



**MERCOR Group**

Interim condensed  
report for the six months  
ended September 30th  
2022 (first half of the  
financial year 2022/2023)

Prepared in accordance with International Financial  
Reporting Standards as endorsed by the European Union

Gdańsk, December 2nd 2022

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## Financial highlights

### Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	Apr 1-Sep 30 2022	Apr 1-Sep 30 2021	Apr 1-Sep 30 2022	Apr 1-Sep 30 2021
Revenue	301,990	230,494	64,139	50,639
Operating profit	35,025	23,028	7,439	5,059
Profit before tax	30,024	21,777	6,377	4,784
Net profit	23,212	17,804	4,930	3,912
Net profit attributable to owners of the parent	20,894	16,429	4,438	3,609
Net cash provided by (used in) operating activities	31,169	2,684	6,620	589
Net cash provided by (used in) investing activities	(7,842)	(7,505)	(1,666)	(1,649)
Net cash provided by (used in) financing activities	(5,202)	7,142	(1,105)	1,569
Total net cash flows	18,125	2,321	3,849	509
Total assets	491,963	398,085	101,023	85,925
Non-current liabilities	103,147	93,863	21,181	20,260
Current liabilities	176,494	121,370	36,242	26,197
Equity	212,322	182,852	43,600	39,468
Share capital	3,915	3,915	804	845
Equity attributable to owners of the parent	199,142	174,792	40,893	37,728
Number of shares	15,575,409	15,601,464	15,575,409	15,601,464
Earnings per share	1.34	1.14	0.28	0.25
Book value per share	12.79	11.20	2.63	2.42

## Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	Apr 1-Sep 30 2022	Apr 1-Sep 30 2021	Apr 1-Sep 30 2022	Apr 1-Sep 30 2021
Revenue	172,054	137,952	36,542	30,308
Operating profit	14,893	13,122	3,163	2,883
Profit before tax	12,093	18,576	2,568	4,081
Net profit	9,697	16,385	2,060	3,600
Net cash provided by (used in) operating activities	7,355	(11,416)	1,562	(2,508)
Net cash provided by (used in) investing activities	(5,859)	2,274	(1,244)	500
Net cash provided by (used in) financing activities	(2,691)	9,150	(572)	2,010
Total net cash flows	(1,195)	8	(254)	2
Total assets	326,216	286,458	66,988	61,831
Non-current liabilities	92,479	78,389	18,990	16,920
Current liabilities	88,305	70,290	18,133	15,172
Equity	145,432	137,779	29,865	29,739
Share capital	3,915	3,915	804	845
Number of shares	15,575,409	15,601,464	15,575,409	15,601,464
Earnings per share	0.62	1.05	0.13	0.23
Book value per share	9.34	8.83	1.92	1.91

Items of the statement of financial position have been translated into the euro at the mid rate quoted by the National Bank of Poland for the reporting dates, i.e. 4.8698 for September 30th 2022 and 4.6525 for March 31st 2022.

Items of the statement of comprehensive income, statement of changes in equity and statement of cash flows have been translated into the euro at the arithmetic mean of the mid rates quoted by the National Bank of Poland for the last days of the months covered by this report, i.e. 4.7084 for the period April 1st 2022–September 30th 2022, and 4.5517 for the period April 1st 2021–September 30th 2021.

## Directors' Report on the operations of MERCOR S.A.

### General information about the Company and the Group

MERCOR S.A. (the "Company" or the "Parent") has run its business as a joint-stock company since September 21st 2004. Prior to that date, the Company traded as a limited liability company under the name of Przedsiębiorstwo Usługowo-Handlowe MERCOR sp. z o.o. MERCOR S.A. is the Parent of the MERCOR Group.

The Company's registered office is located in Gdańsk at ul. Grzegorza z Sanoka 2. The Company operates from its registered office as well as through trade offices and production establishments, none of which prepares a separate set of accounts. The Company is registered with the District Court in Gdańsk, 7th Commercial Division of the National Court Register. MERCOR S.A. is registered under entry No. KRS 0000217729.

The principal business of the Company and the Group consists in the manufacture, sale, installation and maintenance of passive fire protection systems. The Group's product offering includes:

- ✓ smoke and heat exhaust systems, rooflight systems,
- ✓ fire ventilation systems,
- ✓ fire protections of building structures,
- ✓ fire partitions, fire-rated doors and gates.

MERCOR S.A. and companies of the MERCOR Group manufacture, deliver to the site and install equipment components for fire protection systems. They also provide maintenance services guaranteeing reliable long-term performance of such systems. In addition, the Company offers product advisory services and comprehensive assistance in designing tailor-made fire safety solutions, including CFD simulations, CAD and BIM materials. MERCOR employees take part in various industry events sharing their extensive expertise in fire protection of building structures.

The Group's objective is to provide safety. The primary role of fire protection is to enable evacuation of people in case of a fire, facilitate the operation of emergency response teams, mitigate the unwanted effects of high temperature on the building, and protect property.

Most products offered by the Group are made to order based on a client's specifications of the desirable product features, in compliance with safety standards and applicable regulatory requirements.

## Management and supervisory bodies

Composition of the governing bodies of MERCOR S.A. as at September 30th 2022.

### Management Board:

Krzysztof Krempeć	–	President of the Management Board
Jakub Lipiński	–	First Vice President of the Management Board
Tomasz Kamiński	–	Member of the Management Board.

In the reporting period, there were no changes in the composition of the Management Board of MERCOR S.A.

### Supervisory Board:

Lucjan Myrda	–	Chairman of the Supervisory Board
Arkadiusz Kęsicki	–	Deputy Chairman of the Supervisory Board
Tomasz Rutowski	–	Secretary of the Supervisory Board
Eryk Karski	–	Member of the Supervisory Board
Marian Popinigis	–	Member of the Supervisory Board
Pathy Timu Zenzo	–	Member of the Supervisory Board
Błażej Żmijewski	–	Member of the Supervisory Board.

Members of the Supervisory Board of the new joint term of office were appointed by a resolution of the General Meeting dated September 30th 2022.

## Subsidiaries

### Entities consolidated as at September 30th 2022:

- ✓ Tecresa Protección Pasiva S. L. of Madrid (Spain)
- ✓ Mercor Dunamenti Tűzvédelem Zrt of Göd (Hungary)
- ✓ Dunamenti CZ s.r.o. of Prague (Czech Republic) (subsidiary of Dunamenti Tűzvédelem Zrt)
- ✓ Dunamenti s.r.o. of Kolárovo (Slovakia) (subsidiary of Dunamenti Tűzvédelem Zrt)
- ✓ OOO Mercor-PROOF of Moscow (Russia)
- ✓ MKRP Systems Unitary Production Enterprise of Minsk (Belarus) (subsidiary of OOO Mercor-PROOF)
- ✓ TOO MKR – Astana of Almaty (Kazakhstan) (subsidiary of OOO Mercor- PROOF)
- ✓ Mercor Czech Republic s.r.o. of Ostrava (Czech Republic)
- ✓ Mercor Slovakia s.r.o. of Bratislava (Slovakia)
- ✓ Mercor Fire Protection Systems S. R. L. of Bucharest (Romania)
- ✓ TOB Mercor Ukraine sp. z o.o. of Drohovyzh (Ukraine)
- ✓ DFM DOORS sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR FIRE PROTECTION UK LTD of Salford (England)
- ✓ MCR SOL ENERGY sp. z o.o. of Gdańsk (Poland)
- ✓ Elmech-ASE sp. z o.o. of Pruszcz Gdański (Poland)
- ✓ MCR Tech Lab sp. z o.o.
- ✓ MERCOR Centrum Usług Wspólnych sp. z o.o.
- ✓ MERCOR SILBOARD spółka z o.o. of Gdańsk (Poland)
- ✓ MHD1 sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR HD sp. z o.o. of Gdańsk (Poland)

On September 1st 2022, a new company under the name of MERCOR Centrum Usług Wspólnych sp. z o.o. was registered. All of its shares were subscribed for by MERCOR S.A. Following transfer to the company of the Group's shared functions, operational and financial efficiency gains are expected to be achieved.

## Shareholding structure

Shareholders holding 5% or more of total voting rights in the Company

Shareholder	As at the issue date of this report				Change relative to data disclosed in the most recent periodic report			
	Number of shares	% ownership interest	Number of voting rights	% voting power	Number of shares	% ownership interest	Number of voting rights	% voting power
PERMAG sp. z o.o.	4,102,994 <sup>(1)</sup>	26.20%	4,102,994 <sup>(1)</sup>	26.20%	-	-	-	-
Bangtino Limited	3,925,502 <sup>(2)</sup>	25.07%	3,925,502 <sup>(2)</sup>	25.07%	-	-	-	-
Nationale Nederlanden Powszechnie Towarzystwo Emerytalne	1,454,000 <sup>(3)</sup>	9.29%	1,454,000 <sup>(3)</sup>	9.29%	-465	-	-465	-
Otwarty Fundusz Emerytalny PZU Złota Jesień	1,452,947 <sup>(4)</sup>	9.28%	1,452,947 <sup>(4)</sup>	9.28%	+947	+0.01%	+947	+0.01%
N50 Cyprus Limited	1,000,853 <sup>(5)</sup>	6.39%	1,000,853 <sup>(5)</sup>	6.39%	-	-	-	-
PTE Allianz Polska S.A.	791,018 <sup>(6)</sup>	5.05%	791,018 <sup>(6)</sup>	5.05%	-	-	-	-

<sup>(1)</sup> as per notification of October 5th 2021

<sup>(2)</sup> as per notification of January 5th 2022

<sup>(3)</sup> as per notification submitted for the Extraordinary General Meeting convened for September 30th 2022

<sup>(4)</sup> as per notification submitted for the Extraordinary General Meeting convened for September 30th 2022

<sup>(5)</sup> as per notification submitted for the Extraordinary General Meeting convened for September 30th 2022

<sup>(6)</sup> as per notification submitted for the Extraordinary General Meeting convened for September 30th 2022

MERCOR S.A. shares held by Management and Supervisory Board members as at the issue date of this report

#### Management Board

	Number of shares held at the issue date of this report
Krzysztof Krempeć	15,608

#### Supervisory Board

To the best of the Company's knowledge, none of the Supervisory Board members held directly any shares in MERCOR S.A. as at the date of this report.

#### Indirect holdings of Company shares by Management and Supervisory Board members

Shareholder of the Company	Member of the Supervisory Board, Member of the Management Board: holding Company shares indirectly – through a Shareholder / related parties	Number of shares held by the Shareholder in the Company's share capital as at the issue date of this report
PERMAG sp. z o.o.	Krzysztof Krempeć	4,102,994
N50 Cyprus Limited	Marian Popinigis	1,000,853
Value Fund Poland Activist FIZ	Eryk Karski	530,092

#### Treasury shares

Pursuant to a resolution of the Extraordinary General Meeting of June 30th 2020, in August 2020 the Company launched a share buyback programme. Until September 30th 2022, a total of 83,126 shares were bought back for an aggregate purchase price of PLN 1,003,502.49. Treasury shares held by the Company as at September 30th 2022 represented 0.53087% of the Company's share capital. The share buyback programme is being carried out within the limit of capital reserve created for that purpose from retained earnings.

Other than the share buyback described above, there were no issues, redemptions or repayments of any debt or equity securities during the reporting period.

## Dividend paid or declared

Pursuant to a resolution of the General Meeting of September 30th 2022, the Company paid out dividend of PLN 0.63 per share for the financial year 2021/2022. The amount allocated to dividend payment was PLN 9,864,877.05. Treasury shares bought back by the Company were excluded from the dividend payment. Therefore, the total amount of dividend paid on November 8th 2022 was PLN 9,809,478.00.

## Related party transactions if concluded on non-arm's length basis

Neither the Company nor any its subsidiaries entered into any related party transactions otherwise than on an arm's length basis.

## Sureties and guarantees

In the six months from April 1st to September 30th 2022, the Company provided its subsidiary DFM DOORS sp. z o.o. with sureties of up to PLN 500,000 and PLN 900,000, respectively, both valid until March 31st 2023, with respect to two trade contracts, and a surety of PLN 60,081.30, valid until June 13th 2025, with respect to a lease contract with BNP Paribas Leasing Services sp. z o.o.

The sureties and guarantees provided by the Parent are discussed in Note 27 to the separate full-year financial statements as at March 31st 2022.

## Seasonality or cyclicity of the Group's operations

The Group's operations are not highly cyclical or seasonal. Based on past performance data, it appears that a slightly slower period is the first half of a calendar year, while better sales and earnings are usually recorded between July and December.

## Segment information

Based on similar economic characteristics and similarities in terms of the nature of products and services, nature of production processes, type or class of customers, methods used to distribute their products or provide their services and nature of the regulatory environment, all the Group's operations are aggregated in the financial statements as a single operating segment.

## Introduction to the interim consolidated financial statements

### Policies applied in the preparation of the financial statements

In the preparation of these condensed consolidated financial statements the same accounting policies and calculation methods were used as those used by the Group to prepare its most recent full-year consolidated financial statements.

The amended standards and interpretations effective for the first time in 2022 do not have a material effect on the Group's interim condensed consolidated financial statements.

### Standards not yet effective (new standards and interpretations)

In these financial statements the Group has not elected to early apply any of the standards or interpretations that have been issued but are not yet effective.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, but are not yet effective as at the reporting date:

- **IFRS 14 *Regulatory Deferral Accounts*** (issued on January 30th 2014). Pursuant to the European Commission's decision, the process leading to the approval of preliminary version of the standard will not be initiated until the issue of its final version. As at the date of authorisation of this report, it was not yet endorsed by the EU – effective for annual periods beginning on or after January 1st 2016.
- **Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (issued on September 11th 2014) – work leading to the approval of the amendments was deferred indefinitely by the EU – their effective date was deferred indefinitely by the IASB.
- **IFRS 17 *Insurance Contracts*** (issued on May 18th 2017), including Amendments to IFRS 17 (issued on June 25th 2020) – effective for annual periods beginning on or after January 1st 2023.
- **Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-Current – Deferral of Effective Date*** (issued on January 23rd 2020 and July 15th 2020, respectively) – effective for annual periods beginning on or after January 1st 2023; not yet endorsed by the EU as at the date of authorisation of these financial statements.
- **Amendments to IAS 1 and IFRS Practice Statement 2: *Disclosure of Accounting Policies*** (issued on February 12th 2021) – effective for annual periods beginning on or after January 1st 2023.
- **Amendments to IAS 8: *Definition of Accounting Estimates*** (issued on February 12th 2021) – effective for annual periods beginning on or after January 1st 2023.
- **Amendments to IAS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*** (issued on May 7th 2021) – effective for annual periods beginning on or after January 1st 2023.
- **Amendments to IFRS 17 *Insurance Contracts: First application of IFRS 17 and IFRS 9 - Comparative Information*** (issued on December 9th 2021) – effective for annual periods beginning on or after January 1st 2023.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been issued but are not yet effective in accordance with the European Union regulations.

These condensed consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value.

Financial data contained in these condensed consolidated financial statements is presented in thousands of Polish złoty (PLN '000), unless more accurate data is provided in specific cases.

The functional currency is the same as the local currency of the country in which a given Group entity is located. Currently, the Group companies operate in Poland, the Czech Republic, Slovakia, Spain, Ukraine, Romania, the Russian

Federation, Hungary and the United Kingdom. The functional currency and the presentation currency of the Parent is the Polish złoty (PLN).

These condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future.

These interim condensed consolidated financial statements of the MERCOR Group covering the period ended September 30th 2022 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as endorsed by the European Union.

These interim condensed consolidated financial statements cover the six months ended September 30th 2022 and contain comparative data for the six months ended September 30th 2021 with respect to the statement of comprehensive income, statement of changes in equity and statement of cash flows, and comparative data as at March 31st 2022 with respect to the statement of financial position.

These interim condensed consolidated financial statements do not include all the information and disclosures required by IFRS in full-year financial statements and should be read in conjunction with the Group's consolidated financial statements for the financial year ended March 31st 2022.

## Factors and events with a material impact on these condensed financial statements

No one-off events with an impact on the operations of the Company or its Group occurred in the six months from April 1st to September 30th 2022.

## Corrections of prior period errors

The Company made no corrections of prior period errors.

## Feasibility of meeting published earnings guidance

No earnings guidance was published by the Company.

## Material proceedings involving MERCOR S.A. or its subsidiaries

There are no material proceedings involving the Company or its subsidiaries save for the tax investigation discussed in the note on corporate income tax.

## Material achievements or failures and key events during the reporting period

In the three months ended September 30th 2022 (second quarter of the financial year 2022/2023), the Group generated revenue of PLN 166,980 thousand, up 31% from PLN 125,647 thousand posted in the corresponding period of the previous financial year. The highest percentage growth in sales was reported by the Group for the UK market, with UK sales up over 75% year on year. Sales also grew on the Hungarian market (nearly 50%), Poland (almost 30%), Spain (over 27%), and the Czech and Slovak markets (over 5%). Revenue from the Russian market rose more than 38%, accounting for 12% of total revenue generated in the second quarter of the financial year. The highest percentage decrease in sales was reported for Ukraine (down over 48%). Revenue from the Romanian market dropped over 24%.

In the three months ended September 30th 2022, operating profit before depreciation and amortisation was PLN 22,525 thousand compared with PLN 15,348 thousand in the corresponding period of the previous financial year. Profitability rose as the cost discipline implemented in prior periods in case of a deterioration in market conditions was maintained during the reporting period.

The Group posted net profit of PLN 12,116 thousand for the quarter, with PLN 9,449 thousand reported for the same period of the previous financial year (up over 30%).

## Information material to the assessment of human resources, assets, financial condition and financial performance or any changes thereto, and the Company's ability to meet its obligations

There were no material changes to the Company's position in the period covered by these financial statements. The Mercor Group has a stable workforce, uses its assets efficiently, and performs its obligations in a timely manner. There were no material changes to the financial position of the Group companies relative to disclosures made in the annual report.

The tax investigation concerning corporate income tax for the tax year 2013/2014 was terminated in September 2022 following expiry of the statute of limitations for the tax liability concerned. The Head of the Tax Administration Chamber in Gdańsk vacated a decision of the Head of the Gdańsk Province Customs and Tax Office in Gdynia assessing the Company's corporate income tax liability for the tax year 2013/2014 at PLN 4,230,360.00.

## Factors affecting performance next quarter or beyond

Key factors affecting the Group's performance are factors relating to the macro environment:

- construction investment levels;
- availability and prices of materials;
- inflation rate;
- interest rates;
- availability of qualified workforce;
- liquidity position of trading partners.

## Impact of the war in Ukraine on business operations

The Management Board of the Company has analysed the impact of the war in Ukraine on its and its subsidiaries' business operations since the war broke out on February 24th 2022. The analysis covered market, financial and operational aspects as well as existing and amended local and international laws and regulations, with a particular focus on the sanctions and other restrictions imposed on countries, entities and individuals as a consequence of the conflict.

The Management Board used its best knowledge and exercised due diligence in assessing the impact of the war on the business and results of operations of the Group and its member companies. The following risk factors were identified in the process: potential changes in investor sentiment and investor preferences; rising prices and shortages of raw materials and energy; potential supply chain disruptions; interest rate and currency exchange rate levels; changes in the labour market; solvency of trading partners; cyber security, sanctions and profit distributions. When making decisions, the Management Board of the Company and the management bodies of the Group companies take into account a non-exhaustive list of facts and circumstances that help adjust business operations to the current situation and eliminate or minimise adverse impacts of the risk factors being monitored.

The Company and other Group companies secure supplies of strategic raw materials and respond to changes in their prices as needed. There were no material business disruptions relating to the supply of materials, equipment or components, or labour. No material changes in receivables collection rates were recorded as at the date of this report.

In the opinion of the Management Board, no sanctions are likely to be imposed on the Group companies or their related parties. To the best of the Management Board's knowledge, particularly given the reasons for the imposition by various countries or organisations of sanctions on entities or individuals in connection with the military conflict in Ukraine, the ownership structure of the Group companies is safe in this respect. The Company and the Group companies analyse the sanctions lists also in the context of any potential disruptions to the supply of products or services. As at the date of this report, the Company was not materially affected by any sanctions.

As regards the countries involved in the war, the Company holds a 55% equity interest in the Ukrainian-based company TOB MERCOR UKRAINA sp. z o.o., and it holds, directly and indirectly (through a Group company) a total of 55% of the share capital of the Russian-based company OOO Mercor-PROOF LLC. The Company has retained control of these subsidiaries and shareholders' rights continue to be exercised in accordance with applicable laws and internal regulations of the companies in Ukraine and Russia.

As at the date of this report, TOB MERCOR UKRAINA conducted production and trading operations to the extent permitted by the available human resources. The company has its registered office in Lviv, a city in western Ukraine, with production operations conducted at a facility located even further west. Virtually no military operations are being carried out in these regions. The company is not running at a loss, and none of its assets have been destroyed. The Ukrainian-based company is not using external sources of finance, and it settles its liabilities from current proceeds. To the best knowledge of the Management Board of the Parent, there are no reasons to expect any material changes in the operations of MERCOR UKRAINA or any potential reduction in the scale of its operations despite the ongoing war. Most orders received by the company are from other Group companies, and the Management Board of the Parent analyses the level and profitability of the orders and capacity utilisation rates on an ongoing basis. Given the results of order and production analyses, location and no material exposure of the company to the Ukrainian market, the Management Board believes there is no indication of impairment of TOB MERCOR UKRAINA's assets. The total net asset value of the Ukrainian subsidiary is PLN 4,006 thousand, representing 0.8% of the assets disclosed in the consolidated financial statements. The value of shares in the Ukrainian company and receivables from the company is PLN 2,297 thousand, or 0.7% of the assets disclosed in the separate financial statements.

The Russian-based company is also conducting business operations, supplying products and services to the local market. However, no products or parts of products have been shipped by the Group companies to this or other Russian companies since the outbreak of the war. The method of operation of Mercor-PROOF, whereby it sources production materials locally, allows it to conduct independent financing and operating activities in the Russian market. The analysis of the Russian company's cash flow and liquidity forecasts for the next 12 months confirmed no material threat with respect to these metrics. The Parent is also monitoring the level and profitability of orders received by the company. Based on the analyses of the orders, future profitability and liquidity position, and given that Mercor-PROOF is an independent entity and has no intragroup transactions subject to international sanctions, the Management Board believes there is no indication of asset impairment.

Save for regulations introduced by the Russian government, the Management Board of the Company identified no material changes to the manner or terms of payment of dividends to the Company, with all dividend payments from its subsidiaries to be made on the existing terms and conditions, subject to prior fulfilment of the criteria applying to the distribution of profit. The sole restriction in this regard applies to the payment of dividend from Mercor-PROOF, where amounts exceeding RUB 10 million (or PLN 851 thousand at the exchange rate effective for the reporting date) require approval of the Russian Ministry of Finance.

Given the present situation, the Management Board of the Parent believes it still has control of the Russian company as no grounds exist for it losing the voting rights attached to its shareholding. As regards exposure to variable returns, the Management Board believes that as at the reporting date and as at the date of these financial statements restrictions on the distribution of profits did not hinder the exercise of control of the subsidiary. The Management Board is monitoring the situation in Russia and any indications under IFRS 10 relating to the exercise of control of the subsidiary. The total net asset value of the Russian subsidiary is PLN 23,651 thousand, representing 4.8% of the assets disclosed in the consolidated financial statements. The value of shares in the Russian company and receivables from the company, before impairment losses, is PLN 2,669 thousand, or 0.8% of the assets disclosed in the separate financial statements. An impairment loss of PLN 1,730 thousand was recognised on receivables from the Russian company.

In view of the above and given the small contributions from the companies to consolidated revenue (Russian operations: 9.8% of the Group's revenue; Ukrainian operations: 1.5% of the Group's revenue), as at the date of these financial statements, the Management Board of the Parent identified no material impact of the war in Ukraine on the operations and results of the Group.

Based on the analyses performed, the Management Board of the Company identified no threat to the Company's and other Group companies' ability to continue as going concerns as at the date of these financial statements and for the foreseeable future.

## Auditor

The condensed consolidated financial statements of the Group and the condensed financial statements of MERCOR S.A. were reviewed by a statutory auditor, Ernst Young & Audyt Polska Spółka z ograniczoną odpowiedzialnością sp.k. of Warsaw.

## Interim consolidated financial statements

### Interim condensed consolidated statement of comprehensive income

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
	unaudited	unaudited	unaudited	unaudited
Revenue	301,990	166,980	230,494	125,647
Cost of sales	223,882	126,040	173,822	95,032
<b>Gross profit</b>	<b>78,108</b>	<b>40,940</b>	<b>56,672</b>	<b>30,615</b>
Other income	693	394	1,921	700
Selling expenses	24,536	13,325	20,585	11,347
Administrative expenses	18,068	9,346	14,420	7,620
Other expenses	815	555	731	545
(Expected credit loss)/reversal of expected credit loss	(357)	(6)	171	86
<b>Operating profit</b>	<b>35,025</b>	<b>18,102</b>	<b>23,028</b>	<b>11,889</b>
Share of profit (loss) of equity-accounted investees	(1,034)	(435)	-	-
Finance income	1,255	286	750	632
Finance costs	5,222	2,657	2,001	976
<b>Profit before tax</b>	<b>30,024</b>	<b>15,296</b>	<b>21,777</b>	<b>11,545</b>
Income tax	6,812	3,180	3,973	2,096
<b>Net profit</b>	<b>23,212</b>	<b>12,116</b>	<b>17,804</b>	<b>9,449</b>
<i>Attributable to:</i>				
<i>owners of the parent</i>	20,894	10,154	16,429	8,697
<i>non-controlling interests</i>	2,318	1,962	1,375	752
	23,212	12,116	17,804	9,449
<b>Other comprehensive income</b>				
Exchange differences from translation of foreign operations	7,357	307	3,062	4,881
<b>Total comprehensive income</b>	<b>30,569</b>	<b>12,423</b>	<b>20,866</b>	<b>14,330</b>
<i>Attributable to:</i>				
<i>owners of the parent</i>	24,410	10,725	19,034	13,067
<i>non-controlling interests</i>	6,159	1,698	1,832	1,263
	30,569	12,423	20,866	14,330
<b>Earnings/(loss) per share:</b>				
Basic	1.34	0.65	1.14	0.60
Diluted	1.34	0.65	1.14	0.60

## Interim consolidated statement of financial position

Assets		
	<u>End of period Sep 30</u> <u>2022</u>	<u>End of period Mar 31</u> <u>2022</u>
	unaudited	
<b>Non-current assets</b>		
Goodwill	53,065	51,566
Other intangible assets	26,916	27,280
Property, plant and equipment	60,398	57,857
Right-of-use assets	42,522	42,678
Deferred tax assets	4,165	5,090
Financial assets	3,710	2,243
Long-term security deposits receivable	10,026	9,153
Equity-accounted investees	1,360	2,394
Other non-current assets	302	203
	<b>202,464</b>	<b>198,464</b>
<b>Current assets</b>		
Inventories	85,103	70,590
Financial assets	-	2
Trade and other receivables	124,821	111,766
Contract assets	33,575	21,214
Short-term security deposits receivable	5,165	4,859
Forward transactions	-	-
Current tax assets	862	1,104
Other current assets	1,909	2,775
Cash and cash equivalents	38,064	19,939
	<b>289,499</b>	<b>232,249</b>
<b>Total assets</b>	<b>491,963</b>	<b>430,713</b>

**Equity and liabilities**

	<u>End of period Sep 30</u> <u>2022</u>	<u>End of period Mar 31</u> <u>2022</u>
	unaudited	
<b>Equity</b>		
Share capital	3,915	3,915
Share premium	106,202	106,202
Share buyback reserve	7,245	7,245
Merger reserve	857	857
Treasury shares	(1,001)	(922)
Translation reserve	8,157	4,641
Retained earnings	73,767	62,738
<b>Equity attributable to owners of the parent</b>	<b>199,142</b>	<b>184,676</b>
Non-controlling interests	13,180	7,021
<b>Total equity</b>	<b>212,322</b>	<b>191,697</b>
<b>Non-current liabilities</b>		
Long-term borrowings	78,962	76,150
Deferred tax liability	415	-
Provisions for liabilities	555	555
Deferred income	3,928	3,953
Right-of-use liabilities	19,287	16,870
	<b>103,147</b>	<b>97,528</b>
<b>Current liabilities</b>		
Short-term borrowings	12,901	13,453
Trade and other payables	141,812	98,479
Contract liabilities	7,296	12,970
Income tax payable	1,331	1,570
Forward transactions	121	156
Provisions for liabilities	3,452	3,504
Deferred income	1,393	1,240
Right-of-use liabilities	8,188	10,116
	<b>176,494</b>	<b>141,488</b>
<b>Total equity and liabilities</b>	<b>491,963</b>	<b>430,713</b>

## Interim condensed consolidated statement of changes in equity

	<u>Share capital</u>	<u>Share premium</u>	<u>Capital reserves</u>	<u>Translation reserve</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Equity attributable to owners of the parent</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
<b>As at Apr 1 2021</b>	<b>3,915</b>	<b>106,202</b>	<b>24,357</b>	<b>5,222</b>	<b>(543)</b>	<b>25,587</b>	<b>164,740</b>	<b>6,603</b>	<b>171,343</b>
Net profit/(loss) for period	-	-	-	-	-	16,429	16,429	1,375	17,804
Other comprehensive income	-	-	-	2,605	-	-	2,605	457	3,062
<b>Comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,605</b>	<b>-</b>	<b>16,429</b>	<b>19,034</b>	<b>1,832</b>	<b>20,866</b>
Dividend payment	-	-	-	-	-	(8,893)	(8,893)	(375)	(9,268)
Utilisation of capital reserve (buyback of shares)	-	-	(16,255)	-	-	16,255	-	-	-
Buyback of shares	-	-	-	-	(89)	-	(89)	-	(89)
<b>Transactions with owners recognised in equity</b>	<b>-</b>	<b>-</b>	<b>(16,255)</b>	<b>-</b>	<b>(89)</b>	<b>7,362</b>	<b>(8,982)</b>	<b>(375)</b>	<b>(9,357)</b>
<b>As at Sep 30 2021</b>	<b>3,915</b>	<b>106,202</b>	<b>8,102</b>	<b>7,827</b>	<b>(632)</b>	<b>49,378</b>	<b>174,792</b>	<b>8,060</b>	<b>182,852</b>
<b>As at Apr 1 2022</b>	<b>3,915</b>	<b>106,202</b>	<b>8,102</b>	<b>4,641</b>	<b>(922)</b>	<b>62,738</b>	<b>184,676</b>	<b>7,021</b>	<b>191,697</b>
Net profit/(loss) for period	-	-	-	-	-	20,894	20,894	2,318	23,212
Other comprehensive income	-	-	-	3,516	-	-	3,516	3,841	7,357
<b>Comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,516</b>	<b>-</b>	<b>20,894</b>	<b>24,410</b>	<b>6,159</b>	<b>30,569</b>
Dividend payment	-	-	-	-	-	(9,865)	(9,865)	-	(9,865)
Buyback of shares	-	-	-	-	(79)	-	(79)	-	(79)
<b>Transactions with owners recognised in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79)</b>	<b>(9,865)</b>	<b>(9,944)</b>	<b>-</b>	<b>(9,944)</b>
<b>As at Sep 30 2022</b>	<b>3,915</b>	<b>106,202</b>	<b>8,102</b>	<b>8,157</b>	<b>(1,001)</b>	<b>73,767</b>	<b>199,142</b>	<b>13,180</b>	<b>212,322</b>

## Interim condensed consolidated statement of cash flows

	Apr 1–Sep 30 2022	Apr 1–Sep 30 2021
	unaudited	unaudited
<b>Continuing operations</b>		
<b>Operating activities</b>		
Profit (loss) before tax	30,024	21,777
Adjustments for:		
Depreciation and amortisation	8,877	6,967
Interest accrued	3,921	1,293
(Gains)/losses on investing activities	617	(327)
Change in inventories	(14,513)	(15,062)
Change in receivables	(14,234)	(21,554)
Change in contract assets and liabilities	(18,035)	(978)
Change in liabilities and provisions	33,396	10,060
Change in other assets	(772)	1,637
Other adjustments (exchange differences on consolidation)	7,357	3,062
<b>Total adjustments</b>	<b>6,614</b>	<b>(14,902)</b>
Income tax paid	(5,469)	(4,191)
<b>Net cash provided by (used in) operating activities</b>	<b>31,169</b>	<b>2,684</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(6,947)	(7,872)
Loans to equity-accounted investees	(1,425)	-
Proceeds from disposal of property, plant and equipment	102	-
Grants for development projects	428	367
<b>Net cash provided by (used in) investing activities</b>	<b>(7,842)</b>	<b>(7,505)</b>
<b>Financing activities</b>		
Increase in (repayment of) borrowings	2,260	22,141
Increase in (repayment of) right-of-use liabilities	(3,462)	(4,349)
Buyback of shares	(79)	(89)
Dividend paid	-	(9,268)
Interest paid	(3,921)	(1,293)
<b>Net cash provided by (used in) financing activities</b>	<b>(5,202)</b>	<b>7,142</b>
<b>Change in cash</b>	<b>18,125</b>	<b>2,321</b>
Cash at beginning of period	19,939	24,228
<b>Cash at end of period</b>	<b>38,064</b>	<b>26,549</b>

## Notes to the interim condensed consolidated financial statements

### Revenue

	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Revenue from sale of products	273,663	149,932	211,727	115,948
- including revenue recognised over time	112,721	55,131	100,824	63,227
Revenue from sale of merchandise and materials	28,327	17,048	18,767	9,699
<b>Total revenue</b>	<b>301,990</b>	<b>166,980</b>	<b>230,494</b>	<b>125,647</b>

### Revenue by geographical markets

	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Poland	156,798	83,189	115,537	64,167
Czech Republic and Slovakia	22,999	10,375	18,366	9,829
Spain	22,286	12,242	20,341	9,616
Ukraine	2,985	1,555	5,089	2,996
Romania	4,360	2,194	6,756	2,898
Russia	29,489	20,284	24,479	14,636
Hungary	23,980	13,669	16,343	9,140
UK	3,611	1,997	2,052	1,130
Other	35,482	21,475	21,531	11,235
<b>Total revenue</b>	<b>301,990</b>	<b>166,980</b>	<b>230,494</b>	<b>125,647</b>

### Operating activities

#### Operating expenses

	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Cost of sales	223,882	126,040	173,822	95,032
Selling expenses	24,536	13,325	20,585	11,347
Administrative expenses	18,068	9,346	14,420	7,620
<b>Total operating expenses</b>	<b>266,486</b>	<b>148,711</b>	<b>208,827</b>	<b>113,999</b>
Depreciation and amortisation	8,877	4,423	6,967	3,459
Raw materials and consumables used	144,593	80,905	113,009	65,650
Change in inventories of finished goods	(5,387)	(1,037)	(3,355)	(1,753)
Services	45,369	24,694	38,240	21,536
Salaries and wages	38,356	20,017	31,851	16,643
Employee benefits	7,862	4,194	6,514	3,447
Taxes and charges	2,697	1,322	2,385	1,170
Other	2,439	736	1,257	159
Cost of merchandise and materials sold	21,680	13,457	11,959	3,688
<b>Total expenses by nature</b>	<b>266,486</b>	<b>148,711</b>	<b>208,827</b>	<b>113,999</b>

## Other income

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
Gain on disposal of property, plant and equipment	417	356	327	158
Reimbursement of court costs	-	-	48	48
Compensation and penalties received	62	56	296	192
Recoveries previously written off as uncollectible	3	3	219	219
Liabilities cancelled	-	-	551	-
Grants for development projects	-	-	302	151
Past due liabilities written off	2	2	19	19
Other	209	(23)	159	(87)
<b>Total</b>	<b>693</b>	<b>394</b>	<b>1,921</b>	<b>700</b>

## Other expenses

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
Penalties and fines	15	13	70	69
Litigation costs	115	112	6	5
Receivables written off	-	-	417	417
Provisions for warranty repairs	-	-	-	-
Other	685	430	238	54
<b>Total</b>	<b>815</b>	<b>555</b>	<b>731</b>	<b>545</b>

## Financing activities

### Finance income

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
Interest on cash and bank deposits	239	158	23	23
Interest on receivables and loans	145	98	156	156
Discounting of security deposits receivable	-	-	108	108
Foreign exchange gains	814	12	418	316
Other income	57	18	45	29
<b>Total</b>	<b>1,255</b>	<b>286</b>	<b>750</b>	<b>632</b>

### Finance costs

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
Interest and commissions on borrowings	3,287	1,778	755	403
Interest on leases	838	428	662	388
Interest on liabilities	19	17	11	5
Discounting of security deposits receivable	513	61	-	-
Foreign exchange losses	553	411	279	150
Other	12	(38)	294	30
<b>Total</b>	<b>5,222</b>	<b>2,657</b>	<b>2,001</b>	<b>976</b>

## Income tax

The effective tax rate for the Group was 21.86%, almost 3pp higher than the nominal tax rate for the Parent. This was mainly attributable to different tax rates applicable in various tax jurisdictions in which MERCOR Group companies are located and to permanent differences between profit/(loss) before tax and taxable income.

### **Tax audit for the financial year April 1st 2012–March 31st 2013**

The Head of the Gdańsk Province Tax Office in Gdańsk carried out an audit concerning tax loss reported by the Parent as incurred in the tax year 2012/2013 in connection with the latter's claim for a refund of PLN 5,138 thousand in overpaid income tax for that period. In July 2014, the Parent received a report summarising the findings of the audit, in which the Head of the Gdańsk Province Tax Office challenged the loss disclosed in the tax return and the tax overpayment claimed. The Management Board of the Parent objected to the report, disagreeing with the audit findings and upholding its position as to the amount of tax loss of PLN 76,139,865.64 incurred on the sale of shares in BEM sp. z o.o. and the validity of its claim for full refund of the overpaid tax. In the audit report delivered to the Parent in July 2014, the Head of the Gdańsk Province Tax Office challenged that loss citing the tax avoidance clause, which – as at the date of the transaction concerned – was not yet part of the Polish legal system. In January 2015, a tax audit held to verify corporate income tax returns for the tax year 2012/2013 was completed at the Parent. In the audit report, to which the Parent objected, the tax authority again challenged the tax loss disclosed in the tax return and the overpayment of corporate income tax claimed for the tax year 2012/2013. In its response, the Parent again objected to the findings of the Head of the Gdańsk Province Tax Office and upheld the position of the Management Board of MERCOR S.A. with respect to the validity of the reported tax loss and tax overpayment.

In June 2015, the Parent received decisions issued by the Head of the Gdańsk Province Tax Office to initiate a tax investigation into the correctness of corporate income tax settlements for the tax year April 1st 2012–March 31st 2013, and to assess default interest on unpaid corporate income tax advances for the same tax year.

The tax investigation was concluded in September 2015 with decisions issued by the Head of the Gdańsk Province Tax Office assessing the Parent's income tax liability for 2012/2013 at PLN 5,375,791 and default interest on unpaid corporate income tax advances at PLN 6,272. Citing the legal basis for its decisions, the Head of the Gdańsk Province Tax Office stated that the sale of shares was an artificial transaction.

The Parent did not change its opinion that the findings made by the Head of the Gdańsk Province Tax Office were incorrect, filing an appeal against the decisions issued by the first instance authority with the Tax Chamber in Gdańsk.

In July 2016, the Parent received decisions issued by the Director of the Tax Chamber in Gdańsk upholding the earlier decisions of the Head of the Gdańsk Province Tax Office which had assessed the corporate income tax liability and default interest on unpaid income tax advances. However, the decisions issued by the Director of the Tax Chamber in Gdańsk cited as the legal basis the transfer pricing regulations (determining the amount of income on the sale of shares at PLN 0.00), instead of the previously cited artificiality of the transaction. Disagreeing with the decisions of the Director of the Tax Chamber, in August 2016 the Parent filed relevant complaints with the Provincial Administrative Court in Gdańsk. The hearings before the Provincial Court of Appeals in Gdańsk were held on December 20th 2016, whereupon the Parent's complaints were dismissed. Nevertheless, the Parent maintained its position that the findings and decisions of both the Head of the Gdańsk Province Tax Office and the Director of the Tax Chamber in Gdańsk were incorrect, filing cassation complaints with the Supreme Administrative Court in Warsaw.

Having reviewed the Parent's cassation complaints against the judgments of the Provincial Administrative Court in Gdańsk, on April 1st 2019 the Supreme Administrative Court issued judgments setting aside the contested judgments of the Provincial Administrative Court and the decisions of the Director of the Tax Administration Chamber (formerly Director of the Tax Chamber) in Gdańsk. In July 2019, the Parent received written statements of reasons for the judgments issued by the Supreme Administrative Court. By a decision of the Director of the Tax Administration Chamber in Gdańsk dated October 31st 2019, decisions of the first instance authority were vacated and the case was remanded for re-examination by the Head of the Gdańsk Province Tax Office.

The Parent obtained a private letter ruling, issued pursuant to Art. 14b of the Tax Code, confirming that the share sale transaction had been correctly accounted for and thus confirming the Parent's position as to the validity of its claim for the overpaid tax amount and the tax loss reported.

On April 21st 2021, two decisions were issued by the Head of the Gdańsk Province Tax Office. With respect to the tax investigation concerning corporate income tax, the Head of the Gdańsk Province Tax Office assessed the Parent's liability on account of corporate income tax for the tax year April 1st 2012–March 31st 2013 at PLN 5,375,791.00. The legal basis for the decision cited by the Head of the Gdańsk Province Tax Office was Art. 11.1 of the Corporate Income Tax Act, i.e. the provision related to transfer pricing which stipulates that if, as a result of relations between entities, conditions are agreed or imposed that substantially differ from those which would have been agreed between independent entities and, as a result, an entity does not disclose any income or discloses income lower than could be expected if such relations did not exist – the income of such entity and the tax due are assessed without taking into account the conditions resulting from such relations. The Head of the Gdańsk Province Tax Office is of the opinion that the tax authorities have the right to apply the principles of 'non-recognition' or 'recharacterisation' also in tax investigations concerning corporate income tax settlements for the years preceding 2019 (the transfer pricing regulations have been amended as of January 1st 2019), referring to the grounds for the act amending the Corporate Income Tax Act as of January 1st 2019, which state that *'the existing right of the tax authority to take into account the whole range of conditions under which related entities conduct their business activity by considering that under certain conditions a given transaction would not be concluded (non-recognition) or would be concluded differently (recharacterisation), derived from the wording of Art. 11.1 of the CIT Act and Art. 25.1 of the PIT Act, has been clarified in the introduced regulations'*.

The second decision of the Head of the Gdańsk Province Tax Office concerned default interest on unpaid corporate income tax advances for the tax year April 1st 2012–March 31st 2013. In that decision, the Head of the Gdańsk Province Tax Office assessed default interest on unpaid corporate income tax advances for March 2013 at PLN 5,508.00 and discontinued the proceedings to assess default interest on unpaid corporate income tax advances for September and November 2012 due to expiry of the statute of limitations for that liability.

Disagreeing with the findings made by the Head of the Gdańsk Province Tax Office, in May 2021 the Parent filed appeals against the above decisions with the Director of the Tax Administration Chamber in Gdańsk. In October 2021, the Parent filed a request with the Director of the Tax Administration Chamber in Gdańsk for an administrative hearing to be held in connection with the pending appeals. By way of decisions dated February 28th, the Director of the Tax Administration Chamber in Gdańsk refused to hold the hearing requested by the Company, stating that there was no need to further clarify the legal reasoning put forward by the first instance authority in its tax liability assessment decision, which, in the opinion of the Director of the Tax Administration Chamber, contained extensive justification of the regulations applied in the case. In March 2022, the Company presented its position regarding the evidence gathered by the Director of the Tax Administration Chamber in the course of the appeal proceedings, reiterating the absence of a legal basis for the decisions issued by the Head of the Gdańsk Province Tax Office, and requested that they be set aside, or failing that – that an administrative hearing be held at which it would be possible to examine the evidence gathered and to determine and clarify circumstances surrounding the adoption by the Head of the Gdańsk Province Tax Office of the legal bases cited in its decisions. However, the Company's request was not granted by the tax authority.

On August 17th 2022, the Company received a decision of the Director of the Tax Administration Chamber in Gdańsk dated August 1st 2022, which upheld the decision of the Head of the Gdańsk Province Tax Office, albeit the second instance authority cited as the legal basis the transfer pricing regulations (Art. 11.1 of the Corporate Income Tax Act) as in force during the period covered by the proceedings, determining the amount of income on the sale of shares at PLN 0.00, rather than their amended version, as did the Head of the Gdańsk Province Tax Office.

By a decision of the Director of the Tax Administration Chamber in Gdańsk dated August 1st 2022, the decision of the Head of the Gdańsk Province Tax Office concerning default interest on unpaid corporate income tax advances for March 2013 was also upheld.

Disagreeing with the findings of the tax authority, the Company intends to file complaints against both decisions of the Director of the Tax Administration Chamber in Gdańsk with the Provincial Administrative Court in Gdańsk.

In the opinion of the Management Board of the Parent, as at the date of these consolidated financial statements the risk that the contingent receivable related to corporate income tax refund (resulting from tax advances paid for the tax year 2012/2013) of PLN 5,433 thousand would not be recovered by the Company was not significant.

### **Tax audit for the financial year April 1st 2013–March 31st 2014**

In November 2018, an audit procedure was completed by the Gdańsk Province Customs and Tax Office to verify the declared tax bases as well as the correctness of the calculation and payment of corporate income tax for the financial year 2013, i.e. April 2013–March 2014. In December 2018, the Parent received a decision of the Head of the Gdańsk Province Customs and Tax Office in Gdynia issued on the basis of the audit report. In accordance with the audit findings, the Head challenged the Parent's right to report the tax loss of PLN 19,857,264.61 in the tax return for the period audited, and assessed income on free-of-charge benefits in the form of interest on the loan received, which was not reported by the Parent, at PLN 2,407,786.98. As a result, the corporate income tax liability assessed for the year 2013/2014 was PLN 4,230,360.00.

The Parent filed its objections to the report, disagreeing with the Head's findings regarding its inability to report the tax loss (the challenged tax loss was the subject of a cassation complaint filed by the Parent with the Supreme Administrative Court, on which a judgment was issued on April 1st 2019). At the same time, the Parent complied with the Head's instruction to report income on free-of-charge benefits, as a result of which on November 30th 2018 it filed a correction of the tax return for the year 2013/2014 and for subsequent years (2014/2015, 2015/2016 and 2016/2017). The correction resulted in corporate income tax liability of PLN 119,519.00 for the tax year ended March 31st 2017. The tax liability together with interest due was settled by the Parent on the same date on which it filed the correction. On December 4th 2018, the Parent received a decision of the Head of the Gdańsk Province Customs and Tax Office assessing corporate income tax liability at PLN 4,260,360.00. The Parent appealed against the decision of the Head of the Gdańsk Province Customs and Tax Office to the Director of the Tax Administration Chamber in Gdańsk. In this respect, the Director of the Tax Administration Chamber vacated the decision issued by the Head of the Gdańsk Province Customs and Tax Office in Gdynia and remanded the case for re-examination in connection with the setting aside of the judgments of the Provincial Administrative Court and the decisions of the Director of the Tax Chamber in Gdańsk. Having re-examined the case, on April 5th 2022 the Head of the Gdańsk Province Customs and Tax Office in Gdynia issued a decision reassessing the Company's corporate income tax liability for the year 2013/2014 at PLN 4,230,360.00 and challenging the Company's ability to deduct tax loss incurred in the tax year 2012/2013 based on a decision issued in April 2021 by the Head of the Gdańsk Province Tax Office in Gdańsk that is not yet final (appeal pending). On May 2nd 2022, the Company filed an appeal against the decision with the Director of the Tax Administration Chamber in Gdańsk via the Head of the Gdańsk Province Customs and Tax Office.

On September 30th 2022, the Director of the Tax Administration Chamber in Gdańsk issued a decision vacating the decision of the Head of the Gdańsk Province Customs and Tax Office in Gdynia dated April 5th 2022 assessing corporate income tax liability for the tax year April 1st 2013–March 31st 2014 at PLN 4,230,360.00. The Director of the Tax Administration Chamber in Gdańsk stated that the Company's tax liability for the period became statute-barred. It therefore vacated the decision of the first instance authority in its entirety and terminated the proceedings.

## Deferred tax assets and liabilities

Deferred tax is recognised for temporary differences between taxable income and profit/(loss) before tax disclosed in the financial statements. As at September 30th 2022 and March 31st 2022, deferred income tax arose from the items presented in the table below.

An analysis of the recoverability of the deferred tax asset arising from recognised tax losses did not reveal any indications of impairment of that asset. The assets recognised by the Spanish company Tecresa on account of tax losses incurred in the years 2013/2014, 2014/2015 and 2020/2021 (the total value of the assets as at September 30th 2022 was PLN 1,812 thousand) are deductible from taxable income over a period of 10 years.

	Statement of financial position		Statement of comprehensive income			
	End of period Sep 30 2022	End of period Mar 31 2022	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Differences between tax base and carrying amount of property, plant and equipment and intangible assets	2,397	2,297	(100)	(584)	27	12
Revenue recognised over time	2,837	2,081	(756)	(507)	(1,348)	(986)
Unrealised exchange differences and measurement of forward transactions	-	-	-	657	-	-
Accrued interest	64	15	(49)	(49)	-	-
<b>Deferred tax liability</b>	<b>5,298</b>	<b>4,393</b>	(905)	(483)	(1,321)	(974)
Cost related to revenue recognised over time	1,523	1,380	143	42	303	604
Differences between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	-	68	(68)	(67)	(33)	(15)
Provisions for employee expenses and employee benefit obligations	2,919	2,983	(64)	(285)	461	78
Impairment losses on receivables	1,280	1,421	(141)	-	(13)	2
Write-downs of inventories	1,095	30	243	(410)	(155)	(82)
Unrealised exchange differences and measurement of forward transactions	23	69	(7)	5	(60)	(61)
Deferred income	167	219	(52)	(52)	(60)	(30)
Accrued interest	229	102	127	4	(13)	(13)
Tax loss asset	1,812	2,428	452	155	606	202
<b>Deferred tax assets</b>	<b>9,048</b>	<b>9,483</b>	633	212	1,036	685
<i>including:</i>						
<b>deferred tax assets</b>	<b>4,165</b>	<b>5,090</b>				
<b>deferred tax liability</b>	<b>415</b>	<b>-</b>				
<b>Deferred tax expense</b>			<b>(272)</b>	<b>(271)</b>	<b>(285)</b>	<b>(289)</b>

## Intangible assets

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Goodwill	53,065	51,566
Costs of completed development work	14,218	15,949
Capitalised costs of development work in progress	8,401	6,424
Concessions and licences	6,734	4,907
<b>Total</b>	<b>82,418</b>	<b>78,846</b>

As at September 30th 2022, goodwill disclosed in the consolidated financial statements included goodwill arising on the acquisition of Tecresa Proteccion Pasiva S.L.U of PLN 39,834 thousand, the Dunamenti Tűzvédelem Zrt. Group of PLN 7,537 thousand and DFM Doors sp. z o.o. of PLN 207 thousand. These amounts have been adjusted for foreign exchange differences.

As at September 30th 2022, no indications of impairment of intangible assets were identified. Goodwill and development work were tested for impairment as at March 31st 2022. For information on assumptions underlying the impairment tests, see Note 11 to the consolidated financial statements as at March 31st 2022. As at September 30th 2022, assumptions underlying the impairment tests were reviewed. Based on the review, it was assumed there was no need to perform full impairment tests for those assets and to adjust their carrying amount.

## Property, plant and equipment

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Land	1,836	1,836
Buildings and structures	15,767	13,667
Machinery and equipment	33,793	15,792
Vehicles	1,853	1,830
Other property, plant and equipment	1,148	1,236
<b>Property, plant and equipment</b>	<b>54,397</b>	<b>34,361</b>
Property, plant and equipment under construction	5,208	23,041
Prepayments for property, plant and equipment	793	455
<b>Total</b>	<b>60,398</b>	<b>57,857</b>

## Borrowings

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Borrowings from banks	91,753	89,155
Borrowings from financial institutions	110	448
<b>Total</b>	<b>91,863</b>	<b>89,603</b>
<b><i>Non-current portion</i></b>		
Borrowings from banks	78,852	76,082
Borrowings from financial institutions	110	68
<b>Total</b>	<b>78,962</b>	<b>76,150</b>
<b><i>Current portion</i></b>		
Borrowings from banks	12,901	13,073
Borrowings from financial institutions	-	380
<b>Total</b>	<b>12,901</b>	<b>13,453</b>
<b><i>Borrowings maturing</i></b>		
Within 1 year	12,901	13,453
In 2 to 3 years	75,108	67,227
In 3 to 5 years	3,854	8,923
In over 5 years	-	-
<b>Total</b>	<b>91,863</b>	<b>89,603</b>

### Currency breakdown of the Group's borrowings (presented in PLN)

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Borrowings in PLN	76,101	85,180
Borrowings in EUR	15,762	4,423
<b>Total</b>	<b>91,863</b>	<b>89,603</b>

In the six months from April 1st to September 30th 2022, there were no defaults or material breaches under borrowing agreements.

## Trade and other payables

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Trade payables	71,713	71,230
Taxes (excluding corporate income tax) and social security contributions payable	13,204	6,960
Salaries and wages payable	1,704	2,818
Prepayments received for deliveries	27,706	1,459
Other liabilities and accruals, including:	27,485	16,012
accrued bonuses and overtime pay	11,328	9,951
accrued holiday entitlements	2,263	2,062
unbilled expenses	3,464	2,847
Dividend payable	9,865	-
other liabilities	565	1,152
<b>Total</b>	<b>141,812</b>	<b>98,479</b>

All the liabilities are current liabilities.

## Impairment losses and write-downs

### Inventories

As at September 30th 2022, write-downs of inventories to net realisable value totalled PLN 7,622 thousand. In the reporting period, write-downs of PLN 3,386 thousand were recognised and write-downs of PLN 366 thousand recognised in previous periods were reversed. Inventory write-downs are recognised and reversed in cost of sales.

#### Inventories at end of reporting period

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Materials	63,326	57,090
Work in progress and semi-finished goods	7,566	4,658
Finished goods	21,833	13,444
Write-downs	(7,622)	(4,602)
<b>Total</b>	<b>85,103</b>	<b>70,590</b>

### Receivables

#### Receivables at end of reporting period

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Trade receivables	118,188	110,823
Taxes (excluding corporate income tax) receivable	7,041	2,269
Prepayments made for deliveries	7,143	5,934
Other receivables	866	897
Impairment losses	(8,417)	(8,157)
<b>Total</b>	<b>124,821</b>	<b>111,766</b>

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>	<u>Change in period</u>
Impairment losses on receivables	8,417	8,157	260
<b>Total</b>	<b>8,417</b>	<b>8,157</b>	<b>260</b>

## Information on recognition, increase, use and reversal of provisions

	<u>Provision for retirement benefits</u>	<u>Provision for warranty repairs</u>
<b>Provisions as at Mar 31 2022</b>	<b>566</b>	<b>3,493</b>
Recognition of provisions charged to expenses	-	-
Use of provisions	-	-
Exchange differences	-	(52)
<b>Provisions as at Sep 30 2022</b>	<b>566</b>	<b>3,441</b>

## Financial instruments

There were no changes in the economic situation that could have a material effect on the fair value of financial assets and financial liabilities of the Company and its Group, whether measured at fair value or at amortised cost.

In the six months ended September 30th 2022, there were no changes in the method of measuring the fair value of financial instruments.

In the six months ended September 30th 2022, there were no changes in the classification of financial assets resulting from a change in their purpose or use. All financial instruments are categorised within the second level of the fair value hierarchy.

### Net carrying amount of financial instruments

	<u>End of period Sep 30</u> <u>2022</u>	<u>End of period Mar 31</u> <u>2022</u>
<b>Classes of financial instruments</b>		
Retentions receivable under construction contracts	15,191	14,012
Contract assets	33,575	21,214
Trade and other receivables	109,771	102,666
Cash and cash equivalents	38,064	19,939
Forward hedging transactions	-	-
<b>Total assets</b>	<b>196,601</b>	<b>157,831</b>
Borrowings	91,863	89,603
Trade and other payables	71,713	71,230
Contract liabilities	7,296	12,970
Forward hedging transactions	121	156
Right-of-use liabilities	27,475	26,986
<b>Total liabilities</b>	<b>198,468</b>	<b>200,945</b>

	fair value	carrying amount	measured at fair value through profit or loss	measured at fair value with changes to equity	measured at amortised cost
<b>Non-current assets</b>	<b>10,026</b>	<b>10,026</b>	-	-	<b>10,026</b>
Trade and other receivables	10,026	10,026	-	-	10,026
<b>Current liabilities</b>	<b>186,575</b>	<b>186,575</b>	-	-	<b>186,575</b>
Trade and other receivables	148,511	148,511	-	-	148,511
Cash and cash equivalents	38,064	38,064	-	-	38,064
Derivative financial instruments	-	-	-	-	-
<b>Total</b>	<b>196,601</b>	<b>196,601</b>	-	-	<b>196,601</b>

	fair value	carrying amount	measured at fair value through profit or loss	measured at amortised cost	measured at fair value with changes to equity
<b>Non-current liabilities</b>	<b>98,249</b>	<b>98,249</b>	-	<b>98,249</b>	-
Borrowings	78,962	78,962	-	78,962	-
Trade and other payables	19,287	19,287	-	19,287	-
<b>Current liabilities</b>	<b>100,219</b>	<b>100,219</b>	<b>121</b>	<b>100,098</b>	-
Borrowings	12,901	12,901	-	12,901	-
Trade and other payables	87,197	87,197	-	87,197	-
Derivative financial instruments	121	121	121	-	-
<b>Total</b>	<b>198,468</b>	<b>198,468</b>	<b>121</b>	<b>198,347</b>	-

## Contingent assets and liabilities

In the six months from April 1st to September 30th 2022, there were no material changes in the Company's contingent assets or contingent liabilities.

## Related party transactions

### Transactions with shareholders and members of the Company's governing bodies

In the periods covered by these financial statements, mutual transactions with such related parties included trade transactions entered into by the Parent with members of the Parent's Management Board and members of their families.

<u>Related party</u>	<u>Period</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Interest on borrowings from related parties</u>	<u>Receivables from related parties</u>	<u>Payables to related parties</u>
		PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Krzysztof and Magdalena	Apr 1–Sep 30 2022	8	-	-	-	-
Krempeć	Apr 1–Sep 30 2021	5	-	-	4	-

Transactions shown above included sales of materials and goods, as well as recharge of costs.

### Transactions with other related parties

Transactions with other related parties included transactions between the Company and Ambient-System sp. z o.o., wholly-owned by one of the current members of the Company's Supervisory Board, as well as Periban Poland sp. z o.o. spółka komandytowa and Jeździecki Klub Sportowy Barłomino sp. z o.o., related to the Company through one of its Management Board members.

<u>Related party</u>	<u>Period</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Receivables from related parties</u>	<u>Payables to related parties</u>
		PLN '000	PLN '000	PLN '000	PLN '000
Ambient System sp. z o.o.	Apr 1–Sep 30 2022	2	-	-	-
	Apr 1–Sep 30 2021	2	-	-	-
Periban Poland sp. z o.o. sp. k.	Apr 1–Sep 30 2022	-	255	-	52
	Apr 1–Sep 30 2021	-	122	-	25
Jeździecki Klub Sportowy Barłomino sp. z o.o.	Apr 1–Sep 30 2022	8	-	10	-
	Apr 1–Sep 30 2021	25	-	24	-

Transactions shown above included sales and purchases of materials, goods and services, as well as leases of office space.

## Remuneration of senior management personnel

The remuneration of management personnel includes remuneration of members of the Management Board, members of the Supervisory Board and senior officers of the Company.

### Remuneration paid by key benefits

	<u>Apr 1–Sep 30 2022</u>	<u>Apr 1–Sep 30 2021</u>
	PLN '000	PLN '000
Short-term employee benefits	2,639	2,736
	<b>2,639</b>	<b>2,736</b>

Total short-term employee benefits presented above relate to remuneration paid under the employment contracts and with respect to functions held, and include:

	<u>Apr 1–Sep 30 2022</u>	<u>Apr 1–Sep 30 2021</u>
	PLN '000	PLN '000
<b>Management Board:</b>	<b>1,113</b>	<b>1,450</b>
Krzysztof Krempeć	153	542
Jakub Lipiński	480	455
Tomasz Kamiński	480	453
<b>Supervisory Board</b>	<b>255</b>	<b>234</b>
Lucjan Myrda	51	47
Tomasz Rutowski	34	31
Marian Popinigis	34	31
Eryk Karski	34	31
Błażej Żmijewski	34	31
Arkadiusz Kęsicki	34	31
Pathy Timu Zenzo	34	32
<b>Senior officers</b>	<b>1,271</b>	<b>1,052</b>
	<b>2,639</b>	<b>2,736</b>

The Parent has in place a bonus scheme for its management personnel whereby payments are triggered by the achievement of predefined levels of certain economic indicators. As the target levels of those indicators were achieved as at September 30th 2022 (in proportion to the passage of time), a liability for payments due to the management personnel was recognised as at that date for all employees covered by the scheme.

## Subsequent events

After the reporting date, there were no significant events not disclosed in these financial statements that could materially affect future financial results.

## Interim condensed separate financial statements

### Interim condensed separate statement of comprehensive income

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
	unaudited	unaudited	unaudited	unaudited
Revenue	172,054	90,932	137,952	76,048
Cost of sales	134,998	74,070	108,495	59,806
<b>Gross profit</b>	<b>37,056</b>	<b>16,862</b>	<b>29,457</b>	<b>16,242</b>
Other income	445	384	761	441
Selling expenses	12,667	6,885	10,443	5,898
Administrative expenses	7,702	3,957	6,783	3,677
Other expenses	156	150	37	26
(Expected credit loss)/reversal of expected credit loss	(2,083)	(1,732)	167	38
<b>Operating profit</b>	<b>14,893</b>	<b>4,522</b>	<b>13,122</b>	<b>7,120</b>
Finance income	1,723	540	6,673	5,660
Finance costs	4,523	2,384	1,219	684
Impairment losses on equity interests	-	-	-	-
<b>Profit before tax</b>	<b>12,093</b>	<b>2,678</b>	<b>18,576</b>	<b>12,096</b>
Income tax	2,396	495	2,191	1,381
<b>Net profit</b>	<b>9,697</b>	<b>2,183</b>	<b>16,385</b>	<b>10,715</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net comprehensive income</b>	<b>9,697</b>	<b>2,183</b>	<b>16,385</b>	<b>10,715</b>
<b>Earnings per share:</b>				
Basic	0.62	0.14	1.05	0.69
Diluted	0.62	0.14	1.05	0.69

## Interim condensed separate statement of financial position

### Assets

	End of period Sep 30 2022	End of period Mar 31 2022
	unaudited	
<b>Non-current assets</b>		
Intangible assets	13,538	13,773
Property, plant and equipment	44,324	43,691
Right-of-use assets	27,556	28,556
Other financial assets	102,620	97,871
Deferred tax assets	2,326	2,009
Long-term security deposits receivable	2,718	3,460
Other non-current assets	135	193
	<b>193,217</b>	<b>189,553</b>
<b>Current assets</b>		
Inventories	44,238	39,068
Financial assets	-	-
Trade and other receivables	68,811	67,537
Contract assets	15,810	12,216
Short-term security deposits receivable	2,900	3,046
Forward transactions	-	-
Other current assets	1,046	1,714
Cash and cash equivalents	194	1,389
	<b>132,999</b>	<b>124,970</b>
<b>Total assets</b>	<b>326,216</b>	<b>314,523</b>

**Equity and liabilities**

	<u>End of period Sep 30</u> <u>2022</u>	<u>End of period Mar 31</u> <u>2022</u>
	unaudited	
<b>Equity</b>		
Share capital	3,915	3,915
Share premium	106,202	106,202
Capital reserves	8,102	8,102
Treasury shares	(1,001)	(922)
Retained earnings	28,217	28,382
<b>Total equity</b>	<b>145,432</b>	<b>145,679</b>
<b>Non-current liabilities</b>		
Long-term borrowings	80,793	77,290
Deferred tax liability	-	-
Provisions for liabilities	555	555
Deferred income	3,729	3,729
Right-of-use liabilities	7,402	5,290
	<b>92,479</b>	<b>86,864</b>
<b>Current liabilities</b>		
Short-term borrowings	4,090	4,465
Trade and other payables	71,161	62,599
Contract liabilities	3,883	2,861
Corporate income tax payable	712	1,422
Provisions for liabilities	2,862	2,862
Forward transactions	121	156
Deferred income	1,393	1,240
Right-of-use liabilities	4,083	6,375
	<b>88,305</b>	<b>81,980</b>
<b>Total equity and liabilities</b>	<b>326,216</b>	<b>314,523</b>

## Interim condensed separate statement of changes in equity

	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total equity
<b>As at Apr 1 2021</b>	<b>3,915</b>	<b>106,202</b>	<b>24,357</b>	<b>(543)</b>	<b>(3,555)</b>	<b>130,376</b>
Net profit/(loss) for period	-	-	-	-	16,385	16,385
<b>Comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,385</b>	<b>16,385</b>
Dividend paid	-	-	-	-	(8,893)	(8,893)
Utilisation of capital reserve (buyback of shares)	-	-	(16,255)	-	16,255	-
Buyback of shares	-	-	-	(89)	-	(89)
<b>Transactions with owners recognised in equity</b>	<b>-</b>	<b>-</b>	<b>(16,255)</b>	<b>(89)</b>	<b>7,362</b>	<b>(8,982)</b>
<b>As at Sep 30 2021</b>	<b>3,915</b>	<b>106,202</b>	<b>8,102</b>	<b>(632)</b>	<b>20,192</b>	<b>137,779</b>
<b>As at Apr 1 2022</b>	<b>3,915</b>	<b>106,202</b>	<b>8,102</b>	<b>(922)</b>	<b>28,382</b>	<b>145,679</b>
Net profit/(loss) for period	-	-	-	-	9,697	9,697
<b>Comprehensive income for period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,697</b>	<b>9,697</b>
Dividend declared	-	-	-	-	(9,865)	(9,865)
Buyback of shares	-	-	-	(79)	-	(79)
<b>Transactions with owners recognised in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79)</b>	<b>(9,865)</b>	<b>(9,944)</b>
<b>As at Sep 30 2022</b>	<b>3,915</b>	<b>106,202</b>	<b>8,102</b>	<b>(1,001)</b>	<b>28,214</b>	<b>145,432</b>

## Interim condensed separate statement of cash flows

	Apr 1–Sep 30 2022	Apr 1–Sep 30 2021
	unaudited	unaudited
<b>Continuing operations</b>		
<b>Operating activities</b>		
Profit (loss) before tax	12,093	18,576
Adjustments for:		
Depreciation and amortisation	5,223	4,063
Interest	3,386	657
Dividends received	(757)	(5,466)
(Gains)/losses on investing activities	(376)	(1,106)
Change in inventories	(5,170)	(9,360)
Change in receivables	(316)	(18,533)
Change in contract assets and liabilities	(2,572)	(9,859)
Change in liabilities and provisions	(1,298)	12,306
Change in other assets	635	(167)
Other adjustments	-	-
<b>Total adjustments</b>	<b>(1,315)</b>	<b>(27,465)</b>
Income tax paid	(3,423)	(2,527)
<b>Net cash provided by (used in) operating activities</b>	<b>7,355</b>	<b>(11,416)</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(2,447)	(4,786)
Loans made	(5,729)	-
Repayment of loans	1,071	-
Proceeds from disposal of property, plant and equipment	61	327
Proceeds from disposal of financial assets	-	900
Interest received	-	-
Dividends received	757	5,466
Grants for development projects	428	367
<b>Net cash provided by (used in) investing activities</b>	<b>(5,859)</b>	<b>2,274</b>
<b>Financing activities</b>		
Increase in/(repayment) of borrowings	3,128	21,458
Payment of right-of-use liabilities	(2,354)	(2,669)
Buyback of shares	(79)	(89)
Interest paid	(3,386)	(657)
Dividend paid	-	(8,893)
<b>Net cash provided by (used in) financing activities</b>	<b>(2,691)</b>	<b>9,150</b>
<b>Change in cash</b>	<b>(1,195)</b>	<b>8</b>
Cash at beginning of period	1,389	955
<b>Cash at end of period</b>	<b>194</b>	<b>963</b>

## Notes to the interim condensed separate financial statements

### Revenue

	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Revenue from sale of products	142,676	73,824	111,249	61,546
- including revenue recognised over time	61,375	31,711	43,901	25,661
Revenue from sale of merchandise and materials	29,378	17,108	26,703	14,502
<b>Total revenue</b>	<b>172,054</b>	<b>90,932</b>	<b>137,952</b>	<b>76,048</b>

### Revenue by geographical markets

	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Poland	130,074	68,021	103,187	58,425
Czech Republic and Slovakia	8,535	4,895	8,827	4,567
Spain	5,164	2,917	2,656	1,582
Ukraine	602	146	453	225
Romania	1,859	965	3,552	1,445
Russia	-	-	2,354	1,391
Hungary	3,929	944	2,187	1,147
UK	3,150	1,842	2,086	1,164
Other	18,741	11,202	12,650	6,102
<b>Total revenue</b>	<b>172,054</b>	<b>90,932</b>	<b>137,952</b>	<b>76,048</b>

### Operating activities

#### Operating expenses

	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Cost of sales	134,998	74,070	108,495	59,806
Selling expenses	12,667	6,885	10,443	5,898
Administrative expenses	7,702	3,957	6,783	3,677
<b>Total operating expenses</b>	<b>155,367</b>	<b>84,912</b>	<b>125,721</b>	<b>69,381</b>
Depreciation and amortisation	5,223	2,680	4,063	2,009
Raw materials and consumables used	74,362	37,994	57,311	32,062
Change in inventories of finished goods	(5,635)	(753)	(3,117)	(1,692)
Services	29,264	16,567	21,900	12,562
Salaries and wages	22,665	11,813	19,931	10,637
Employee benefits	4,841	2,663	4,009	2,079
Taxes and charges	701	342	638	329
Other	1,482	881	594	298
Cost of merchandise and materials sold	22,464	12,725	20,392	11,097
<b>Total expenses by nature</b>	<b>155,367</b>	<b>84,912</b>	<b>125,721</b>	<b>69,381</b>

## Other income

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
Gain on disposal of property, plant and equipment	376	315	327	158
Reimbursement of court costs	-	-	48	48
Compensation and penalties received	48	48	66	66
Recoveries previously written off as uncollectible	3	3	-	-
Past due liabilities written off	2	2	18	18
Grants for development projects	-	-	302	151
Other	16	16	-	-
<b>Total</b>	<b>445</b>	<b>384</b>	<b>761</b>	<b>441</b>

## Other expenses

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
Penalties and fines	13	13	-	-
Litigation costs	109	109	3	2
Receivables written off	-	-	16	16
Other	34	28	18	8
<b>Total</b>	<b>156</b>	<b>150</b>	<b>37</b>	<b>26</b>

## Financing activities

### Finance income

	<u>Apr 1–Sep 30</u> <u>2022</u>	<u>Jul 1–Sep 30</u> <u>2022</u>	<u>Apr 1–Sep 30</u> <u>2021</u>	<u>Jul 1–Sep 30</u> <u>2021</u>
Dividends	757	-	5,466	5,244
Interest on loans	889	502	123	123
Interest on receivables	21	1	156	155
Discounting of security deposits receivable	-	-	108	108
Gain on disposal of financial assets	-	-	779	-
Other income	56	37	41	30
<b>Total</b>	<b>1,723</b>	<b>540</b>	<b>6,673</b>	<b>5,660</b>

## Finance costs

	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Interest and commissions on borrowings	3,033	1,740	599	347
Interest on leases	557	284	405	263
Interest on liabilities	19	17	11	5
Foreign exchange losses	401	282	220	95
Discounting of security deposits receivable	513	61		
Other	-	-	(16)	(26)
<b>Total</b>	<b>4,523</b>	<b>2,384</b>	<b>1,219</b>	<b>684</b>

## Income tax

The effective tax rate was 19.71%, slightly above the nominal tax rate. This was mainly attributable to permanent differences between profit/(loss) before tax and taxable income.

## Deferred tax assets and liabilities

Deferred tax is recognised for temporary differences between taxable income and profit/(loss) before tax disclosed in the financial statements. As at September 30th 2022 and March 31st 2022, deferred income tax arose from the items presented in the table below.

	Statement of financial position		Statement of comprehensive income			
	End of period Sep 30 2022	End of period Mar 31 2022	Apr 1–Sep 30 2022	Jul 1–Sep 30 2022	Apr 1–Sep 30 2021	Jul 1–Sep 30 2021
Differences between tax base and carrying amount of property, plant and equipment and intangible assets	2,091	2,297	206	50	27	12
Revenue recognised over time	2,728	2,081	(647)	(165)	(1,348)	(986)
Accrued interest	64	15	(49)	(49)	-	-
Unrealised exchange differences and measurement of forward transactions	-	-	-	-	-	-
<b>Deferred tax liability</b>	<b>4,883</b>	<b>4,393</b>	(490)	(164)	(1,321)	(974)
Cost related to revenue recognised over time	1,366	1,510	(144)	(91)	921	636
Provisions for employee expenses and employee benefit obligations	2,919	2,818	101	(285)	424	41
Impairment losses on receivables	1,410	1,014	396	329	(51)	(51)
Write-downs of inventories	1,095	693	402	410	(161)	(88)
Unrealised exchange differences and measurement of forward transactions	23	30	(7)	5	2	1
Deferred income	167	219	(52)	(52)	(60)	(30)
Accrued interest	229	118	111	4	(13)	(13)
<b>Deferred tax assets</b>	<b>7,209</b>	<b>6,402</b>	807	320	1,062	496
<i>including:</i>						
<b>deferred tax assets</b>	<b>2,326</b>	<b>2,009</b>				
<b>deferred tax liability</b>	<b>-</b>	<b>-</b>				
<b>Deferred tax expense</b>			<b>317</b>	<b>156</b>	<b>(259)</b>	<b>(478)</b>

## Intangible assets

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Costs of completed development work	5,678	6,841
Capitalised costs of development work in progress	6,937	5,748
Concessions and licences	923	1,184
<b>Total</b>	<b>13,538</b>	<b>13,773</b>

## Property, plant and equipment

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Land	5,406	5,406
Buildings and structures	10,823	8,926
Machinery and equipment	24,545	7,415
Vehicles	495	336
Other property, plant and equipment	778	877
<b>Property, plant and equipment</b>	<b>42,047</b>	<b>22,960</b>
Property, plant and equipment under construction	1,484	20,276
Prepayments for property, plant and equipment	793	455
<b>Total</b>	<b>44,324</b>	<b>43,691</b>

As at the reporting date, non-current assets were assessed by the Company for indications of possible impairment. A significant increase in the prices of energy consumed in the manufacturing process was identified as an indication of possible impairment of assets associated with the manufacture and marketing of mcr Silboard fire protection boards, whereupon an impairment test was carried out.

The impairment test carried out as at September 30th 2022 for assets involved in the manufacture of mcr Silboard fire protection boards was based on discounted cash flow projections for a period of five years from the reporting date, taking into account the projected residual value. The long-term growth rate for calculating the value of the cash-generating unit beyond the period covered by the forecast was adopted taking into account the specific characteristics of the entity and the market in which it operates. Forecasts were prepared taking into account the specific characteristics of the relevant market and product category, based on past experience relating to the markets concerned. The cash flow projections with business rationale cover a period of five years, i.e. the financial years from April 1st 2023 to March 31st 2028.

The discount rate was determined based on the real weighted average cost of capital of 11.3% (the nominal WACC was 15.7%). The impairment test revealed no need to recognise an impairment loss on the assets involved in the manufacture of mcr Silboard fire protection boards.

Presented below is the sensitivity of impairment test results to changes in assumptions:

	Effect on impairment loss	
	Increase	Decrease
WACC +/-0.5%	PLN +858 thousand	-
Revenue +/-10%	-	PLN +3,074 thousand

## Borrowings

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Borrowings from banks	82,083	78,955
Borrowings from related entities	2,800	2,800
<b>Total</b>	<b>84,883</b>	<b>81,755</b>
<b>Non-current portion</b>		
Borrowings from banks	77,993	74,490
Borrowings from related entities	2,800	2,800
<b>Total</b>	<b>80,793</b>	<b>77,290</b>
<b>Current portion</b>		
Borrowings from banks	4,090	4,465
Borrowings from related entities	-	-
<b>Total</b>	<b>4,090</b>	<b>4,465</b>
<b>Borrowings maturing</b>		
Within 1 year	4,090	4,465
In 2 to 3 years	74,181	69,498
In 3 to 5 years	6,612	7,792
<b>Total</b>	<b>84,883</b>	<b>81,755</b>

### Currency breakdown of the Company's borrowings (presented in PLN)

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Borrowings in PLN	73,318	81,755
Borrowings in EUR	11,565	-
<b>Total</b>	<b>84,883</b>	<b>81,755</b>

In the six months from April 1st to September 30th 2022, there were no defaults or material breaches under borrowing agreements.

## Trade and other payables

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Trade payables to related entities	2,107	1,133
Trade payables to other entities	38,255	43,577
Taxes (excluding corporate income tax) and social security contributions payable	5,976	4,158
Salaries and wages payable	1	47
Prepayments received for deliveries	2,735	1,395
Other liabilities and accruals, including:	22,087	12,289
accrued bonuses and overtime pay	9,233	8,878
accrued holiday entitlements	1,466	1,466
unbilled expenses	1,244	1,068
dividend payable	9,865	-
other liabilities	279	877
<b>Total</b>	<b>71,161</b>	<b>62,599</b>

All the liabilities are current liabilities.

## Impairment losses and write-downs

### Inventories

As at September 30th 2022, write-downs of inventories to net realisable value totalled PLN 5,765 thousand. In the reporting period, write-downs of PLN 2,392 thousand were recognised and write-downs of PLN 276 thousand recognised in previous periods were reversed.

#### Inventories at end of reporting period:

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Materials	26,501	27,541
Work in progress and semi-finished goods	6,748	3,902
Finished goods	16,754	11,274
Write-downs	(5,765)	(3,649)
<b>Total</b>	<b>44,238</b>	<b>39,068</b>

### Receivables

#### Receivables at end of reporting period

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>
Trade receivables from related entities	19,647	20,004
Trade receivables from other entities	53,952	50,936
Dividends receivable	832	116
Prepayments made for deliveries	245	317
Other receivables	76	-
Impairment losses	(5,941)	(3,836)
<b>Total</b>	<b>68,811</b>	<b>67,537</b>

	<u>End of period</u> <u>Sep 30 2022</u>	<u>End of period</u> <u>Mar 31 2022</u>	<u>Change in</u> <u>period</u>
Impairment losses on receivables	5,941	3,836	2,105
<b>Total</b>	<b>5,941</b>	<b>3,836</b>	<b>2,105</b>

### Equity interests in subsidiaries and development work

As at September 30th 2022, equity interests in subsidiaries and intangible assets were assessed by the Company for indications of possible impairment. The assessment revealed no need to update the impairment tests carried out at the end of the previous financial year or to recognise any additional impairment losses on those assets.

As a March 31st 2022, capitalised development costs and equity interests in subsidiaries were tested by the Company for impairment. The tests involved comparing the carrying amount of each asset against its recoverable amount determined on the basis of discounted net cash flow projections for a period of the next five years, taking into account the projected residual value.

## Information on recognition, increase, use and reversal of provisions

	<u>Provision for employee benefit obligations</u>	<u>Provision for warranty repairs</u>
<b>Provisions as at Mar 31 2022</b>	<b>566</b>	<b>2,851</b>
Recognition of provisions charged to expenses	-	-
<b>Provisions as at Sep 30 2022</b>	<b>566</b>	<b>2,851</b>

## Financial instruments

There were no changes in the economic situation that could have a material effect on the fair value of financial assets and financial liabilities of the Company, whether measured at fair value or at amortised cost.

In the six months ended September 30th 2022, there were no changes in the method of measuring the fair value of financial instruments.

In the six months ended September 30th 2022, there were no changes in the classification of financial assets resulting from a change in their purpose or use.

### Net carrying amount of financial instruments

	<u>End of period Sep 30 2022</u>	<u>End of period Mar 31 2022</u>
<b>Classes of financial instruments</b>		
Retentions receivable under construction contracts	5,618	6,506
Loans	23,567	18,818
Contract assets	15,810	12,216
Trade and other receivables	67,658	67,537
Cash and cash equivalents	194	1,389
Forward hedging transactions	-	-
<b>Total assets</b>	<b>112,847</b>	<b>106,466</b>
Borrowings	84,883	81,755
Trade and other payables	40,362	44,710
Contract liabilities	3,883	2,861
Forward hedging transactions	121	156
Right-of-use liabilities	11,485	11,665
<b>Total liabilities</b>	<b>140,734</b>	<b>141,147</b>

	fair value	carrying amount	measured at fair value through profit or loss	measured at fair value with changes to equity	measured at amortised cost
<b>Non-current assets</b>	<b>26,285</b>	<b>26,285</b>	-	-	<b>26,285</b>
Trade and other receivables	26,285	26,285	-	-	26,285
<b>Current liabilities</b>	<b>86,562</b>	<b>86,562</b>	-	-	<b>86,562</b>
Trade and other receivables	86,368	86,368	-	-	86,368
Cash and cash equivalents	194	194	-	-	194
Derivative financial instruments	-	-	-	-	-
<b>Total</b>	<b>112,847</b>	<b>112,847</b>	-	-	<b>112,847</b>

	fair value	carrying amount	measured at fair value through profit or loss	measured at amortised cost	measured at fair value with changes to equity
<b>Non-current liabilities</b>	<b>88,195</b>	<b>88,195</b>	-	<b>88,195</b>	-
Borrowings	80,793	80,793	-	80,793	-
Trade and other payables	7,402	7,402	-	7,402	-
<b>Current liabilities</b>	<b>52,539</b>	<b>52,539</b>	<b>121</b>	<b>52,418</b>	-
Borrowings	4,090	4,090	-	4,090	-
Trade and other payables	48,328	48,328	-	48,328	-
Derivative financial instruments	121	121	121	-	-
<b>Total</b>	<b>140,734</b>	<b>140,734</b>	<b>121</b>	<b>140,613</b>	-

## Contingent assets and liabilities

In the six months from April 1st to September 30th 2022, there were no material changes in the Company's contingent assets or contingent liabilities.

## Related party transactions

### Transactions with entities in which the Company holds equity interests

Sales to and purchases from related parties are transacted at normal market prices. Outstanding payables and receivables at the end of a financial year are not hedged and are settled in cash. Receivables from related parties are not secured by any guarantees provided or received by the Company.

Mutual transactions with entities in which the Company held, directly and indirectly, equity interests in the periods covered by these financial statements included:

- trade transactions involving purchase and sale of goods, materials, services, and items of property, plant and equipment,
- sureties provided as security for bank borrowings,
- loans and borrowings, and
- dividends paid.

**Transaction value and scope**

<u>Related party</u>	<u>Period</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Interest on loans</u>	<u>Interest on borrowings</u>	<u>Income on dividends</u>	<u>Sale of financial assets</u>
Tecresa Protección Pasiva S.L.U.	Apr 1–Sep 30 2022	5,164	3,880	-	-	-	-
	Apr 1–Sep 30 2021	2,656	3,543	-	-	-	-
Mercor Fire Protection Systems srl	Apr 1–Sep 30 2022	1,859	-	-	-	-	-
	Apr 1–Sep 30 2021	3,552	-	-	-	-	-
TOB Mercor Ukraina	Apr 1–Sep 30 2022	602	1,730	-	-	-	-
	Apr 1–Sep 30 2021	453	2,020	-	-	457	-
Mercor Czech Republic s.r.o.	Apr 1–Sep 30 2022	4,717	31	-	-	757	-
	Apr 1–Sep 30 2021	3,883	8	-	-	-	-
Mercor Slovakia s.r.o.	Apr 1–Sep 30 2022	3,818	3	-	-	-	-
	Apr 1–Sep 30 2021	4,944	-	-	-	-	-
Mercor Dunamenti Tűzvédelem Zrt	Apr 1–Sep 30 2022	3,929	1,144	-	-	-	-
	Apr 1–Sep 30 2021	2,187	793	-	-	5,009	-
Elmech-ASE sp. z o.o.	Apr 1–Sep 30 2022	-	-	124	-	-	-
	Apr 1–Sep 30 2021	-	-	-	-	-	-
MCR SOL ENERGY sp. z o.o.	Apr 1–Sep 30 2022	-	-	133	-	-	-
	Apr 1–Sep 30 2021	-	-	-	-	-	-
DFM Doors sp. z o.o.	Apr 1–Sep 30 2022	6,399	10	632	-	-	-
	Apr 1–Sep 30 2021	5,986	-	123	-	-	-
MHD1 sp. z o.o.	Apr 1–Sep 30 2022	-	-	-	118	-	-
	Apr 1–Sep 30 2021	-	-	-	35	-	900
OOO Mercor-Proof	Apr 1–Sep 30 2022	-	-	-	-	-	-
	Apr 1–Sep 30 2021	1,917	-	-	-	-	-
Mercor Fire Protection Systems UK Ltd	Apr 1–Sep 30 2022	1,656	-	-	-	-	-
	Apr 1–Sep 30 2021	34	-	-	-	-	-
	<b>Apr 1–Sep 30 2022</b>	<b>28,144</b>	<b>6,798</b>	<b>889</b>	<b>118</b>	<b>757</b>	<b>-</b>
	<b>Apr 1–Sep 30 2021</b>	<b>25,612</b>	<b>6,364</b>	<b>123</b>	<b>35</b>	<b>5,466</b>	<b>900</b>

<u>Related party</u>		<u>Trade receivables from related parties</u>	<u>Trade payables to related parties</u>	<u>Receivables under loans</u>	<u>Liabilities under borrowings</u>	<u>Dividends receivable</u>
Tecresa Protección Pasiva S.L.U.	Sep 30 2022	3,295	1,702	-	-	-
	Mar 31 2022	1,846	598	-	-	-
TOB Mercor Ukraina sp. z o.o.	Sep 30 2022	81	201	-	-	-
	Mar 31 2022	956	509	-	-	-
Mercor Fire Protection Systems srl	Sep 30 2022	191	44	-	-	-
	Mar 31 2022	157	42	-	-	-
MHD1 sp. z o.o.	Sep 30 2022	-	-	-	2,800	-
	Mar 31 2022	-	-	-	2,800	-
DFM Doors sp. z o.o.	Sep 30 2022	6,571	-	12,941	-	-
	Mar 31 2022	7,518	-	11,309	-	-
OOO Mercor-Proof	Sep 30 2022	1,842	-	-	-	-
	Mar 31 2022	1,759	-	-	-	-
Mercor Dunamenti Tűzvédelem Zrt	Sep 30 2022	891	181	-	-	-
	Mar 31 2022	1,627	-	-	-	-
Mercor Czech Republic s.r.o.	Sep 30 2022	3,688	-	1,069	-	832
	Mar 31 2022	4,160	-	1,027	-	116
Mercor Slovakia s.r.o.	Sep 30 2022	2,062	3	609	-	-
	Mar 31 2022	1,928	-	652	-	-
Mercor Fire Protection Systems UK Ltd	Sep 30 2022	1,089	-	1,423	-	-
	Mar 31 2022	117	-	1,150	-	-
MCR SOL ENERGY sp. z o.o.	Sep 30 2022	-	-	3,936	-	-
	Mar 31 2022	-	-	2,554	-	-
Elmech-ASE sp. z o.o.	Sep 30 2022	7	-	3,551	-	-
	Mar 31 2022	7	-	2,126	-	-
MCR TECH LAB sp. z o.o.	Sep 30 2022	-	-	38	-	-
	Mar 31 2022	-	-	-	-	-
	<b>Sep 30 2022</b>	<b>19,717</b>	<b>2,131</b>	<b>23,567</b>	<b>2,800</b>	<b>832</b>
	<b>Mar 31 2022</b>	<b>20,075</b>	<b>1,149</b>	<b>18,818</b>	<b>2,800</b>	<b>116</b>

An impairment loss of PLN 1,730 thousand was recognised on receivables from the Russian company OOO Mercor Proof.

## Subsequent events

After the reporting date, there were no significant events not disclosed in these financial statements that could materially affect future financial results.

### **MANAGEMENT BOARD OF MERCOR S.A.:**

Krzysztof Krempeć  
Jakub Lipiński  
Tomasz Kamiński

President of the Management Board  
First Vice President of the Management Board  
Member of the Management Board

**GDAŃSK, December 2nd 2022**

## Representation by the Management Board of MERCOR S.A.

The Management Board of MERCOR S.A. represents that, to the best of their knowledge, the interim condensed separate financial statements of MERCOR S.A. and the interim condensed consolidated financial statements of the MERCOR Group covering the period of six months from April 1st 2022 to September 30th 2022 (first half of the financial year 2022/2023) and the comparative data have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and give a true, fair and clear view of the assets, financial position and financial results of MERCOR S.A. and the MERCOR Group, and that the Directors' Report on the operations of MERCOR S.A. and the MERCOR Group gives a true view of the development and achievements of the Company and the Group, including a description of key risks and threats.

### **MANAGEMENT BOARD OF MERCOR S.A.:**

Krzysztof Krempeć

Jakub Lipiński

Tomasz Kamiński

President of the Management Board  
Member of the Management Board

First Vice President of the Management Board

**GDAŃSK, December 2nd 2022**