Remuneration report

of the Members of the Management Board and the Supervisory Board of Toya S.A.

for the financial year 2021







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Remuneration report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial years 2019-2020

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**TOYA S.A.**

Remuneration report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial year 2021

(Amounts are expressed in PLN unless otherwise stated)

1. **Introduction**

This report on remuneration of the Members of the Management Board and the Supervisory Board of Toya S.A. (hereinafter referred to as the: "Remuneration Report") was prepared by the Supervisory Board of Toya S.A and is compliant with the requirements specified in the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (hereinafter referred to as the: "Act on Public Offering").

The report covers the year 2021 and provides an overview of the remuneration awarded under the applicable Remuneration Policy for the Members of the Management Board and Supervisory Board of Toya S.A. (hereinafter referred to as the: "Remuneration Policy"). The main objectives of the Remuneration policy consist of implementing the Company's business strategy, pursuing the Company's long-term interests and ensuring its stability. The Remuneration policy contributes to the achievement of the objectives in particular by ensuring sustainable and competitive remuneration, focused on continuous results, which motivates the Members of the Management Board and Supervisory Board to perform their tasks in accordance with the best standards. The Company adopted clear, comprehensive and differentiated financial and non-financial performance criteria for awarding variable remuneration. Proportions between fixed and variable remuneration are determined which, in conjunction with verification of the fulfilment of the individual criteria that determine the payment of variable remuneration, ensures that the ongoing commitment of the members of the Management Board and their contribution to the Company's success is appropriately rewarded.

The applied Remuneration Policy is also an element of the company's overall strategy. By
enabling the recruitment, maintenance and motivation of the best managers and
professionals in the areas of specialisation present in Toya S.A., it ensures
employees prepared to achieve the company's strategic objectives. The solutions adopted in the
Remuneration Policy, e.g. with respect to organisation of decision-making processes concerning
the Remuneration Policy, support effective risk management and limit the occurrence of conflicts
of interest. The level of total remuneration depends, inter alia, on the Company's financial performance and achievement of non-financial objectives.

This report illustrates how the remuneration Company key employees has evolved in view of the economic environment facing the Company in 2021.

1. Composition of the Company's bodies

In 2021 the Management Board of the Company was composed of:

* Grzegorz Pinkosz – President of the Management Board
* Maciej Lubnauer – Vice President of the Management Board

Notes form an integral part of this report.

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The Supervisory Board was composed of:

- Piotr Mondalski – Chairman of the Supervisory Board

- Jan Szmidt – Vice Chairman 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

No changes were made to the composition of the Management Board and Supervisory Board of the Company during the reporting period.

1. **Description of Remuneration policy**
2. Forms of employment

The remuneration policy provides for the possibility of entrusting the management of the Company to the Member of the Management Board on the basis of three legal relationships:

1. Employment agreement for an indefinite time
2. Managerial contract
3. Appointment as the Member of the Management Board for the term of office.

In 2021 the Members of the Management Board performed their tasks under the resolution of the Supervisory Board appointing them to perform their functions for a term of office (3 years) and determining their remuneration with regard to the aforementioned. Moreover, the Members of the Management Board performed the duties of the Chief Operating Officer and Chief Financial Officer, respectively, under employment agreement concluded for indefinite period.

Until the adoption of the Remuneration policy for the Members of the Management Board and the Supervisory Board of "TOYA" S.A., the rules of payment of remuneration to the Members of the Management Board were regulated by the following: the resolution of the Supervisory Board on appointment of the Member of the Management Board and determination of the amount of the fixed remuneration component and employment agreement regarding the position of the Chief Operating Officer and the Chief Financial Officer, respectively. In this period, the company did not have a separate policy for remunerating members of the Management Board.

Pursuant to the requirements of the Act on Public Offering, the General Meeting
of the Company adopted the Remuneration policy for the Members of the Management Board and Supervisory Board of "TOYA" S.A. of 31 August 2020 pursuant to which the remuneration system applied in Company for the Members of the Management Board consists of a fixed and variable part of remuneration as well as bonuses and other cash and non-cash benefits. These can be granted to the Member of the Management Board of the Company and the Member of the Supervisory Board of the Company, together with an indication of the mutual proportions of the components of this remuneration.

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Remuneration report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial year 2021

(Amounts are expressed in PLN unless otherwise stated)

Notes form an integral part of this report.

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1. Base remuneration

In 2021, the Members of the Management Board were entitled to receive a monthly
base remuneration, separately

1) for performing the function of the Member of the Management Board of the Company, under the resolution of the Supervisory Board concerning the remuneration of the Member of the Management Board,

2) for performing the function of the Chief Operating Officer or Chief
Financial Officer, respectively, under the concluded employment agreement.

The regulation concerning the base remuneration of the members of the Management Board took into account the standards for the positions, related to the scope of the tasks and the market valuation of the functions performed.

With regard to the Members of the Management Board, the Supervisory Board has determined the terms and conditions of employment including the amount of the base remuneration based on the following aspects:

* the degree of liability and complexity that characterise the position,
* market competitiveness of the remuneration,
* the individual contribution of the Member of the Management Board to the implementation of the Company's strategy.
1. Non-monetary benefits

Under the Remuneration Policy, the Member of the Management Board of the Company could also receive non-monetary benefits from the Company, including

1. the right to use certain assets of the Company,
2. the right to supplementary insurance,
3. the right to use additional in-work benefits (benefits) for persons employed in the Company and permanently cooperating with the Company,
4. the right to participate on general terms in the Company pension schemes (including the PPK *[Employee Capital Plans]*)

Due to performing the function of the Chief Operating Officer or the Chief Financial Officer, the persons who were the Members of the Management Board were entitled to receive non-monetary benefits provided for persons employed by the Company and permanently cooperating with the Company in the form of

1. private medical care,
2. company car (which can be used for private purposes),
3. benefits funded by the Company Social Fund.

Pursuant to the Remuneration Policy, the value of non-cash benefits from the Company for the Members of the Management Board of the Company could not exceed 25% of the annual fixed remuneration for a given financial year. The General Meeting can decide to grant non-monetary benefits to the Member of the Management Board that are atypical, i.e. beyond the Company's general practice.

In 2021, the members of the Management Board who performed the function of the Chief Operating Officer and the Chief Financial Officer benefited from the entitlement to additional benefits in the form of company car (for private use), private medical care and Christmas prepaid card.

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Remuneration report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial year 2021

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In 2021 the Company did not grant any retirement benefits other than those related to
the Members of the Management Board in the PPK

In 2021. The Company did not grant benefits to the immediate family members of the Management Board.

1. Cash prizes

According to the Remuneration policy, the Member of the Management Board can receive variable remuneration components in the form of cash prizes. They were paid under resolution of the Supervisory Board after the preparation of the annual financial statements confirmed by the auditor's opinion.

Since the adoption of the Remuneration policy, the Supervisory Board can adopt a resolution on the amount of the cash prize for performing the function of the Member of the Management Board on a discretionary basis, taking into account:

1. dynamics of changes in the Company's net profit in relation to previous years;
2. macroeconomic environment in which the Company operates;
3. evaluation of the compliance systems functioning in the Company, the information system
concerning the application of the principles of corporate governance specified in the Regulations of the Stock Exchange Regulations and provisions concerning current and periodical information provided by issuers of securities and the Internal control systems.

The cash prize for the Member of the Management Board depends on the actual, long-term
financial position of the Company and the long-term increase in shareholder value and stability
of the Company's operations and cannot exceed 250% of the annual fixed remuneration
for a given financial year. The amount of the cash prize is determined, taking into account
the increased responsibilities and risks associated with performing a function in the Company and
 the consequences for the Company and the Member of the Management Board of the Company which can result from the materialisation of these risks.

The cash prize of the Member of the Management Board of the Company is subject to
differentiated performance criteria, i.e. the achievement of the management objectives specified by the Supervisory Board, based on an open sample catalogue of one or more financial and
non-financial ratios below:

I. Financial components:

1. net profit/loss or EBITDA,
2. value of sales revenues,
3. amount of selling and administrative costs,
4. profitability, liquidity, efficiency management ratios.

II. Non-financial components:

1. implementation of specific investments, projects, strategies included in the financial plan,

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Remuneration report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial year 2021

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1. change in the Company's market position, calculated as the market share or according to other
criteria or relations with counterparties designated as key according to certain
criteria,
2. degree of the Company's commitment to corporate social responsibility, including
taking into account social interests, contributing to the protection of the environment
and undertaking actions aimed at preventing and eliminating negative social effects of Company's activities (ESG).

The Supervisory Board awards cash prizes to the Members of the Management Board on a discretionary basis by verifying the fulfilment of particular criteria conditioning the payment of a cash prize in a specified amount to the Member of the Management Board of the Company on the basis of financial and non-financial documents of the Company and explanations of the Management Board submitted at the request of the Supervisory Board.

The assessment of the implementation of the performance criteria for 2021 established on the basis of the Remuneration policy was undertaken by the Supervisory Board after the preparation of the annual
financial statements confirmed by the auditor's opinion. The cash prize in this respect was
granted on the basis of the Remuneration policy for performing the function of the Member of the Management Board.

In 2022 the Members of the Management Board were granted a cash prize for 2021
for performing the function of the Member of the Management Board. The Supervisory Board positively assessed the implementation of financial and non-financial ratios concerning the award of variable remuneration components. The detailed information on the level of implementation of the indicators is
presented in Table 2.

The Remuneration policy provides for the possibility to award remuneration to the Member of the Management Board of the Company in the form of financial instruments. Moreover, the Supervisory Board is authorised to determine deferment periods and the possibility for the Company to demand the return of variable remuneration components. In 2021 there were no incentive programmes based on financial instruments in the Company. In the aforementioned year, the Supervisory Board also did not determine the deferment periods for payment of variable remuneration and the possibility of requesting the return of variable remuneration components.

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Remuneration report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial year 2021

(Amounts are expressed in PLN unless otherwise stated)

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1. Benefits from other entities of the capital group

Under the Remuneration policy, the Member of the Management Board can receive remuneration on the basis of employment agreements or service agreements concluded with companies from the capital group of the Company. In 2021 no Member of the Management Board received this type of remuneration.

1. Remuneration of the Members of the Management Board 2021

*Table 1 Remuneration of the Members of the Management Board (in PLN)*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 1 | 2 | 3 | 4 | 5 |
| Fixed remuneration | Variable remuneration | Cost ofpension plans | Total remuneration (fixed remuneration+prizes due+ costof pension plans | Ratio/proportionsofvariable remuneration tofixed remuneration (2/1) |
| Base remunerationgross | Additionalbenefits /grantedbenefits | Dueprizes /bonusesannual | Paidawards/annual bonuses \* | Paidawards/ long term bonuses |  |
| GrzegorzPinkosz | Due toappointmentto theposition of thePresidentof theManagement Board | 2021 | 396 000 | 0 | 966 430 | 840 526 | 0 | 0 | 1 362 430 |  |
| Under employment agreement as the COO | 2021 | 24 000 | 5765 | 0 | 0 | 0 | 330 | 30 095 |  |
| Total | 2021 | 420 000 | 5765 | 966 430 | 840 526 | 0 | 330 | 1 392 525 | 226.99 % |
| MaciejLubnauer | Due toappointmentto theposition of theVice Presidentof theManagement Board | 2021 | 360 000 | 0 | 900 000 | 840 526 | 0 | 0 | 1 260 000 |  |
| Under employment agreement as the CFO  | 2021 | 24 000 | 5 765 | 0 | 0 | 0 | 0 | 29 765 |  |
| Total | 2021 | 384 000 | 5 765 | 900 000 | 840 526 | 0 | 0 | 1 289 765 | 230.90 % |

\* Cash prize paid in a given year for performance in the previous year

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*Table 2. Financial and non-financial ratios for awarding the variable components
of remuneration for 2021.*

|  |  |  |
| --- | --- | --- |
| **Type of criterion** | **Criterion description** | **Evaluation of implementation** |
| Financial criterion | Net profitability growth of TOYA S.A. (net profit) year on year | Positive |
| No occurrence of any of the following events:a) Revenue budget implementation below 90%b) Budget implementation in net profit item below 90%c) Loss of liquidity by TOYA S.A. | Positive – none of thedescribed events occurred |
| Non-financialcriterion | Evaluation of activities relating to the implementation of the challenges the dynamically changing legislative environment; the development and implementation of procedures and documents for digital transformation through:a) Start of implementation of electronic circulation ofcertain documents in the HR department, andb) Design and start of implementation ofelectronic circulation of someaccounting and legalEvaluation of the Board's efforts to improve the climate and environment by replacing at least 50% of the cars used by the Company with low-emissionEvaluation of the Board's activities related to increasing the transparency of the company's activities by developing and publishing a policy tax as well as monitoring legislative changes related to whistle blower protection. | Positive |
| Evaluation of actions taken by TOYA S.A. in emergency situations such as a pandemic, potentially contributing to preventing negative social impacts actions should lead to:a) Ensuring the safety of employees and cooperating with the Companyb) Maintaining the continuity of the organisationc) Maintaining continuity and stability of employmentd) Ensuring the Company's flexibility to the expectations of employees affected by the extraordinary situations | Positive |

1. Remuneration of the Members of the Supervisory Board

The rules of remuneration of the Members of the Supervisory Board of the Company are specified in the resolution of the General Meeting of Shareholders appointing the Member of the Supervisory Board for the period of three-year term.

The members of the Supervisory Board are entitled to a fixed monthly remuneration. This remuneration is determined taking into account the performance of additional functions, e.g. working in committees of the Supervisory Board and the increased scope of tasks related with this. The amount of remuneration of the Member of the Supervisory Board is determined taking into account the increased scope of liability and risk related to performing the function in the Company and the consequences for
the Company and the Member of the Supervisory Board of the Company which can result from the materialisation of this risk. The Members of the Supervisory Board are entitled to receive non-monetary benefits from the Company, including:

1. the right to use certain assets of the Company

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1. the right to supplementary insurance
2. the right to use additional in-work benefits (benefits) for persons employed in the Company and constantly cooperating with the Company
3. the right to participate on general terms in the pension plans in the Company (including the PPK)

The value of non-cash benefits from the Company to members of the Supervisory Board cannot exceed
25% of the annual fixed remuneration for a given financial year. The General Meeting can decide to grant atypical non-cash benefits to the Member of the Supervisory Board, i.e. benefits which go beyond the general practice of the Company.

The Members of the Supervisory Board are not entitled to receive variable components of
remuneration, including remuneration in the form of financial instruments.

In 2021 the Company paid remuneration to the Members of the Supervisory Board in the amounts specified in Table 3.

*Table 3 Remuneration of the Supervisory Board (in PLN)*

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1 | 2 | 3 |
| Fixed remuneration for performing functions (\*) | Cost of pension plans | Total remuneration(1+2) |
| Piotr MondalskiChairman of the Supervisory Board | 2021 | 180 000 | 0 | 180 000 |
| Jan SzmidtVice Chairman of the Supervisory Board  | 2021 | 48 000 | 0 | 48 000 |
| Dariusz GórkaMember of the Supervisory Board | 2021 | 120 000 | 1800 | 121 800 |
| Michał KobusMember of the Supervisory Board | 2021 | 48 000 | 720 | 48 720 |
| Grzegorz MaciągMember of the Supervisory Board | 2021 | 120 000 | 1800 | 121 800 |
| Wojciech PapierakMember of the Supervisory Board | 2021 | 48 000 | 720 | 48 720 |
| Beata SzmidtMember of the Supervisory Board | 2021 | 48000 | 0 | 48 000 |

\*The members of the Supervisory Board in 2021 were not granted additional remuneration for attendance at meetings or additional
non-monetary benefits

In 2021 the Company did not grant benefits to the immediate family members of the members of the Supervisory Board.

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Notes form an integral part of this report.

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1. Deviations from the application of the Remuneration policy and the process of its implementation

During the reporting period, the Company made remuneration payments in accordance with the adopted
Remuneration policy. No decisions were made concerning exceptions both to the assumptions of the Remuneration policy and to individual elements of this Policy.

1. Opinion of the General Meeting on the remuneration report of the Supervisory Board and
the Members of the Management Board for 2019 - 2020

On 29.06.2021, pursuant to § 395 § 21 of the Act of 15 September 2000 – Code of Commercial Companies and Partnerships (Journal of Laws of 2020, item 1526, as amended) in conjunction with Art. 90g section 6 of the Act of 29 July 2005 Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, the Annual General Meeting of the Company gave a positive opinion on the remuneration report of the Members of the Management Board and the Supervisory Board of TOYA S.A. for the financial years 2019-2020.

1. Information on changes in remuneration principles and the Company's performance

Since the adoption of the Remuneration policy in 2020 the Company has not made any changes to the principles of remuneration regarding the Members of the Management Board and the Supervisory Board.

In Table 3 there is a summary of the total remuneration, selected financial results of Company and the remuneration of employees other than the Members of the Management Board for 2021 and the five preceding years. The total remuneration of the Members of the Management Board is recognised as the sum of fixed remuneration components paid in a given year and the variable remuneration due in a given year and paid in the following year.

The average remuneration in a given year is the average remuneration of the Company's employees,
other than the Members of the Management Board, employed under an employment agreement and entered in the records as at 31 December of a given year. The average remuneration was determined on the basis of the sum of total remuneration (PIT-11 revenue), i.e. fixed remuneration, variable remuneration, cash and non-cash benefits and all other payments paid to employees in a given calendar year (within 12 months) divided by employment as at 31 December of a given year. The remuneration of employees entered in the records as at 31 December of a given year working part-time were recalculated for the full-time value and the remuneration of persons entered in the records on 31 December of a given year who worked for part of the year were annualized.

The table indicates the percentage change in the amount of each ratio in relation to their value in the previous year.

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*Table 4. Changes in remuneration of the Members of the Management Board, the Members of the Supervisory Board and the results of the Company in the last 5 years*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | 2017 | 2018 | 2019 | 2020 | 2021 |
| Grzegorz PinkoszPresident of the Management Board | remunerationin PLN | 936 365 | 1 042 542 | 1 040 732 | 1 268 182 | 1 392 525 |
| year-on-year change | 32,07% | 11,34% | -0,17% | 21,85% | 9,8% |
| Maciej LubnauerVice President of the Management Board | remunerationin PLN | 918 946 | 1 006 542 | 1 004 702 | 1 223 289 | 1 289 765 |
| year-on-year change  | 29,62% | 9,53% | -0,18% | 21,76% | 5,43% |
| Dariusz HajekVice President of the Management Board | remunerationin PLN | n/a | n/a | n/a | n/a | n/a |
| year-on-year change  | n/a | n/a | n/a | n/a | n/a |
| Piotr MondalskiChairmanof the Supervisory Board | remunerationin PLN | 180 000 | 180 000 | 180 000 | 180 000 | 180 000 |
| year-on-year change  | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% |
| Jan SzmidtVice Chairmanof the Supervisory Board | remunerationin PLN | 114 000 | 48 000 | 48 000 | 48 000 | 48 000 |
| year-on-year change  | -36,67% | -57,89% | 0,00% | 0,00% | 0,00% |
| Dariusz GórkaMember of the Supervisory Board  | remunerationin PLN | 120 000 | 120 000 | 120 150 | 121 800 | 121 800 |
| year-on-year change  | 0,00% | 0,00% | 0,12% | 1,37% | 0,00 |
| Michał KobusMember of the Supervisory Board  | remunerationin PLN | 24 267 | 48 000 | 48 060 | 48 720 | 48 720 |
| year-on-year change  | n/a | 97,80% | 0,12% | 1,37% | 0.00% |
| Tomasz KoprowskiMember of the Supervisory Board  | remunerationin PLN | 72 000 | 15 871 | n/a | n/a | n/a |
| year-on-year change  | -40,00% | -77,96% | n/a | n/a | n/a |
| Grzegorz MaciągMember of the Supervisory Board  | remunerationin PLN | 120 000 | 120 000 | 120 150 | 121 800 | 121 800 |
| year-on-year change  | 0,00% | 0,00% | 0,12% | 1,37% | 0,00 |
| Wojciech PapierakMember of the Supervisory Board  | remunerationin PLN | 24 267 | 48 000 | 48 060 | 48 720 | 48 720 |
| year-on-year change  | n/a | 97,80% | 0,12% | 1,37% | 0,00 |
| Beata SzmidtMember of the Supervisory Board  | remunerationin PLN | n/a | 2 733 | 24 000 | 32 065 | 48 000 |
| year-on-year change  | n/a | n/a | 778,16% | 33,60% | 49,69% |

\* Member of the Management Board until 20 September 2016.Total remuneration represents only the base remuneration which was annualized. The table does not include the remuneration received under the employment agreement received after the termination of
performing the function of the Member of the Management Board.

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(Amounts are expressed in PLN unless otherwise stated)

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|  |
| --- |
| **Selected financial ratios of the capital group of the Company** |
|  |  | 2017 | 2018 | 2019 | 2020 | 2021 |
| Sales revenues | in thousands of PLN  | 347 541 | 380 739 | 440 018 | 542 112 | 686 737 |
| year-on-year change9,74% | 12,05% | 9,55% | 15,57% | 23,20% | 26,68% |
| Net profit (in thousands ofPLN) | in thousands of PLN | 40 306 | 43 767 | 44 825 | 64 939 | 77 395 |
| year-on-year change | 22,68% | 8,59% | 2,42% | 44,87% | 19.18% |
| Earnings per share(in PLN) | PLN | 0,52 | 0,58 | 0,60 | 0,87 | 1,03 |
| year-on-year change | 23,81% | 11,54% | 3,45% | 45,00% | 18,39% |
| **Selected standalone financial ratios of the Company** |
| Sales revenues | in thousands of PLN | 287 783 | 311 633 | 356 783 | 442 263 | 543 098 |
| year-on-year change | 10,79% | 8,29% | 14,49% | 23,96% | 22,80% |
| Net profit (in thousands ofPLN) | in thousands of PLN | 35 378 | 39 246 | 40 085 | 54 740 | 63 242 |
| year-on-year change | 19,34% | 10,93% | 2,14% | 36,56% | 15,53% |
| Earnings per share(in PLN) | PLN | 0,46 | 0,52 | 0,53 | 0,73 | 0,84 |
| year-on-year change | 20,87% | 14,52% | 2,14% | 36,56% | 15,07% |
| **Total remuneration of the employees who are not the Members of the Management Board** |
| Average totalremunerationper FTE | PLN | 69 732 | 73 886 | 80 063 | 85 568 | 91 882 |
| year-on-year change | 9,98% | 5,96% | 8,36% | 6,87% | 7,37 % |

1. Conclusions

In 2021 the Company paid remuneration to the Members of the Management Board and the Members of the Supervisory Board only under the Remuneration policy. The remuneration of the Members of the Management Board contributes to their full commitment in performing specific functions, motivates them to achieve the business objectives of the Company and its amount was appropriate to their positions.

The Members of the Management Board received fixed remuneration and cash prizes, the receipt of which
depended on performance indicators directly related to the economic position of the Company. The variable component of remuneration contributes to the fact that the Management Board is interested in, among other things, the dynamic development of the Company, its market position and financial condition.

The Supervisory Board assesses that the Remuneration policy is conducive to the implementation of the business strategy, long-term interests and stability of the Company, in particular through the introduction of a flexible solution relying on authorising the Supervisory Board to determine discretionarily the amount of variable remuneration of the Members of the Management Board based on the assessment of the overall implementation of performance criteria. The Supervisory Board positively evaluates the functioning of the Remuneration policy and compliance of the remuneration of the persons covered by the Remuneration Policy with the procedures applicable in the Company.

proceduresforce in the Company

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Notes form an integral part of this report.