as a result of reducing its debt under loans to PLN 8,276 thousand. i.e. by PLN 23,225 thousand, as compared to 31 December 2020.



## TOYA S.A. Capital Group

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

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

### Liquidity ratios

	30.06.2021	30.06.2020
Current ratio	2.48	3.25
Quick ratio	0.77	0.73

Key:

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

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

Both the current and quick liquidity ratios are at a very good level.

## 5.2 Structure of TOYA S.A. assets and liabilities

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

	30.06.2021	31.12.2020
<b>Non-current assets, including:</b>	<b>92,149</b>	<b>90,076</b>
Property, plant and equipment	16,937	17,407
Intangible assets	2,963	3,208
Right-of-use assets	17,194	14,530
Investments in subsidiaries	52,984	52,984
<b>Current assets, including:</b>	<b>237,823</b>	<b>218,794</b>
Inventory	164,443	182,031
Trade and other receivables	45,841	36,179

% asset structure of TOYA S.A.

	30.06.2021	31.12.2020
Non-current assets / Assets	28%	29%
Property, plant and equipment / Assets	5%	6%
Intangible assets / Assets	1%	1%
Right-of-use assets / Assets	5%	5%
Investments in subsidiaries / Assets	16%	17%
Current assets / Assets	72%	71%
Inventory / Assets	50%	59%
Trade and other receivables / Assets	14%	12%

**TOYA S.A. Capital Group**

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

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

	<b>30.06.2021</b>	<b>31.12.2020</b>
Equity	217,435	203,871
Long-term liabilities	16,675	14,050
Short-term liabilities, including:	95,862	90,949
Short term trade and other liabilities	39,640	28,717

**% equity and liability structure of TOYA S.A.**

	<b>30.06.2021</b>	<b>31.12.2020</b>
Equity / Equity and liabilities	66%	66%
Short-term liabilities / Equity and liabilities	29%	29%
Long-term liabilities / Equity and liabilities	5%	5%
Short-term liabilities / Liabilities	85%	87%
Long-term liabilities / Liabilities	15%	13%

**Ratios of return on equity, assets and current assets**

	<b>6 month period ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Return on assets (ROA)	11%	8%
Return on equity (ROE)	16%	11%
Return on current assets	15%	11%

**Key:**

Return on assets (ROA) – the ratio of net profit to total assets as at the end of the period

Equity ratio (ROE) – the ratio of net profit to equity as at the end of the period

Return on current assets – the ratio of net profit to current assets as at the end of the period

As at 30 June 2021, the Company's property, plant and equipment constitute 5% of total assets. Property, plant and equipment comprise primarily land, buildings and structures necessary for the Company's commercial activity. A significant item of non-current assets are also the right-of-use assets, which account for 5% of total assets (5% as at 31 December 2020).

TOYA S.A.'s current assets, which as at 30 June 2021, accounted for 72% of total assets, are dominated by inventories, trade receivables and other receivables, which is typical for type of business activity conducted by TOYA S.A. Both of these items together account for 88.4% as at 30 June 2021 (99.7% as at 31 December 2020).

**TOYA S.A. Capital Group**

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

**Equity structure and debt ratios**

	<b>30.06.2021</b>	<b>31.12.2020</b>
Total debt ratio	34%	34%
Equity debt ratio	52%	52%
Long-term debt ratio	5%	5%
Short-term debt ratio	29%	29%
The ratio of coverage of non-current assets with equity and long-term liabilities	254%	242%

Key:

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

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

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

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

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

As at 30 June 2021, retained earnings totalling PLN 174,119 thousand were the main item in the equity of TOYA S.A. The Company's share capital as at 30 June 2021 amounted to PLN 7,504 thousand.

The main sources of financing operating activities, in particular current assets, include equity and short-term financing – primarily from bank loans and trade credit. As at 30 June 2021, TOYA S.A. financed 66% of its operations from equity. As at that date, the Company had short-term liabilities due to loans in the amount of PLN 2,369 thousand and long-term in the amount of PLN 5,907 thousand.

**TOYA S.A. management effectiveness ratios**

	<b>For the 6-month period ended 30 June 2021</b>	<b>For the 6-month period ended 30 June 2021</b>
Inventories turnover period (days)	105	151
Receivables inflow period (days)	29	42
Liabilities repayment period (days)	25	24

Key:

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

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

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

In the first half of 2021, the liabilities repayment period was shorter than the receivables collection period. This means that the Company granted a longer trade credit to recipients than it received from suppliers itself. Such a situation means an increase in the demand for working capital, which is typical for the industry in which the Company conducts its commercial activities. Moreover, the period of inventory turnover was shortened, which resulted from a higher level of sales with a similar level of inventories in the first half of 2021.

### 5.3 Commentary on the financial results achieved by TOYA Group

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

	6 month period ended June 30	
	2021	2020
Sales revenue	342,719	256,113
Gross sales profit	116,428	92,347
Operating profit	53,469	39,137
Profit before tax	52,751	38,370
Net profit	42,188	30,949

In the first half of 2021, sales revenues amounted to PLN 342,719 thousand and were higher by 33.8% as compared to the revenues achieved in the first half of 2020. Gross profit on sales was higher by PLN 24,081 thousand (i.e. 26.1%) in the analysed period of 2021, as compared to the corresponding period of 2020, which was mainly caused by a higher level of sales (by PLN 68,607 thousand) in the Parent Company.

The largest increase in sales, by PLN 50,525 thousand (43.9%) was recorded in the traditional channel, including PLN 32,760 thousand in Poland and PLN 12,244 thousand in Romania. A significant increase was also achieved on export markets - by PLN 32,159 thousand, i.e. by 37.2%, mainly in the European Union as well as in Asia and South America, where sales are carried out mainly by subsidiaries: Yato Tools (Shanghai) Co. Ltd. and Yato Tools (Jiaxing) Co. Ltd. An important factor in the increase in sales was the high, constant availability of goods, which distinguished the Group from the industry, and the constant expansion of the product offer.

Operating profit was higher by PLN 14,332 thousand as compared to the first half of 2020. Net profit in the first half of 2021 increased by PLN 11,239 thousand, i.e. by 36.3%, as compared to the period of the first six months of 2020, to PLN 42,188 thousand.

The Group significantly reduced its exposure to short-term bank loans compared to the first half of 2020. Interest expenses on loans in the first half of 2021 amounted to PLN 69 thousand, as compared to PLN 284 thousand in the corresponding period of the previous year.

**TOYA S.A. Capital Group**

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

**Profitability ratios**

	6 month period ended June 30	
	2021	2020
Sales profit margin	34.0%	36.1%
Operating profit margin	15.6%	15.3%
Pre-tax profit margin	15.4%	15.0%
Net profit margin	12.3%	12.1%

Key:

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

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

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

Net profit margin – the ratio of net profit to sales revenue

The profitability of sales is a basic indicator of market competitiveness for TOYA S.A. and has a decisive influence on its financial situation. The analysis of this indicator for the first half of 2022 shows, that return on sales remains high.

**Cash flows of the Group (PLN '000)**

	6 month period ended June 30	
	2021	2020
Cash flows from operating activities	71,596	81,013
Cash flows from investment activities	(11,761)	(4,290)
Cash flows from financial activities	(28,392)	(51,751)
<b>Net change in cash before foreign exchange differences</b>	<b>31,443</b>	<b>24,972</b>
Cash and cash equivalents at the beginning of the period	33,961	17,460
Cash and cash equivalents at the end of the period	65,282	43,114

In the first 6 months of 2021, the Group showed positive cash flows from operating activities, which amounted to PLN 71,596 thousand and were lower than in the corresponding period of 2020, mainly due to a higher level of receivables and a slightly higher level of inventories compared as compared to 30 June 2020.

Capital expenditures in the first half of 2021 amounted to PLN 11,761 thousand and were higher than in the same period of the previous year, mainly due to the expenditures incurred (including advance payments) for the construction of a new warehouse in China.

In the analyzed six-month period of 2021, the Company generated negative cash flows from financing activities, mainly as a result of reducing its debt under loans to PLN 8,276 thousand, i.e. by PLN 23,225 thousand, as compared to 31 December 2020.

Liquidity of TOYA S.A. Capital Group in the analysed period was at the appropriate level. The Group's net working capital was positive, covering the demand resulting from the amount of generated sales revenues. The Group

**TOYA S.A. Capital Group**

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

did not finance property, plant and equipment with short-term liabilities and was able to pay its short-term liabilities on time.

**Liquidity ratios**

	30.06.2021	30.06.2020
Current ratio	2.30	2.79
Quick ratio	0.98	1.03

Key:

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

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

Both the current and quick liquidity ratios are at a very good level.

**5.4 Structure of the TOYA S.A. Group's assets and liabilities****The structure of assets of TOYA S.A. Capital Group (PLN '000)**

	30.06.2021	31.12.2020
<b>Non-current assets, including:</b>	<b>72,255</b>	<b>68,534</b>
Property, plant and equipment	29,031	26,487
Intangible assets	3,692	3,867
Right-of-use assets	34,851	33,808
<b>Current assets, including:</b>	<b>382,908</b>	<b>326,408</b>
Inventory	219,864	219,351
Trade and other receivables	97,762	73,096

**% asset structure of TOYA S.A. Capital Group**

	30.06.2021	31.12.2020
Non-current assets / Assets	16%	17%
Property, plant and equipment / Assets	6%	7%
Intangible assets / Assets	1%	1%
Right-of-use assets / Assets	8%	9%
Current assets / Assets	84%	83%
Inventory / Assets	48%	56%
Trade and other receivables / Assets	21%	19%

**TOYA S.A. Capital Group**

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

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

	<b>30.06.2021</b>	<b>31.12.2020</b>
Equity	258,865	237,733
Long-term liabilities	29,631	27,773
Short-term liabilities, including:	166,667	129,436
Short-term trade and other liabilities	117,890	76,834

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

	<b>30.06.2021</b>	<b>31.12.2020</b>
Equity / Equity and liabilities	57%	60%
Short-term liabilities / Equity and liabilities	36%	33%
Long-term liabilities / Equity and liabilities	7%	7%
Short-term liabilities / Liabilities	85%	82%
Long-term liabilities / Liabilities	15%	18%

**Ratios of return on equity, assets and current assets**

	<b>6 month period ended June 30</b>	
	<b>2021</b>	<b>2020</b>
Return on assets (ROA)	9%	8%
Return on equity attributable to shareholders of the Parent Company ROE	16%	12%
Return on current assets	11%	9%

**Key:**

Return on assets (ROA) – the ratio of net profit to total assets as at the end of the period

Equity ratio (ROE) – the ratio of net profit to equity as at the end of the period

Return on current assets – the ratio of net profit to current assets as at the end of the period

The largest item of non-current assets are right-of-use assets, which account for 8% of total assets (9% as at 31 December 2020). This item includes mainly assets resulting from lease agreements for warehouses in Poland, Romania and China, perpetual usufruct of land, as well as lease agreements for computer equipment and cars in the Parent Company.

As at 30 June 2021, the Group's property, plant and equipment accounted for 6% of total assets. Tangible fixed assets consist mainly of land, buildings and structures necessary for the Group's commercial activity.

The current assets of the TOYA S.A. Capital Group, which as at 30 June 2021, account for 84% of total assets, are dominated by inventories, trade receivables and other receivables, which is characteristic for activities of TOYA S.A.'s and its Capital Group. Both of these items together account for 83% of total assets as at 30 June 2021 (90% as at 31 December 2020).

**TOYA S.A. Capital Group**

Consolidated semi-annual Report

Directors' report on operations of the TOYA S.A. and the Capital Group TOYA S.A. for 6-month period ended 30 June 2021

**Equity structure and debt ratios**

	<b>30.06.2021</b>	<b>31.12.2020</b>
Total debt ratio	43%	40%
Equity debt ratio	75%	66%
Long-term debt ratio	7%	7%
Short-term debt ratio	36%	33%
The ratio of coverage of non-current assets with equity and long-term liabilities	399%	388%

Key:

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

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

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

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

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

As at 30 June 2021, retained earnings in the amount of PLN 211,287 thousand was the main item of the Group's equity attributable to the shareholders of the Parent Company. Share capital of TOYA S.A. as at 30 June 2021 amounted to PLN 7,504 thousand.

The main sources of financing of operating activities, in particular current assets, are equity, as well as short-term financing - bank loans and trade credit. As at 30 June 2021, the Group financed 57% of its operations with equity. As at that date, the Group had short-term liabilities due to loans in the amount of PLN 2,369 thousand and long-term in the amount of PLN 5,907 thousand.

**Group management effectiveness ratios**

	<b>For the 6-month period ended 30 June 2021</b>	<b>For the 6-month period ended 30 June 2020</b>
Inventories turnover period (days)	115	152
Receivables inflow period (days)	51	58
Liabilities repayment period (days)	62	65

Key:

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

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

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

In the first half of 2021, the liabilities repayment period was longer than the receivables collection period. It is influenced by a higher share of sales with shorter payment terms. In addition, the inventory turnover period was shortened, which resulted from a higher level of sales with a comparable level of purchases in China.



## **5.5 Assessment of the Company's and Group's ability to meet their obligations**

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

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

### **6.1 Basic risks and threats**

#### **Macroeconomic situation**

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

European markets are one of the major areas of Toya Group's operations, therefore potential internal problems of the European Union may have a negative impact on the economy. This may result in reduction in the purchasing power of European societies, the emergence of barriers to trade, which may be additionally strengthened by the devaluation of local currencies in relation to the most important world currencies. However, the impact of these factors is difficult to estimate as the future economic and regulatory situation may differ from the expectations of the Parent Company's Management Board. The Group's management is closely monitoring the developments and adjusting its strategic intentions in order to minimize these threats.

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

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

#### **Competition**

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

### **Changes in currency markets**

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

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

### **Interest rate movements**

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

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

### **Interpretation and application of legal regulations**

Changes in legislation and diverse interpretations of the law impede the Group's operations. Changes in legislation, in particular in tax, customs, labour and social insurance law and introduction of new burdens, may have negative consequences for the Group's activity. Frequent changes in the interpretation of the tax law and lack of uniform practices of fiscal authorities and courts in the application of tax legislation, are particularly burdensome. This may involve the risk of third-party claims and proceedings of various state authorities. Moreover, because of their complexity and inconsistent taxation practices, interpretations are often the subject of disputes with tax authorities. The Group 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 Group adopt different interpretations of tax regulations and different tax qualification of events and transactions in which the Parent Company participated, may have adverse impact on the Group's financial performance.

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

### **Supply chain**

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

## **6.2 Factors influencing the result in the next six months**

The situation related to the COVID-19 pandemic in Poland, Europe and other regions of the world may affect the development of the Group's operations and its financial results in the next few quarters and may limit or even prevent its intensive development. The nature of the pandemic, its duration and severity vary from country to country. Local authorities perceive threats differently, using different methods to combat the effects of the pandemic. The Group's development prospects depend on the speed of fighting the epidemic both on the local markets where the Group's companies operate, as well as on the global epidemic situation, which will affect the global economy in the near future. Due to the fact that the Group operates on geographically different markets, it is impossible to accurately estimate the impact of the pandemic on the Capital Group. However, if the governments of the countries where the Group operates take decisions on significant restrictions on economic turnover (the so-called shutdown of the economy), a significant negative impact of these decisions on the sale of goods on these markets can be expected. However, the Group recognizes that the likelihood of such a scenario today is lower than it was a few months ago.

The Group estimates that the epidemic situation will affect the economic situation in the short and medium term, both globally and on local markets where the Group's companies operate, which will result in a decrease in the purchasing power of households. Therefore, the demand for goods in the Group's portfolio may be significantly reduced in the short term. Due to the fact that the subsidiaries do not have as diverse distribution channels as the Parent Company, the effects of the economic downturn may be more pronounced for them.

The Group also notes that the economic recovery after the end of the most severe restrictions related to combating the pandemic, as well as political and economic changes (e.g. Brexit) observed recently have caused disturbances on the market for the transport of goods between Asia and the rest of the world, which is manifested by a temporary shortage of containers. It is worth emphasizing however, that the Group, when ordering the transport of its goods from this market, also uses long-term contracts, which on one hand minimizes the deficit of containers available to the Group, and on the other hand reduces costs due to a significant increase in transport prices in short-term contracts. According to the Group's estimates, we will observe such a situation at least until the end of this year.

The Group intends to conduct an extensive development program directed in various directions, although its implementation will depend on the effectiveness of the actions taken by institutions combating the COVID-19 coronavirus. This program is aimed at strengthening the market position, searching for new, attractive opportunities for expansion in the broadly understood industry of industrial goods. The most important actions that the Group will take to implement the program and development prospects in the coming quarters are:

- Developing the capital group

The Capital Group is constantly developing. The subsidiaries achieved good financial results in 2022, showing on the one hand that the existing policy of supporting them brings good results, and on the other hand that, having good organizational and financial support, they are ready for continue development.

A very important element of maintaining a competitive advantage on the market of consumer goods is proper management of the supply chain. Due to the constantly growing offer of goods and the need to maintain availability of goods at a high level, which is one of the key priorities of the Group, the companies participate in the process of reviewing the possibilities of optimizing logistics processes and, at the same time, expanding warehouse space.

The subsidiary Yato Tools (Jiaxing) with headquarters in Baibu Town, a town in the Zhejiang Province of the People's Republic of China, located within the economic zone, is in the process of building the Group's central warehouse in China. This warehouse, which is the central warehouse for the Capital Group in China, will be a buffer between independent suppliers and the Group's customers. This is the Group's response to a clearly noticeable global trend related to the faster growing e-commerce, at the expense of other sales channels, which increases the pressure on the speed and flexibility of deliveries. The subsidiary commissioned the construction of the warehouse to an independent operator, and the completion date is scheduled for the end of 2021. The registered capital of the company amounts to USD 8 million, of which the Parent Company (as the sole shareholder) paid USD 5.6 million as at the date of publication of the report. The agreement provides for the possibility of recapitalization of the company by another USD 7 million, i.e. increasing total involvement of the Parent Company's in development of Yato Tools (Jiaxing) to the amount of USD 15 million.

In 2020, Toya Romania increased its warehouse space to over 7,000 square metres. This change enabled closer cooperation with existing customers, as well as expanding the range of products. The company will focus on acquiring new customers on this market and strengthening its market position.

The above organizational changes will allow the Group to redefine the supply chain. This process is spread over time over the next few quarters.

- Developing the export channel

The Group systematically increases the number of customers and strengthens its position on many local European markets, taking advantage of the good economic situation. The countries of Eastern Europe as well as Hungary, the Czech Republic and Germany have been the largest geographical market for years. Despite the expected weakening of economic growth in Europe caused by the pandemic, the Group maintained its expansion dynamics there. In the coming quarters, the Group is still planning to strengthen its position on these markets. The Group will also strengthen its position outside Europe, on African, Asian and South American markets, where the subsidiaries Yato Tools (Shanghai) and Yato Tools (Jiaxing) will develop sales and acquire new customers.

- Effective products management

Good financial results of the Group and its constant development would not be possible without the continued expansion of the product offer. This process is carried out, among others, by strengthening and constantly developing a team of Product Managers who have extensive knowledge about the product, techniques of shaping its image, who know the habits of customers and emerging trends. Thanks to this, each year the Group introduces several hundred new products to its offer and expands product lines, updates and refreshes the offer. This process will be continued in the coming quarters.

- Capital investments

The Company continues to monitor the market in search of an attractive acquisition target, which would be an added value for the Group.

## 7. DISPUTES

As at 30 June 2021, TOYA S.A. is not a party to significant proceedings pending before a court, a body competent for arbitration proceedings or a public administration body.

## 8. RELATED PARTY TRANSACTIONS

Related party transactions are entered into on the arm's length basis in the course of the Group's day-to-day operations. These transactions have been presented in note 25 to the condensed interim consolidated financial statements and note 26 of the condensed interim stand-alone financial statements.

## 9. GUARANTEES GRANTED AND RECEIVED

No	Counterparty	Type of guarantee	Subject matter and value	Date of expiry
1	Bank Handlowy w Warszawie S.A.	Guarantee of payment for the lease of warehouses in Nadarzyn	Bank guarantee in the amount of EUR 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.

Apart from the above-mentioned guarantee, neither the Parent Company nor its subsidiaries have granted any significant sureties for a credit or loan or granted any guarantees in total to a single entity or subsidiary.

## 10. CONTINGENT ASSETS AND LIABILITIES

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

## **11. INFORMATION ON SIGNIFICANT EVENTS AFTER 30 JUNE 2021**

### **11.1 Share capital payment of Yato Tools (Jiaxing) Co. Ltd.**

On 26 July 2021, the Company made a payment of USD 1,400 thousand (PLN 5,449 thousand) for the share capital of Yato Tools (Jiaxing) Co. Ltd., which decreased the liability for the purchase of shares shown as at 30 June 2021 in the separate financial statements of TOYA S.A.

### **11.2 Payment of Dividends**

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.

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