



MERCOR Group

Interim condensed report for the six months ended 30 September 2024

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

Gdańsk, 31 December 2024

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Financial highlights

Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	1 Apr-30 Sep 2024	1 Apr-30 Sep 2023	1 Apr-30 Sep 2024	1 Apr-30 Sep 2023
Revenue	250,311	275,880	58,311	61,094
Operating profit	16,038	27,514	3,736	6,093
Profit before tax	14,999	31,278	3,494	6,927
Net profit	11,450	30,425	2,667	6,738
Net profit attributable to owners of the parent	11,503	30,030	2,680	6,650
Net cash provided by (used in) operating activities	33,237	30,558	7,743	6,767
Net cash provided by (used in) investing activities	(7,155)	(5,156)	(1,667)	(1,142)
Net cash provided by (used in) financing activities	(22,888)	(20,649)	(5,332)	(4,573)
Total net cash flows	3,194	4,753	744	1,052
Total assets	402,703	409,556	94,109	95,225
Non-current liabilities	76,876	74,673	17,965	17,362
Current liabilities	110,308	106,964	25,778	24,870
Equity	215,519	227,919	50,366	52,993
Share capital	3,892	3,892	910	905
Equity attributable to owners of the parent	213,491	225,393	49,892	52,406
Number of shares	15,308,519	15,503,234	15,308,519	15,503,234
Net earnings per share	0.75	1.94	0.17	0.43
Book value per share	13.95	14.59	3.26	3.39

Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	1 Apr–30 Sep 2024	1 Apr–30 Sep 2023	1 Apr–30 Sep 2024	1 Apr–30 Sep 2023
Revenue	147,819	183,315	34,435	40,595
Operating profit	3,766	16,907	877	3,744
Profit before tax	4,938	24,408	1,150	5,405
Net profit	4,119	25,282	960	5,599
Net cash provided by (used in) operating activities	22,105	14,605	5,149	3,234
Net cash provided by (used in) investing activities	(2,457)	6,762	(572)	1,497
Net cash provided by (used in) financing activities	(20,071)	(19,978)	(4,676)	(4,424)
Total net cash flows	(423)	1,389	(99)	307
Total assets	304,709	303,153	71,209	70,486
Non-current liabilities	71,627	71,986	16,739	16,738
Current liabilities	72,556	59,354	16,956	13,800
Equity	160,526	171,813	37,514	39,948
Share capital	3,892	3,892	910	905
Number of shares	15,308,519	15,503,234	15,308,519	15,503,234
Earnings per share	0.27	1.63	0.06	0.36
Book value per share	10.49	11.12	2.45	2.59

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. 4.2791 for 30 September 2024 and 4.3009 for 31 March 2024.

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. 4.2927 for the period 1 April 2024–30 September 2024, and 4.5157 for the period 1 April 2023–30 September 2023.

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 21 September 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 of Gdańsk-Północ 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 and install equipment components for fire protection systems. They also provide maintenance services to guarantee reliable long-term operation 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 participate in various industry events to share their considerable knowledge and experience in the fire protection of building structures.

The Group's objective is to provide safety. The primary role of fire protection is to facilitate the evacuation of people in the event of a fire, enable the efficient operation of emergency response teams, reduce the damaging effects of high temperatures on the building, and safeguard property.

The Group's products are primarily manufactured to order based on a client's desired product features while adhering to safety standards and relevant regulatory requirements.

Management and supervisory bodies

Composition of the governing bodies of MERCOR S.A. as at 30 September 2024.

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	–	Chair of the Supervisory Board
Arkadiusz Kęsicki	–	Deputy Chair of the Supervisory Board
Tomasz Rutowski	–	Secretary of the Supervisory Board
Eryk Karski	–	Member of the Supervisory Board
Marian Popinigris	–	Member of the Supervisory Board
Pathy Timu Zenzo	–	Member of the Supervisory Board
Błażej Żmijewski	–	Member of the Supervisory Board.

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

Subsidiaries

Entities consolidated as at 30 September 2024

Subsidiaries consolidated using the full method:

- ✓ 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)
- ✓ 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 Chitila (Romania)
- ✓ TOB Mercor Ukraina 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)
- ✓ MCR Tech Lab sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR Centrum Usług Wspólnych sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR SILBOARD sp. z o.o. of Gdańsk (Poland)
- ✓ MHD1 sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR HD sp. z o.o. of Gdańsk (Poland)
- ✓ Mercor Light&Vent sp. z o.o. of Gdańsk (Poland)
- ✓ MCR IsoProtec sp. z o.o. of Gdańsk (Poland)

Equity-accounted investees:

- ✓ Elmech-ASE S.A. of Pruszcz Gdański (Poland)
- ✓ 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)

Changes in the Group's structure

On 29 May 2024, two new wholly-owned subsidiaries of MERCOR S.A. were registered: Mercor Light&Vent sp. z o.o. and MCR IsoProtec sp. z o.o. These new entities are intended to optimise the Group's structure.

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 interest	Number of shares	% ownership interest	Number of voting rights	% voting interest
PERMAG sp. z o.o.	4,102,994	26.35%	4,102,994	26.35%	-	-	-	-
Bangtino Limited	3,322,000	21.34%	3,322,000	21.34%	- 36,904	-0.23%	- 36,904	-0.23%
Nationale Nederlanden Powszechnie Towarzystwo Emerytalne	1,454,465	9.34%	1,454,465	9.34%	-	-	-	-
Otwarty Fundusz Emerytalny PZU Złota Jesień	1,452,947	9.33%	1,452,947	9.33%	-	-	-	-
N50 Cyprus Limited	1,376,379	8.84%	1,376,379	8.84%	-	-	-	-
PTE Allianz Polska S.A.	834,757	5.36%	834,757	5.36%	+43,739	+0.28%	+43,739	+0.28%

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	Member of the Supervisory Board, Member of the Management Board: holding Company shares <u>indirectly</u> – 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	1,376,379
Value Fund Poland Activist FIZ	Eryk Karski	587,973

Treasury shares

Pursuant to a resolution passed by the Extraordinary General Meeting in June 2020, the Company implemented a share buyback programme. As at 30 September 2024, the Company held 260,758 treasury shares, representing 1.67482% of its share capital and the total vote at its General Meeting.

With the funds allocated for the share buyback programme fully utilised, the programme was concluded. As at the issue date of this report, the Company held 269,775 treasury shares, representing 1.73274% of its share capital and the total vote at its General Meeting.

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 24 September 2024, the Company paid out dividend of PLN 0.77 per share for the 2023/2024 financial year. The amount allocated to dividend payment was PLN 11,988,343.29. Treasury shares bought back by the Company were excluded from the dividend payment. Therefore, the total amount of dividend paid on 11 October 2024 was PLN 11,787,100.71.

Feasibility of meeting published earnings guidance

No earnings guidance was published by the Company.

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 first half of the financial year (from 1 April to 30 September 2024), the Company did not provide its subsidiaries with any new sureties of material value.

The sureties and guarantees provided by the Parent are discussed in note 27 to the separate full-year financial statements as at 31 March 2024.

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

During the preparation of the half-year report, justified doubts arose regarding control over the Russian company OOO Mercor-Proof. Consequently, the Company's Management Board revised its previous approach to consolidating the subsidiary, transitioning to using the equity method for this subsidiary, as announced in Current Report No. 66/2024 of 30 December 2024.

Details of the revisions to previously published consolidated financial statements are provided in the section 'Corrections of prior period errors' in the interim consolidated financial statements.

Material achievements or failures and key events during the reporting period

In the second quarter of the financial year, the Group generated revenue of PLN 125,333 thousand, down 8% from PLN 136,486 thousand posted in the corresponding period of the previous year. The highest percentage growth in sales was reported by the Group in the Hungarian and UK markets, where the growth rate was 27% and 26% year on year, respectively. Sales also grew in the Czech and Slovak markets (over 9%) and in Romania (over 5%). Sales in the Spanish market were similar to those posted in the second quarter of the previous financial year. The highest percentage decreases in sales were reported for Ukraine (down almost 84%) and Poland (down 11%).

In the second quarter, operating profit before depreciation and amortisation was PLN 11,603 thousand compared with PLN 18,708 thousand in the corresponding period of the previous financial year.

The Group posted a net profit of PLN 5,374 thousand for the quarter, with PLN 18,532 thousand reported for the same period of the previous financial year (down 71%).

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 the 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 between April and September 2024 relative to disclosures made in the most recent periodic report.

Events after 30 September 2024

On 22 November 2024, the Company and Kingspan société à responsabilité limitée, a subsidiary of Kingspan Group Plc, executed a preliminary agreement for contemplated divestment of shares in certain entities within the MERCOR Group holding assets involved in the manufacture and sale of natural smoke exhaust systems and the manufacture and sale of complex fire ventilation systems, as announced by the Company in Current Report No. 59/2024 of 25 November 2024.

Under the agreement, the investor would pay a total consideration of PLN 420 million to the Company. However, up to PLN 60 million of this amount would be deferred, contingent upon the divestment companies achieving specified consolidated EBITDA thresholds generated by the demerged business in the 12 months ending 31 March 2026. Depending on the level of target EBITDA achieved, the Company will receive a corresponding portion of the deferred payment, ranging from PLN 15 million to PLN 60 million.

The agreement additionally provides that the final price would be subject to adjustments based on the investor's audit of financial statements as at the closing date, to be performed using a method typical for business acquisition transactions (i.e. the completion accounts method).

Completion of the transaction is subject to the following conditions precedent: (i) concentration clearance obtained by the investor from the relevant antitrust authority, (ii) approval from the Company's General Meeting for the transfer of its assets forming an organised part of the business, (iii) completion of the demerger process, and (iv) approval from the Company's financing banks for the transaction, including the release of security interests created in favour of those banks over assets to be transferred in the demerger process to the divestment companies.

If the transaction is successfully completed, the Company's Management Board intends to recommend allocating a significant portion of the proceeds to dividend payments.

Factors that will affect performance next quarter and 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.

Introduction to the financial statements

Policies applied in the preparation of the financial statements

In the preparation of these interim 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 2024 do not have a material effect on the Group's interim condensed consolidated financial statements.

In these interim condensed 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 date of authorisation of the financial statements:

- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 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 1 January 2016.
- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – work leading to the approval of the amendments was deferred indefinitely by the EU – their effective date was deferred indefinitely by the IASB.
- Amendments to IAS 21: *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability* (issued on 15 August 2023) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2025.
- Amendments to IFRS 18 *Presentation and Disclosure in Financial Statements* (issued on 9 April 2024) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2027.
- IFRS 19: *Subsidiaries without Public Accountability: Disclosures* (issued on 9 May 2024) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2027.
- Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* (issued on 30 May 2024) – not endorsed by the EU as at the date of authorisation of these financial statements for issue; effective for annual periods beginning on or after 1 January 2026.
- Annual Improvements to IFRS Accounting Standards – Volume 11 (issued on 18 July 2024) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2026.

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 interim 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 interim condensed consolidated financial statements is presented in thousands of Polish zloty (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 zloty (PLN).

These interim 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 30 September 2024 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 30 September 2024 and contain comparative data for the six months ended 30 September 2023 with respect to the statement of comprehensive income, statement of changes in equity and statement of cash flows, and comparative data as at 31 March 2024 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 31 March 2024.

Corrections of prior period errors

The Company corrected errors identified in its previously published consolidated financial statements. The causes of these errors and their impact on specific line items in the consolidated financial statements are explained in detail in the note on page 32 of this report.

Seasonality or cyclical nature of the Group's operations

The Group's operations are not highly cyclical or seasonal. Previous years' performance data suggest that the first half of the calendar year tends to have slower sales and earnings than the latter half.

Segment information

Based on similar economic characteristics, such as the nature of products and services, production processes, type and class of customers, distribution methods, and regulatory environment, the Group's operations have been aggregated and presented in the financial statements as a single operating segment.

Material proceedings involving MERCOR S.A. or its subsidiaries

In the reporting period, there were no material proceedings pending against the Company or its subsidiaries.

Impact of the war in Ukraine on the Group's business

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 24 February 2022. This comprehensive analysis encompasses various dimensions, including market dynamics, financial considerations, operational aspects, existing and modified local and international laws and regulations, as well as the sanctions and other restrictions imposed on countries, entities, and individuals as a result of the conflict. Special attention is given to assessing the effects of the sanctions and restrictions on the Company's business.

The Management Board has 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 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 disruptions to the supply chain; fluctuations in interest rates and currency exchange rates; changes in the labour market; financial soundness of trading partners; cyber security, sanctions, and dividends. The Management Board of the Company and the management bodies of other Group companies consider a non-exhaustive range of facts and circumstances when making decisions, in order to adjust operations to the current situation and reduce or eliminate any adverse impacts of the risk factors they are monitoring.

The Company and other Group companies secure supplies of strategic raw materials and respond to changes in their prices as needed. During the reporting period there were no significant business disruptions that would affect the supply of materials, equipment, components, or labour. As at the reporting date, there were no significant changes in the collectability of receivables.

In the opinion of the Management Board, there are no grounds for entities within the Group or their related parties to be subject to sanctions. Considering the grounds for the imposition of sanctions by different countries or organisations on entities or individuals in connection with the armed conflict in Ukraine, to the best of the Management Board's knowledge, the ownership structure of the Group companies is secure. The Company and other Group companies monitor 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 Group was not materially affected by any sanctions.

As regards the countries involved in the war, the Group holds a 55% equity interest in the Ukrainian-based company TOB MERCOR UKRAINA, and, directly and indirectly (through a Group company), a total of 55% of the share capital of the Russian-based company OOO Mercor-PROOF. Shareholder rights are exercised in accordance with the prevailing regulations and internal policies of the companies in Ukraine and Russia. The ongoing conflict has not impacted the assessment of control or lack thereof over these entities under IFRS 10.

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. These regions have experienced little to no military activity. The company does not generate losses, and none of its assets have been destroyed. The Ukrainian company does not use external financing and pays its liabilities from operating cash flows. To the best knowledge of the Management Board of the Company, 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 monitors the level and profitability of the orders and capacity utilisation rates on an ongoing basis. Based on analyses of orders, production, and the location of operations, along with the limited scale of activities in Ukraine and the absence of restrictions on dividend payouts, the Management Board has concluded that there are no indications of asset impairment for TOB MERCOR UKRAINA. The total net asset value of the Ukrainian subsidiary is PLN 2,660 thousand, representing 0.7% of the assets disclosed in these consolidated financial statements. The value of shares in the Ukrainian company and receivables from the company is PLN 2,922 thousand, or 1.0% of the assets disclosed in the separate financial statements.

The Russian-based company is also continuing its 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. Mercor-PROOF sources production materials locally, which 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 has concluded that there are no significant concerns or risks pertaining to these financial metrics. The Parent is also monitoring the level and profitability of orders received by the company. Taking into account the analysis of the order book, projected profitability, and liquidity position, as well as the fact that Mercor-PROOF operates independently and does not engage in intragroup transactions subject to international sanctions, the Management Board is confident that there are no indications of asset impairment.

Save for regulations implemented by the Russian government, the Management Board of the parent has not identified any significant changes to the method or terms of dividend payments to the Company. All dividend payments from subsidiaries will continue to be made under the existing terms and conditions, contingent upon the fulfilment of the criteria governing profit distribution. The sole restriction in this regard applies to the payment of dividend from Mercor-PROOF, where amounts exceeding RUB 10 million (or PLN 410 thousand at the exchange rate effective for the reporting date) require approval of the Russian Ministry of Finance.

The total net asset value of the Russian subsidiary is PLN 13,116 thousand, which accounts for 3.3% of the assets disclosed in these consolidated financial statements. The value of shares in the Russian company and receivables from

the company, before impairment losses, is PLN 2,399 thousand, or 0.8% of the assets disclosed in the separate financial statements.

Based on the conclusions outlined above as well as the operations' contribution to the Group's results (Ukraine representing 0.8% of revenue, and Russia consolidated using the equity method), the Management Board of the Parent did not identify any significant impact of the war in Ukraine on the operations or performance of the Group as at the date of the financial statements.

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

Interim condensed consolidated financial statements

Interim consolidated statement of comprehensive income

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
	unaudited	unaudited	unaudited restated	unaudited restated
Revenue	250,311	125,333	275,880	136,486
Cost of sales	186,862	95,372	208,370	103,219
Gross profit	63,449	29,961	67,510	33,267
Other income	731	218	1,331	909
Distribution costs	28,621	14,931	22,390	10,256
Administrative expenses	17,789	7,816	18,295	9,170
Other expenses	1,181	(87)	963	536
(Expected credit loss)/reversal of expected credit loss	(551)	(587)	321	125
Operating profit	16,038	6,932	27,514	14,339
Share of profit (loss) of equity-accounted investees	1,111	826	959	36
Finance income	848	421	6,231	3,811
Finance costs	2,998	1,480	3,426	1,286
Profit before tax	14,999	6,699	31,278	16,900
Income tax	3,549	1,325	853	(1,632)
Net profit	11,450	5,374	30,425	18,532
<i>Attributable to:</i>				
<i>owners of the parent</i>	11,503	5,434	30,030	18,296
<i>non-controlling interests</i>	(53)	(60)	395	236
	11,450	5,374	30,425	18,532
Other comprehensive income				
Exchange differences from translation of foreign operations	(8,444)	(4,507)	(1,659)	8,060
Total comprehensive income	3,006	867	28,766	26,592
<i>Attributable to:</i>				
<i>owners of the parent</i>	3,504	1,035	28,997	26,274
<i>non-controlling interests</i>	(498)	(168)	(231)	318
	3,006	867	28,766	26,592
Earnings/(loss) per share:				
Basic	0.75	0.35	1.94	1.18
Diluted	0.75	0.35	1.94	1.18

Interim consolidated statement of financial position

Assets		
	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
	unaudited	restated
Non-current assets		
Goodwill	46,992	47,288
Other intangible assets	29,494	27,971
Property, plant and equipment	71,006	73,706
Right-of-use assets	15,701	16,987
Deferred tax assets	4,117	3,955
Financial assets	3,446	3,955
Long-term security deposits receivable	9,084	12,842
Equity-accounted investees	13,116	12,012
Other non-current assets	742	811
	193,698	199,527
Current assets		
Inventories	58,924	57,166
Financial assets	1,000	-
Trade and other receivables	94,688	99,744
Contract assets	28,844	28,194
Short-term security deposits receivable	3,563	3,453
Forward contracts	7	39
Current income tax assets	2,985	1,844
Other current assets	1,896	5,685
Cash and cash equivalents	17,098	13,904
	209,005	210,029
Total assets	402,703	409,556

Equity and liabilities

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
	unaudited	restated
Equity		
Share capital	3,892	3,892
Share premium	106,202	106,202
Share buyback reserve	6,180	6,180
Merger reserve	857	857
Treasury shares	(5,992)	(2,574)
Translation reserve	(15,449)	(7,450)
Retained earnings	117,801	118,286
Equity attributable to owners of the parent	213,491	225,393
Non-controlling interests	2,028	2,526
Total equity	215,519	227,919
Non-current liabilities		
Long-term borrowings	59,387	60,535
Deferred tax liabilities	31	96
Provisions for liabilities	2,341	555
Deferred income	3,421	3,303
Right-of-use liabilities	11,696	10,184
	76,876	74,673
Current liabilities		
Short-term borrowings	8,171	8,774
Trade and other payables	90,744	81,178
Contract liabilities	2,916	3,688
Current income tax liabilities	1,274	402
Forward contracts	-	-
Provisions for liabilities	2,397	4,195
Deferred income	506	502
Right-of-use liabilities	4,300	8,225
	110,308	106,964
Total equity and liabilities	402,703	409,556

Interim 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>
As at 1 April 2023	3,915	106,202	8,102	3,121	(1,507)	92,393	212,226	2,944	215,170
Net profit (loss) for reporting period	-	-	-	-	-	30,030	30,030	395	30,425
Other comprehensive income	-	-	-	(1,033)	-	-	(1,033)	(626)	(1,659)
Comprehensive income for period	-	-	-	(1,033)	-	30,030	28,997	(231)	28,766
Dividend payment	-	-	-	-	-	(23,423)	(23,423)	-	(23,423)
Share cancellation	(23)	-	(1,065)	-	1,088	-	-	-	-
Share buyback	-	-	-	-	(742)	-	(742)	-	(742)
Transactions with owners recognised in equity	(23)	-	(1,065)	-	346	(23,423)	(24,165)	-	(24,165)
As at 30 September 2023	3,892	106,202	7,037	2,088	(1,161)	99,000	217,058	2,713	219,771
As at 1 April 2024	3,892	106,202	7,037	(7,450)	(2,574)	118,286	225,393	2,526	227,919
Net profit (loss) for reporting period	-	-	-	-	-	11,503	11,503	(53)	11,450
Other comprehensive income	-	-	-	(7,999)	-	-	(7,999)	(445)	(8,444)
Comprehensive income for period	-	-	-	(7,999)	-	11,503	3,504	(498)	3,006
Dividend payment	-	-	-	-	-	(11,988)	(11,988)	-	(11,988)
Share cancellation	-	-	-	-	-	-	-	-	-
Share buyback	-	-	-	-	(3,418)	-	(3,418)	-	(3,418)
Transactions with owners recognised in equity	-	-	-	-	(3,418)	(11,988)	(15,406)	-	(15,406)
As at 30 September 2024	3,892	106,202	7,037	(15,449)	(5,992)	117,801	213,491	2,028	215,519

Interim consolidated statement of cash flows

	1 Apr–30 Sep 2024	1 Apr–30 Sep 2023
	unaudited	unaudited restated
Operating activities		
Profit (loss) before tax	14,999	31,278
Adjustments for:		
Depreciation and amortisation	9,276	9,223
Interest accrued	2,795	2,973
(Gains) losses on investing activities	(1,239)	259
Change in inventories	(1,758)	2,092
Change in receivables	8,736	6,548
Change in contract assets and liabilities	(1,422)	(4,134)
Change in liabilities and provisions	9,676	(16,922)
Change in other assets	4,663	1,873
Other adjustments (exchange differences on consolidation)	(8,444)	(1,659)
Total adjustments	22,283	253
Income tax paid	(4,045)	(973)
Net cash provided by (used in) operating activities	33,237	30,558
Investing activities		
Purchase of property, plant and equipment	(6,290)	(5,992)
Loans advanced	(1,000)	-
Proceeds from disposal of property, plant and equipment	135	593
Grants for development projects	-	243
Net cash provided by (used in) investing activities	(7,155)	(5,156)
Financing activities		
Increase in (repayment of) borrowings	(1,751)	13,101
Increase in (repayment of) right-of-use liabilities	(2,936)	(6,612)
Share buyback	(3,418)	(742)
Dividends paid	(11,988)	(23,423)
Interest paid	(2,795)	(2,973)
Net cash provided by (used in) financing activities	(22,888)	(20,649)
Change in cash	3,194	4,753
Cash at beginning of period	13,904	17,314
Cash at end of period	17,098	22,067

Notes to the interim condensed consolidated financial statements

Revenue

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Revenue from sale of products	227,801	114,501	245,788	124,039
- including revenue recognised over time	93,402	50,872	129,212	71,673
Revenue from sale of merchandise and materials	22,510	10,832	30,092	12,447
Total revenue	250,311	125,333	275,880	136,486

Revenue by geographical markets

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Poland	134,324	69,961	153,613	78,862
Czech Republic and Slovakia	20,338	10,924	19,508	9,999
Spain	23,330	12,066	25,383	12,272
Ukraine	865	188	2,268	1,148
Romania	6,063	3,662	7,458	3,484
Hungary	29,172	11,834	19,523	9,291
UK	6,428	3,319	5,950	2,628
Other	29,791	13,379	42,177	18,802
Total revenue	250,311	125,333	275,880	136,486

Operating activities

Operating expenses

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Cost of sales	186,862	95,372	208,370	103,219
Distribution costs	28,621	14,931	22,390	10,256
Administrative expenses	17,789	7,816	18,295	9,170
Total operating expenses	233,272	118,119	249,055	122,645
Depreciation and amortisation	9,276	4,671	9,223	4,369
Raw materials and consumables used	111,278	54,181	105,125	42,270
Change in inventories of finished goods	(1,035)	1,175	(4,610)	(3,931)
Services	40,998	20,821	42,849	23,068
Salaries and wages	38,342	19,025	34,313	15,729
Employee benefits	10,230	5,327	8,952	4,806
Taxes and charges	3,414	1,750	3,233	1,584
Other	6,351	4,205	22,479	20,669
Cost of merchandise and materials sold	14,418	6,964	27,491	14,081
Total expenses by nature	233,272	118,119	249,055	122,645

Other income

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Gain on disposal of property, plant and equipment	135	(114)	593	359
Reimbursement of court costs	-	-	130	130
Compensation and penalties received	19	3	-	-
Recoveries previously written off as uncollectible	21	-	9	9
Liabilities cancelled	-	-	-	-
Grants for development projects	-	-	308	308
Past due liabilities written off	10	10	-	-
Other	546	319	291	103
Total	731	218	1,331	909

Other expenses

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Loss on disposal of property, plant and equipment	-	(47)	-	-
Penalties and fines	9	-	13	2
Litigation costs	12	11	39	12
Receivables written off	-	-	-	-
Provisions for warranty repairs	-	-	-	-
Other	1,160	(51)	911	522
Total	1,181	(87)	963	536

Financing activities

Finance income

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Interest on cash and bank deposits	27	22	11	11
Interest on receivables and loans	134	68	228	149
Discounting of security deposits receivable	343	133	137	137
Interest on receivables from state budget	-	-	5,138	5,138
Foreign exchange gains	320	182	686	(1,627)
Other	24	16	31	3
Total	848	421	6,231	3,811

Finance costs

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Interest and commissions on borrowings	2,246	1,150	2,756	1,296
Interest on leases	549	268	515	273
Interest on liabilities	83	75	11	(12)
Discounting of security deposits receivable	-	-	28	-
Foreign exchange losses	108	(19)	106	31
Other	12	6	10	(302)
Total	2,998	1,480	3,426	1,286

Income tax

The effective tax rate for the Group was 23.66%, almost 5pp 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.

As there are no plans to sell its equity interest in the Russian company Mercor Proof OOO, which is consolidated using the equity method, the Group has not recognised a deferred tax liability for the difference between the current and historical value of this investee.

The Group has evaluated the potential impact of changes to tax regulations concerning the local minimum tax and the implementation of the BEPS 2.0 directive on its financial performance. Based on its assessment, the Group believes these changes will not have a material impact on its financial results.

Deferred tax assets and liabilities

Deferred tax is recognised for temporary differences between tax base and profit or loss disclosed in the financial statements. As at 30 September 2024 and 31 March 2024, 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.

	Statement of financial position		Statement of comprehensive income			
	End of period 30 Sep 2024	End of period 31 Mar 2024	1 Apr–30 Sep 2024	1 Jul–30 Sep 2024	1 Apr–30 Sep 2023	1 Jul–30 Sep 2023
Differences between tax base and carrying amounts of property, plant and equipment and intangible assets	2,128	2,329	201	250	377	162
Revenue recognised over time	2,715	2,421	(294)	(400)	(483)	(25)
Unrealised exchange differences and measurement of forward contracts	-	7	7	-	-	9
Accrued interest	298	238	(60)	(33)	25	44
Deferred tax liabilities	5,141	4,995	(146)	(183)	(81)	190
Cost related to revenue recognised over time	1,558	1,001	557	464	472	11
Differences between tax base and carrying amount of property, plant and equipment, intangible assets and right-of-use assets	273	101	172	(101)	(24)	(95)
Provisions for employee expenses and employee benefit obligations	2,433	2,917	(484)	(1,090)	(1,380)	(1,312)
Impairment losses on receivables	1,429	1,324	105	112	(96)	(24)
Write-downs of inventories	3,182	2,743	439	287	371	173
Unrealised exchange differences and measurement of forward contracts	-	-	-	-	1	10
Deferred income	-	-	-	-	-	-
Accrued interest	177	205	(28)	2	31	5
Tax loss asset	175	563	(683)	(103)	153	(229)
Deferred tax assets	9,227	8,854	78	(429)	(472)	(1,461)
<i>including:</i>						
deferred tax assets	4,117	3,955				
deferred tax liabilities	31	96				
Deferred tax expense			(68)	(612)	(553)	(1,271)

Intangible assets

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
Goodwill	46,992	47,288
Costs of completed development work	16,807	18,257
Capitalised costs of development work in progress	8,606	5,682
Concessions and licences	4,081	4,032
Total	76,486	75,259

As at 30 September 2024, 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 were adjusted for foreign exchange differences.

As at 30 September 2024, no indications of impairment of intangible assets were identified. Goodwill and development work were tested for impairment as at 31 March 2024. For information on assumptions underlying the impairment tests, see note 11 to the consolidated financial statements as at 31 March 2024. As at 30 September 2024, 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>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
Land	4,836	4,836
Buildings and structures	23,862	26,014
Machinery and equipment	33,263	35,130
Vehicles	3,863	2,649
Other property, plant and equipment	1,677	1,947
Property, plant and equipment	67,501	70,576
Property, plant and equipment under construction	3,300	2,740
Prepayments for property, plant and equipment	205	390
Total	71,006	73,706

Borrowings

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
Bank borrowings	67,558	69,309
Borrowings from financial institutions	-	-
Total	67,558	69,309
Long-term portion		
Bank borrowings	59,387	60,535
Borrowings from financial institutions	-	-
Total	59,387	60,535
Short-term portion		
Bank borrowings	8,171	8,774
Borrowings from financial institutions	-	-
Total	8,171	8,774
Borrowings maturing		
within 1 year	8,171	8,774
in 2 to 3 years	59,387	60,535
in 3 to 5 years	-	-
in over 5 years	-	-
Total	67,558	69,309

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

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
Borrowings in PLN	44,329	32,653
Borrowings in EUR	23,229	36,656
Total	67,558	69,309

In the first six months of the financial year, there were no defaults or material breaches under borrowing agreements.

Trade and other payables

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
Trade payables	59,461	53,047
Taxes (excluding corporate income tax) and social security contributions payable	6,836	7,064
Salaries and wages payable	1,707	2,616
Prepayments received for deliveries	2,917	5,390
Other payables, including:	19,823	13,061
accrued bonuses and overtime pay	5,398	9,160
accrued holiday entitlements	1,512	1,579
dividends payable	11,988	-
other	925	2,322
Total	90,744	81,178

All the liabilities are current liabilities.

Impairment losses and write-downs

Inventories

As at 30 September 2024, write-downs of inventories to net realisable value totalled PLN 17,399 thousand. In the reporting period, the Parent recognised write-downs of PLN 2,824 thousand, and write-downs of PLN 51 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> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Materials	38,895	37,313
Work in progress and semi-finished goods	5,388	6,539
Finished goods	32,040	28,398
Write-downs	(17,399)	(15,084)
Total	58,924	57,166

Receivables

Receivables at end of reporting period

	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Trade receivables	102,726	103,158
Taxes (excluding corporate income tax) receivable	607	4,344
Prepayments for deliveries	306	422
Other receivables	657	627
Impairment losses	(9,608)	(8,807)
Total	94,688	99,744

Recognition, increase, use and reversal of provisions

	<u>Provisions for employee benefit</u> <u>obligations</u>	<u>Provision for warranty</u> <u>repairs</u>
Provisions as at 31 March 2024	566	4,184
Provisions expensed in period	-	-
Use of provisions	-	-
Exchange differences	-	(12)
Provisions as at 30 September 2024	566	4,172

Provisions for employee benefit obligations and warranty repairs are updated once a year.

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 first six months of the financial year, there were no changes in the method of measuring the fair value of financial instruments,

and 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</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Classes of financial instruments		
Retentions receivable under construction contracts	12,647	16,295
Contract assets	28,844	28,194
Trade and other receivables	94,688	99,744
Cash and cash equivalents	17,098	13,904
Forward hedging transactions	7	39
Total assets	153,284	158,176
Borrowings	67,558	69,309
Trade and other payables	90,744	81,178
Contract liabilities	2,916	3,688
Forward hedging transactions	-	-
Right-of-use liabilities	15,996	18,409
Total liabilities	177,214	172,584

	fair value	carrying amount	measured at fair value through profit or loss	measured at fair value with changes to equity	measured at amortised cost
Non-current assets	9,084	9,084	-	-	9,084
Trade and other receivables	9,084	9,084	-	-	9,084
Current assets	144,200	144,200	7	-	144,193
Trade and other receivables	127,095	127,095	-	-	127,095
Cash and cash equivalents	17,098	17,098	-	-	17,098
Derivative financial instruments	7	7	7	-	-
Total	153,284	153,284	7	-	153,277

	fair value	carrying amount	measured at fair value through profit or loss	measured at amortised cost	measured at fair value with changes to equity
Non-current liabilities	71,083	71,083	-	71,083	-
Borrowings	59,387	59,387	-	59,387	-
Trade and other payables	11,696	11,696	-	11,696	-
Current liabilities	106,131	106,131	-	106,131	-
Borrowings	8,171	8,171	-	8,171	-
Trade and other payables	97,960	97,960	-	97,960	-
Derivative financial instruments	-	-	-	-	-
Total	177,214	177,214	-	177,214	-

Contingent assets and liabilities

In the six months from 1 April to 30 September 2024, 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>Liabilities to related parties</u>
		PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
Krzysztof and Magdalena Krempeć	1 Apr–30 Sep 2024	3	-	-	2	-
	1 Apr–30 Sep 2023	133	-	-	5	-

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

Transactions with other related parties

Transactions with other entities included transactions between the Company and Ambient-System sp. z o.o., which is related to the Company through one of the members of the Supervisory Board, and with Periban Poland sp. z o.o. spółka komandytowa and Jeździecki Klub Sportowy Bałomino sp. z o.o., which are 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>Liabilities to related parties</u>
		PLN '000	PLN '000	PLN '000	PLN '000
Ambient System sp. z o.o.	1 Apr–30 Sep 2024	1	-	-	-
	1 Apr–30 Sep 2023	1	-	-	-
Periban Poland sp. z o.o. Sp. k.	1 Apr–30 Sep 2024	-	237	-	-
	1 Apr–30 Sep 2023	-	213	-	-
Jeździecki Klub Sportowy Bałomino sp. z o.o.	1 Apr–30 Sep 2024	-	-	-	-
	1 Apr–30 Sep 2023	-	-	-	-

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

Remuneration of senior management personnel

Senior management remuneration comprises payments to members of the Management Board, Supervisory Board and senior officers of the Company.

Remuneration paid by key benefits

	<u>1 Apr–30 Sep 2024</u>	<u>1 Apr–30 Sep 2023</u>
	PLN '000	PLN '000
Short-term employee benefits	5,649	4,972
	5,649	4,972

The total short-term employee benefits presented above consist of remuneration paid under the employment contracts and for the functions performed. These benefits include:

	<u>1 Apr–30 Sep 2024</u>	<u>1 Apr–30 Sep 2023</u>
	PLN '000	PLN '000
Management Board	2,702	2,618
Krzysztof Krempeć	886	881
Jakub Lipiński	781	782
Tomasz Kamiński	1,035	955
Supervisory Board	328	285
Lucjan Myrda	64	57
Tomasz Rutowski	44	38
Marian Popinigis	44	38
Eryk Karski	44	38
Błażej Żmijewski	44	38
Arkadiusz Kęsicki	44	38
Pathy Timu Zenzo	44	38
Senior officers	2,619	2,069
	5,649	4,972

The parent has in place a bonus scheme for its management personnel wherein payments are contingent upon the attainment of predefined levels of specific economic indicators. As the target levels of those indicators were achieved as at 30 September 2024 (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

On 22 November 2024, the Company and Kingspan société à responsabilité limitée, a subsidiary of Kingspan Group Plc, executed a preliminary agreement for contemplated divestment of shares in certain entities within the MERCOR Group holding assets involved in the manufacture and sale of natural smoke exhaust systems and the manufacture and sale of complex fire ventilation systems, as announced by the Company in Current Report No. 59/2024 of 25 November 2024.

Under the agreement, the investor would pay a total consideration of PLN 420 million to the Company. However, up to PLN 60 million of this amount would be deferred, contingent upon the divestment companies achieving specified consolidated EBITDA thresholds generated by the demerged business in the 12 months ending 31 March 2026. Depending on the level of target EBITDA achieved, the Company will receive a corresponding portion of the deferred payment, ranging from PLN 15 million to PLN 60 million.

The agreement additionally provides that the final price would be subject to adjustments based on the investor's audit of financial statements as at the closing date, to be performed using a method typical for business acquisition transactions (i.e. the completion accounts method).

Completion of the transaction is subject to the following conditions precedent: (i) concentration clearance obtained by the investor from the relevant antitrust authority, (ii) approval from the Company's General Meeting for the transfer of its assets forming an organised part of the business, (iii) completion of the demerger process, and (iv) approval from the Company's financing banks for the transaction, including the release of security interests created in favour of those banks over assets to be transferred in the demerger process to the divestment companies.

The operations subject to the planned transaction were not classified as discontinued operations or assets available for sale as at 30 September 2024 as they failed to meet the criteria set out in IFRS 5:

- the operations were not available for immediate sale in their present condition (organisational changes are required)
- their sale was not highly probable and the management of the company was not committed to a plan to sell the asset, so the probability of the transaction was considered insufficient to reclassify the asset
- no active programme had been initiated to locate a buyer or complete the plan.

In the event of the separation of the parent company's assets into separate entities, the company may be required to return part of the grants received under the Demonstrator programme for development projects carried out in previous years. The estimated potential amount of the grant subject to repayment is PLN 4,153 thousand. This amount may be increased by interest.

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

Corrections of prior period errors

During the preparation of the financial statements for the period ended 30 September 2024, an error relating to prior periods was identified based on analyses and opinions provided by independent external experts. This error resulted from the full consolidation of the Russian subsidiary Mercor-Proof. Following a detailed analysis conducted in accordance with the International Financial Reporting Standards (IFRS), it was determined that the parent company (MERCOR S.A.) did not have control over the Russian subsidiary Mercor-Proof under IFRS 10 as of its establishment in December 2009. The error has been classified as material and requires retrospective correction of financial statements in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

The Company communicated the reasons for the error correction in Current Report No. 66/2024 of 30 December 2024.

Effect of the error on the financial statements

The error has affected all reporting periods since 2010 and necessitates retrospective restatement in compliance with IAS 8 and IFRS 10. Specifically:

1. **Correction of opening balances:** The Group's financial data has been restated to exclude the assets, liabilities, revenue/income and costs/expenses of Mercor-Proof and to reflect the value of the investee established using the equity method.
2. **Correction of profit or loss:** The effect of Mercor-Proof's profit or loss on the Group's consolidated results for 2010–2023 has been eliminated, and the effect of the equity method accounting on historical profit or loss has been recognised.
3. **Changes to equity:** Corrections have been made to accurately reflect the Group's equity balances.

The detailed effects of the error and the retrospective restatements are presented in the tables below:

1. Consolidated statement of financial position as at 31 March 2024

Item	Amount before correction	Correction	Amount after correction
Assets	432,380	(22,824)	409,556
Liabilities	193,110	(11,473)	181,637
Equity	239,270	(11,351)	227,919

2. Consolidated statement of comprehensive income for the period from 1 April to 30 September 2023

Item	Amount before correction	Correction	Amount after correction
Income	307,890	(23,168)	284,722
Expenses	274,150	(20,706)	253,444
Income tax	1,751	(898)	853
Net profit	31,989	(1,564)	30,425

3. Consolidated statement of changes in equity

Corrections have been recognised under retained earnings at the beginning of the period and under exchange differences on consolidation. The equity attributable to minority shareholders of Mercor-Proof has been removed from the 'non-controlling interests' line item.

4. Consolidated statement of cash flows for the period from 1 April to 30 September 2023

Item	Amount before correction	Correction	Amount after correction
Cash flows from operating activities	29,788	770	30,558
Cash flows from investing activities	(12,040)	6,884	(5,156)
Cash flows from financing activities	(21,421)	772	(20,649)
Change in cash	(3,673)	8,426	4,753

The error has been corrected by retrospective restatement of the financial statements for all periods affected.

Additional information

No material changes to accounting policies were identified as a result of the correction. The Management Board has reviewed internal control procedures to prevent similar errors in the future.

The effect of the error corrections on individual items in the financial statements is presented below.

	<u>1 Apr-30 Sep</u> <u>2023</u>	<u>Elimination of</u> <u>Mercor-Proof data</u>	<u>Correction of</u> <u>consolidation</u> <u>eliminations</u>	<u>Equity-</u> <u>accounted</u> <u>assets</u>	<u>1 Apr-30 Sep</u> <u>2023</u>
	reported				restated
Revenue	300,859	(24,979)	-	-	275,880
Cost of sales	224,314	(15,944)	-	-	208,370
Gross profit	76,545	(9,035)	-	-	67,510
Other income	1,398	(67)	-	-	1,331
Distribution costs	24,045	(1,655)	-	-	22,390
Administrative expenses	20,860	(2,565)	-	-	18,295
Other expenses	1,081	(118)	-	-	963
(Expected credit loss)/reversal of expected credit loss	321	-	-	-	321
Operating profit	32,278	(4,764)	-	-	27,514
Finance income	6,264	(33)	-	-	6,231
Finance costs	3,850	(424)	-	-	3,426
Share of profit (loss) of equity-accounted investees	(952)	-	-	1,911	959
Profit before tax	33,740	(4,373)	-	1,911	31,278
Income tax	1,751	(898)	-	-	853
Net profit	31,989	(3,475)	-	1,911	30,425
Other comprehensive income					
Exchange differences on translation of foreign operations	(3,517)	5,986	-	(4,128)	(1,659)
Total comprehensive income	28,472	2,511	-	(2,217)	28,766

	<u>1 Jul-30 Sep</u> <u>2023</u>	<u>Elimination of</u> <u>Mercor-Proof data</u>	<u>Correction of</u> <u>consolidation</u> <u>eliminations</u>	<u>Equity-</u> <u>accounted</u> <u>assets</u>	<u>1 Jul-30 Sep</u> <u>2023</u>
	reported				restated
Revenue	148,653	(12,167)	-	-	136,486
Cost of sales	110,790	(7,571)	-	-	103,219
Gross profit	37,863	(4,596)	-	-	33,267
Other income	966	(57)	-	-	909
Distribution costs	11,048	(792)	-	-	10,256
Administrative expenses	10,526	(1,356)	-	-	9,170
Other expenses	625	(89)	-	-	536
(Expected credit loss)/reversal of expected credit loss	125	-	-	-	125
Operating profit	16,755	(2,416)	-	-	14,339
Finance income	3,811	-	-	-	3,811
Finance costs	1,439	(153)	-	-	1,286
Share of profit (loss) of equity- accounted investees	(952)	-	-	988	36
Profit before tax	18,175	(2,263)	-	988	16,900
Income tax	(1,165)	(467)	-	-	(1,632)
Net profit	19,340	(1,796)	-	988	18,532
Other comprehensive income					
Exchange differences on translation of foreign operations	7,643	929	-	(512)	8,060
Total comprehensive income	26,983	(867)	-	476	26,592

	<u>End of period</u> <u>31 Mar 2024</u>	<u>Elimination of</u> <u>Mercor-Proof</u> <u>data</u>	<u>Correction of</u> <u>consolidation</u> <u>eliminations</u>	<u>Equity-</u> <u>accounted</u> <u>assets</u>	<u>End of period</u> <u>31 Mar 2024</u>
	reported				restated
Non-current assets					
Goodwill	47,288	-	-	-	47,288
Other intangible assets	28,148	(177)	-	-	27,971
Property, plant and equipment	84,440	(10,734)	-	-	73,706
Right-of-use assets	17,500	(513)	-	-	16,987
Deferred tax assets	4,170	(544)	329	-	3,955
Other financial assets	3,955	-	948	(948)	3,955
Long-term security deposits receivable	13,089	(247)	-	-	12,842
Equity-accounted investees	-	-	-	12,012	12,012
Other non-current assets	811	-	-	-	811
	199,401	(12,215)	1,277	11,064	199,527
Current assets					
Inventories	72,120	(14,954)	-	-	57,166
Financial assets	-	-	-	-	-
Trade and other receivables	104,680	(4,786)	(150)	-	99,744
Contract assets	29,056	(862)	-	-	28,194
Short-term security deposits receivable	3,665	(212)	-	-	3,453
Current income tax assets	1,988	(144)	-	-	1,844
Forward contracts	39	-	-	-	39
Other current assets	5,810	(125)	-	-	5,685
Cash and cash equivalents	15,621	(1,717)	-	-	13,904
	232,979	(22,800)	(150)	-	210,029
Total assets	432,380	(35,015)	1,127	11,064	409,556

	<u>End of period 31</u> <u>Mar 2024</u>	<u>Elimination of Mercor-</u> <u>Proof data</u>	<u>Correction of</u> <u>consolidation</u> <u>eliminations</u>	<u>Equity-accounted</u> <u>assets</u>	<u>End of period 31</u> <u>Mar 2024</u>
	reported				restated
Equity					
Share capital	3,892	(1,846)	1,846	-	3,892
Share premium	106,202	-	-	-	106,202
Share buyback reserve	6,180	-	-	-	6,180
Merger reserve	857	-	-	-	857
Translation reserve	(8,150)	19,626	(13,080)	(5,846)	(7,450)
Treasury shares	(2,574)	-	-	-	(2,574)
Retained earnings	120,454	(39,742)	20,664	16,910	118,286
Equity attributable to owners of the parent	226,861	(21,962)	9,430	11,064	225,393
Non-controlling interests	12,409	-	(9,883)	-	2,526
Total equity	239,270	(21,962)	(453)	11,064	227,919
Non-current liabilities					
Long-term borrowings	60,535	-	-	-	60,535
Deferred tax liabilities	96	-	-	-	96
Provisions for liabilities	555	-	-	-	555
Deferred income	3,303	-	-	-	3,303
Right-of-use liabilities	10,566	(382)	-	-	10,184
	75,055	(382)	-	-	74,673
Current liabilities					
Short-term borrowings	8,774	-	-	-	8,774
Trade and other payables	92,092	(12,494)	1,580	-	81,178
Contract liabilities	3,688	-	-	-	3,688
Current income tax liabilities	579	(177)	-	-	402
Forward contracts	-	-	-	-	-
Provisions for liabilities	4,195	-	-	-	4,195
Deferred income	502	-	-	-	502
Right-of-use liabilities	8,225	-	-	-	8,225
	118,055	(12,671)	1,580	-	106,964
Total equity and liabilities	432,380	(35,015)	1,127	11,064	409,556

	<u>1 Apr–30 Sep 2023</u>	<u>Elimination of Mercor-Proof data</u>	<u>1 Apr–30 Sep 2023</u>
	reported		restated
<i>Operating activities</i>			
Profit (loss) before tax	33,740	(2,462)	31,278
Adjustments for:			
Depreciation and amortisation	9,430	(207)	9,223
Interest accrued	3,013	(40)	2,973
(Gains) losses on investing activities	(103)	362	259
Change in inventories	(685)	2,777	2,092
Change in receivables	7,668	(1,120)	6,548
Change in contract assets and liabilities	(4,440)	306	(4,134)
Change in liabilities and provisions	(14,805)	(2,117)	(16,922)
Change in other assets	1,919	(46)	1,873
Other adjustments (exchange differences on consolidation)	(3,517)	1,858	(1,659)
<i>Total adjustments</i>	<i>(1,520)</i>	<i>1,773</i>	<i>253</i>
Income tax paid	(2,432)	1,459	(973)
Net cash provided by (used in) operating activities	29,788	770	30,558
<i>Investing activities</i>			
Purchase of property, plant and equipment	(12,879)	6,887	(5,992)
Proceeds from disposal of property, plant and equipment	596	(3)	593
Grants for development projects	243	-	243
Net cash provided by (used in) investing activities	(12,040)	6,884	(5,156)
<i>Financing activities</i>			
Increase in (repayment of) borrowings	13,101	-	13,101
Increase in (repayment of) right-of-use liabilities	(7,344)	732	(6,612)
Share buyback	(742)	-	(742)
Dividends paid	(23,423)	-	(23,423)
Interest paid	(3,013)	40	(2,973)
Net cash provided by (used in) financing activities	(21,421)	772	(20,649)
Change in cash	(3,673)	8,426	4,753
Cash at beginning of period	29,248	(11,934)	17,314
Cash at end of period	25,575	(3,508)	22,067

Interim condensed separate financial statements

Interim separate statement of comprehensive income

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
	unaudited	unaudited	unaudited	unaudited
Revenue	147,819	76,433	183,315	89,822
Cost of sales	116,141	60,700	144,544	70,109
Gross profit	31,678	15,733	38,771	19,713
Other income	91	(104)	974	716
Distribution costs	16,141	8,094	11,763	5,138
Administrative expenses	11,125	5,549	11,161	6,244
Other expenses	186	113	235	94
(Expected credit loss)/reversal of expected credit loss	(551)	(587)	321	125
Operating profit	3,766	1,286	16,907	9,078
Finance income	3,627	2,455	10,220	7,605
Finance costs	2,455	1,308	2,719	1,323
Impairment losses on shares	-	-	-	-
Profit before tax	4,938	2,433	24,408	15,360
Income tax	819	150	(874)	(2,682)
Net profit	4,119	2,283	25,282	18,042
Other comprehensive income	-	-	-	-
Net comprehensive income	4,119	2,283	25,282	18,042
Earnings per share:				
Basic	0.27	0.15	1.63	1.16
Diluted	0.27	0.15	1.63	1.16

Interim separate statement of financial position

Assets		
	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
	unaudited	
Non-current assets		
Intangible assets	14,504	13,843
Property, plant and equipment	59,185	60,439
Right-of-use assets	6,260	7,476
Other financial assets	98,698	97,891
Deferred tax assets	3,669	3,291
Long-term security deposits receivable	3,196	3,345
Other non-current assets	177	190
	185,689	186,475
Current assets		
Inventories	37,815	37,790
Financial assets	1,000	-
Trade and other receivables	57,657	58,700
Contract assets	16,179	13,486
Short-term security deposits receivable	2,182	2,334
Current income tax assets	2,531	933
Forward contracts	7	39
Other current assets	1,522	2,846
Cash and cash equivalents	127	550
	119,020	116,678
	304,709	303,153
Total assets	304,709	303,153

Equity and liabilities

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
	unaudited	
Equity		
Share capital	3,892	3,892
Share premium	106,202	106,202
Capital reserves	7,037	7,037
Treasury shares	(5,992)	(2,574)
Retained earnings	49,387	57,256
Total equity	160,526	171,813
Non-current liabilities		
Long-term borrowings	62,187	63,175
Deferred tax liabilities	-	-
Provisions for liabilities	2,341	555
Deferred income	3,123	3,135
Right-of-use liabilities	3,976	5,121
	71,627	71,986
Current liabilities		
Short-term borrowings	2,729	2,787
Trade and other payables	62,022	48,052
Contract liabilities	2,916	1,847
Corporate income tax payable	-	-
Provisions for liabilities	1,616	3,402
Forward contracts	-	-
Deferred income	506	502
Right-of-use liabilities	2,767	2,764
	72,556	59,354
Total equity and liabilities	304,709	303,153

Interim separate statement of changes in equity

	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total equity
As at 1 April 2023	3,915	106,202	8,102	(1,507)	42,446	159,158
Net profit (loss) for reporting period	-	-	-	-	25,282	25,282
Comprehensive income for period	-	-	-	-	25,282	25,282
Dividends declared	-	-	-	-	(23,368)	(23,368)
Share cancellation	(23)	-	(1,065)	1,088	-	-
Share buyback	-	-	-	(742)	-	(742)
Transactions with owners recognised in equity	(23)	-	(1,065)	346	(23,368)	(24,110)
As at 30 September 2023	3,892	106,202	7,037	(1,161)	44,360	160,330
As at 1 April 2024	3,892	106,202	7,037	(2,574)	57,256	171,813
Net profit (loss) for reporting period	-	-	-	-	4,119	4,119
Comprehensive income for period	-	-	-	-	4,119	4,119
Dividends declared	-	-	-	-	(11,988)	(11,988)
Share cancellation	-	-	-	-	-	-
Share buyback	-	-	-	(3,418)	-	(3,418)
Transactions with owners recognised in equity	-	-	-	(3,418)	(11,988)	(15,406)
As at 30 September 2024	3,892	106,202	7,037	(5,992)	49,387	160,526

Interim separate statement of cash flows

	1 Apr–30 Sep 2024	1 Apr–30 Sep 2023
	unaudited	unaudited
Operating activities		
Profit (loss) before tax	4,938	24,408
Adjustments for:		
Depreciation and amortisation	5,795	5,917
Interest	2,373	1,259
Dividends received	(2,347)	(3,787)
(Gains) losses on investing activities	(78)	(593)
Change in inventories	(25)	(1,377)
Change in receivables	1,376	(298)
Change in contract assets and liabilities	(1,624)	(3,201)
Change in liabilities and provisions	13,962	(9,018)
Change in other assets	531	185
Other adjustments	-	-
Total adjustments	19,963	(10,913)
Income tax paid	(2,796)	1,110
Net cash provided by (used in) operating activities	22,105	14,605
Investing activities		
Purchase of property, plant and equipment	(3,882)	(3,732)
Loans	(1,000)	-
Repayment of loans	-	5,871
Proceeds from disposal of property, plant and equipment	78	593
Proceeds from disposal of financial assets	-	-
Interest received	-	-
Dividends received	2,347	3,787
Grants for development projects	-	243
Net cash provided by (used in) investing activities	(2,457)	6,762
Financing activities		
Increase in/(repayment) of borrowings	(1,046)	6,680
Payment of right-of-use liabilities	(1,246)	(1,234)
Share buyback	(3,418)	(742)
Interest paid	(2,373)	(1,259)
Dividends paid	(11,988)	(23,423)
Net cash provided by (used in) financing activities	(20,071)	(19,978)
Change in cash	(423)	1,389
Cash at beginning of period	550	126
Cash at end of period	127	1,515

Notes to the interim condensed separate financial statements

Revenue

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Revenue from sale of products	122,559	64,227	149,295	75,890
- including revenue recognised over time	43,342	23,580	75,276	44,408
Revenue from sale of merchandise and materials	25,260	12,206	34,020	13,932
Total revenue	147,819	76,433	183,315	89,822

Revenue by geographical markets

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Poland	109,379	57,019	132,963	67,240
Czech Republic and Slovakia	7,822	5,010	8,127	4,362
Spain	4,183	2,525	5,945	2,322
Ukraine	342	205	473	330
Romania	2,204	1,321	4,236	1,773
Hungary	2,496	695	2,145	942
UK	3,011	1,689	3,414	1,712
Other	18,382	7,969	26,012	11,141
Total revenue	147,819	76,433	183,315	89,822

Operating activities

Operating expenses

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Cost of sales	116,141	60,028	144,544	70,109
Distribution costs	16,141	8,094	11,763	5,138
Administrative expenses	11,125	5,549	11,161	6,244
Total operating expenses	143,407	73,671	167,468	81,491
Depreciation and amortisation	5,795	2,925	5,917	2,901
Raw materials and consumables used	54,669	27,312	74,923	38,011
Change in inventories of finished goods	(1,140)	1,092	(4,580)	(3,824)
Services	32,899	16,974	35,641	20,952
Salaries and wages	23,948	11,779	20,681	8,638
Employee benefits	6,264	3,305	5,546	3,090
Taxes and charges	882	459	831	416
Other	2,818	1,431	2,163	862
Cost of merchandise and materials sold	17,272	8,394	26,346	10,445
Total expenses by nature	143,407	73,671	167,468	81,491

Other income

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Gain on disposal of property, plant and equipment	78	(114)	593	359
Reimbursement of court costs	-	-	130	130
Compensation and penalties received	3	-	-	-
Recoveries previously written off as uncollectible	-	-	-	-
Past due liabilities written off	10	10	-	-
Grants for development projects	-	-	251	251
Other	-	-	-	(24)
Total	91	(104)	974	716

Other expenses

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Loss on disposal of property, plant and equipment	-	(47)	-	-
Penalties and fines	9	-	13	2
Litigation costs	12	11	39	12
Receivables written off	-	-	-	-
Other	165	149	183	80
Total	186	113	235	94

Financing activities

Finance income

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Dividends	2,347	1,830	3,787	3,787
Interest on loans	661	341	866	393
Interest on receivables	-	-	73	73
Interest on receivables from state budget	-	-	5,138	5,138
Discounting of security deposits receivable	343	133	137	137
Foreign exchange gains	260	135	185	(1,932)
Gain on disposal of financial assets	-	-	-	-
Other	16	16	34	9
Total	3,627	2,455	10,220	7,605

Finance costs

	<u>1 Apr–30 Sep</u> <u>2024</u>	<u>1 Jul–30 Sep</u> <u>2024</u>	<u>1 Apr–30 Sep</u> <u>2023</u>	<u>1 Jul–30 Sep</u> <u>2023</u>
Interest and commissions on borrowings	2,090	1,097	2,433	1,196
Interest on leases	283	136	249	141
Interest on liabilities	82	75	9	(14)
Foreign exchange losses	-	-	-	-
Discounting of security deposits receivable	-	-	28	-
Other	-	-	-	-
Total	2,455	1,308	2,719	1,323

Income tax

The effective tax rate was 16.88%, only slightly different from the nominal tax rate. This was mainly attributable to permanent differences between profit or loss before tax and taxable income.

The Company is subject to general income tax laws. The Company is not part of a tax group, nor does it operate in a Special Economic Zone. The Company does not use income tax exemptions or other forms of public aid that would result in the application of tax base calculation rules different from the general regulations.

Since 2004, the corporate income tax rate in Poland has been 19% of the tax base. The Company's income, apart from tax-exempt income, is subject to taxation at this standard rate. The Company does not expect that the implementation of global minimum tax regulations or the domestic minimum tax will lead to a higher income tax expense than currently incurred.

Deferred tax assets and liabilities

Deferred tax is recognised for temporary differences between tax base and profit or loss disclosed in the financial statements. As at 30 September 2024 and 31 March 2024, deferred income tax arose from the items presented in the table below.

	Statement of financial position		Statement of comprehensive income			
	End of period 30 Sep 2024	End of period 31 Mar 2024	1 Apr–30 Sep 2024	1 Jul–30 Sep 2024	1 Apr–30 Sep 2023	1 Jul–30 Sep 2023
Differences between tax base and carrying amounts of property, plant and equipment and intangible assets	2,097	2,233	136	250	295	149
Revenue recognised over time	2,715	2,421	(294)	(400)	(483)	(25)
Accrued interest	298	238	(60)	(33)	25	44
Unrealised exchange differences and measurement of forward contracts	-	7	7	-	(1)	9
Deferred tax liabilities	5,110	4,899	(211)	(183)	(164)	177
Cost related to revenue recognised over time	1,558	1,001	557	464	472	34
Provisions for employee expenses and employee benefit obligations	2,433	2,917	(484)	(1,090)	(867)	(1,312)
Impairment losses on receivables	1,429	1,324	105	112	(96)	(24)
Write-downs of inventories	3,182	2,743	439	159	399	173
Unrealised exchange differences and measurement of forward contracts	-	-	-	-	6	10
Deferred income	-	-	-	-	-	-
Accrued interest	177	205	(28)	2	31	5
Deferred tax assets	8,779	8,190	589	(353)	(55)	(1,114)
<i>including:</i>						
deferred tax assets	3,669	3,291				
deferred tax liabilities	-	-				
Deferred tax expense			378	(536)	(219)	(937)

Intangible assets

	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Costs of completed development work	7,459	8,679
Capitalised costs of development work in progress	6,493	4,480
Concessions and licences	552	684
Total	14,504	13,843

Property, plant and equipment

	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Land	8,406	8,406
Buildings and structures	20,466	21,417
Machinery and equipment	24,943	26,227
Vehicles	1,832	854
Other property, plant and equipment	1,035	1,209
Property, plant and equipment	56,682	58,113
Property, plant and equipment under construction	2,298	1,966
Prepayments for property, plant and equipment	205	360
Total	59,185	60,439

As at the reporting date, the Company did not identify any impairment indicators for non-current assets. Development work and property, plant and equipment were tested for impairment as at 31 March 2024. For information on assumptions underlying the impairment tests, see notes 12 and 13 to the separate financial statements as at 31 March 2024. As at 30 September 2024, 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 or to adjust their carrying amount.

Borrowings

	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Bank borrowings	62,116	63,162
Borrowings from related entities	2,800	2,800
Total	64,916	65,962
Long-term portion		
Bank borrowings	59,387	60,375
Borrowings from related entities	2,800	2,800
Total	62,187	63,175
Short-term portion		
Bank borrowings	2,729	2,787
Borrowings from related entities	-	-
Total	2,729	2,787
Borrowings maturing		
within 1 year	2,729	2,787
in 2 to 3 years	62,187	63,175
in 3 to 5 years	-	-
Total	64,916	65,962

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

	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Borrowings in PLN	42,837	29,876
Borrowings in EUR	22,079	36,086
Total	64,916	65,962

In the first six months of the financial year, there were no defaults or material breaches under borrowing agreements.

Trade and other payables

	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Trade payables to related entities	1,655	2,392
Trade payables to other entities	34,885	27,986
Taxes (excluding corporate income tax) and social security contributions payable	4,627	4,971
Salaries and wages payable	-	-
Prepayments received for deliveries	2,245	1,879
Other payables, including:	18,610	10,824
accrued bonuses and overtime pay	4,781	8,427
accrued holiday entitlements	1,466	1,466
dividend payable	11,988	-
other	375	931
Total	62,022	48,052

All the liabilities are current liabilities.

Impairment losses and write-downs

Inventories

As at 30 September 2024, write-downs of inventories to net realisable value totalled PLN 16,747 thousand. In the reporting period, write-downs of PLN 2,905 thousand were recognised and write-downs of PLN 594 thousand recognised in previous periods were reversed.

Inventories at end of reporting period:

	<u>End of period</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Materials	18,277	19,172
Work in progress and semi-finished goods	5,263	6,114
Finished goods	31,022	26,940
Write-downs	(16,747)	(14,436)
Total	37,815	37,790

Receivables

Receivables at end of reporting period

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>
Trade receivables from related entities	15,475	15,865
Trade receivables from other entities	44,168	47,087
Dividends receivable	3,078	647
Prepayments for deliveries	297	177
Other receivables	139	141
Impairment losses	(5,500)	(5,217)
Total	57,657	58,700

	<u>End of period</u> <u>30 Sep 2024</u>	<u>End of period</u> <u>31 Mar 2024</u>	<u>Change in</u> <u>period</u>
Impairment losses on receivables	5,500	5,217	+283
Total	5,500	5,217	+283

Equity interests in subsidiaries and development work

As at 31 March 2024, 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.

As at 30 September 2024, equity interests in subsidiaries and jointly-controlled entities 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.

Sensitivity to changes of assumptions

A sensitivity analysis revealed that changes in the parameters used in the impairment tests for the jointly-controlled entity ELMECH-ASE S.A. could impact its recoverable amount.

The table below outlines the effects of changes in key assumptions used in the tests on ELMECH-ASE S.A. as at 30 September 2024:

	<u>Increase</u>	<u>Decrease</u>
	PLN '000	PLN '000
Change in EBITDA by +/- 50%	0	(107)
Change in revenue by +/- 20%	0	0

Recognition, increase, use and reversal of provisions

	<u>Provision for employee benefit</u> <u>obligations</u>	<u>Provision for warranty</u> <u>repairs</u>
Provisions as at 31 March 2024	566	3,391
Provisions expensed in period	-	-
Provisions as at 30 September 2024	566	3,391

The provisions for employee benefit obligations and warranty repairs are updated once a year.

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 first six months of the financial year, there were no changes in the method of measuring the fair value of financial instruments,

and 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</u> 30 Sep 2024	<u>End of period</u> 31 Mar 2024
Classes of financial instruments		
Retentions receivable under construction contracts	5,378	5,679
Loans	20,604	18,807
Contract assets	16,179	13,486
Trade and other receivables	57,657	58,700
Cash and cash equivalents	127	550
Forward hedging transactions	7	39
Total assets	99,952	97,261
Borrowings	64,916	65,962
Trade and other payables	62,022	48,052
Contract liabilities	2,916	1,847
Forward hedging transactions	-	-
Right-of-use liabilities	6,743	7,885
Total liabilities	136,597	123,746

	fair value	carrying amount	measured at fair value through profit or loss	measured at fair value with changes to equity	measured at amortised cost
Non-current assets	22,800	22,800	-	-	22,800
Security deposits receivable and other receivables	22,800	22,800	-	-	22,800
Current assets	77,152	77,152	7	-	77,145
Trade and other receivables	77,018	77,018	-	-	77,018
Cash and cash equivalents	127	127	-	-	127
Derivative financial instruments	7	7	7	-	-
Total	99,952	99,952	7	-	99,945

	fair value	carrying amount	measured at fair value through profit or loss	measured at amortised cost	measured at fair value with changes to equity
Non-current liabilities	66,163	66,163	-	66,163	-
Borrowings	62,187	62,187	-	62,187	-
Trade and other payables	3,976	3,976	-	3,976	-
Current liabilities	70,434	70,434	-	70,434	-
Borrowings	2,729	2,729	-	2,729	-
Trade and other payables	67,705	67,705	-	67,705	-
Derivative financial instruments	-	-	-	-	-
Total	136,597	136,597	-	136,597	-

Contingent assets and liabilities

In the six months to 30 September 2024, 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>Dividend income</u>	<u>Purchase of property, plant and equipment</u>
Tecresa Protección Pasiva S.L.U.	1 Apr–30 Sep 2024	4,183	1,596	-	-	1,830	-
	1 Apr–30 Sep 2023	5,945	3,260	-	-	-	-
Mercor Fire Protection Systems s.r.l.	1 Apr–30 Sep 2024	2,174	-	-	-	-	-
	1 Apr–30 Sep 2023	4,236	-	-	-	-	-
TOB Mercor Ukraina	1 Apr–30 Sep 2024	342	1,721	-	-	-	-
	1 Apr–30 Sep 2023	473	1,926	-	-	-	80
Mercor Czech Republic s.r.o.	1 Apr–30 Sep 2024	4,404	-	-	-	517	-
	1 Apr–30 Sep 2023	4,927	4	-	-	-	-
Mercor Slovakia s.r.o.	1 Apr–30 Sep 2024	3,419	3	-	-	-	-
	1 Apr–30 Sep 2023	3,200	2	-	-	-	-
Mercor Dunamenti Tűzvédelem Zrt	1 Apr–30 Sep 2024	2,496	671	-	-	-	-
	1 Apr–30 Sep 2023	2,145	633	-	-	3,787	-
Elmech-ASE S.A.	1 Apr–30 Sep 2024	3	-	134	-	-	-
	1 Apr–30 Sep 2023	-	-	152	-	-	743
MCR SOL ENERGY sp. z o.o.	1 Apr–30 Sep 2024	-	-	138	-	-	-
	1 Apr–30 Sep 2023	-	-	174	-	-	-
DFM Doors sp. z o.o.	1 Apr–30 Sep 2024	2,039	27	350	-	-	-
	1 Apr–30 Sep 2023	4,767	36	538	-	-	-
MHD1 sp. z o.o.	1 Apr–30 Sep 2024	-	-	-	110	-	-
	1 Apr–30 Sep 2023	-	-	-	104	-	-
OOO Mercor-Proof	1 Apr–30 Sep 2024	-	-	-	-	-	-
	1 Apr–30 Sep 2023	-	-	-	-	-	-
Mercor Fire Protection Systems UK Ltd	1 Apr–30 Sep 2024	3,024	505	-	-	-	-
	1 Apr–30 Sep 2023	2,939	182	-	-	-	-
MERCOR Centrum Usług Wspólnych sp. z o.o.	1 Apr–30 Sep 2024	61	2,901	24	-	-	-
	1 Apr–30 Sep 2023	67	3,062	-	-	-	-
MCR TECH LAB sp. z o.o.	1 Apr–30 Sep 2024	29	197	15	-	-	-
	1 Apr–30 Sep 2023	-	134	2	-	-	-
	1 Apr–30 Sep 2024	22,174	7,621	661	110	2,347	-
	1 Apr–30 Sep 2023	28,699	9,105	866	104	3,787	823

<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.	30 Sep 2024	2,574	356	-	-	1,832
	31 Mar 2024	2,406	912	-	-	67
TOB Mercor Ukraina	30 Sep 2024	154	219	-	-	552
	31 Mar 2024	175	241	-	-	495
Mercor Fire Protection Systems s.r.l.	30 Sep 2024	61	-	-	-	-
	31 Mar 2024	1,367	-	-	-	7
MHD1 sp. z o.o.	30 Sep 2024	-	-	-	2,800	-
	31 Mar 2024	-	-	-	2,800	-
DFM Doors sp. z o.o.	30 Sep 2024	2,272	-	7,821	-	-
	31 Mar 2024	2,006	-	7,429	-	-
OOO Mercor-Proof	30 Sep 2024	1,572	-	-	-	-
	31 Mar 2024	1,580	-	-	-	-
Mercor Dunamenti Tűzvédelem Zrt	30 Sep 2024	1,796	310	-	-	-
	31 Mar 2024	2,201	-	-	-	66
Mercor Czech Republic s.r.o.	30 Sep 2024	4,017	-	918	-	694
	31 Mar 2024	1,875	-	918	-	251
Mercor Slovakia s.r.o.	30 Sep 2024	1,241	19	140	-	-
	31 Mar 2024	2,943	16	393	-	-
Mercor Fire Protection Systems UK Ltd	30 Sep 2024	1,722	53	1,097	-	-
	31 Mar 2024	1,266	76	1,220	-	-
MCR SOL ENERGY sp. z o.o.	30 Sep 2024	-	-	4,248	-	-
	31 Mar 2024	-	-	4,110	-	-
Elmech-ASE S.A.	30 Sep 2024	7	-	4,083	-	-
	31 Mar 2024	23	-	3,991	-	-
MCR TECH LAB sp. z o.o.	30 Sep 2024	22	77	621	-	-
	31 Mar 2024	-	6	94	-	-
MERCOR Centrum Usług Wspólnych sp. z o.o.	30 Sep 2024	37	621	676	-	-
	31 Mar 2024	23	1,141	652	-	-
	30 Sep 2024	15,475	1,655	19,604	2,800	3,078
	31 Mar 2024	15,865	2,392	18,807	2,800	886

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

Subsequent events

On 22 November 2024, the Company and Kingspan société à responsabilité limitée, a subsidiary of Kingspan Group Plc, executed a preliminary agreement for contemplated divestment of shares in certain entities within the MERCOR Group holding assets involved in the manufacture and sale of natural smoke exhaust systems and the manufacture and sale of complex fire ventilation systems, as announced by the Company in Current Report No. 59/2024 of 25 November 2024.

Under the agreement, the investor would pay a total consideration of PLN 420 million to the Company. However, up to PLN 60 million of this amount would be deferred, contingent upon the divestment companies achieving specified consolidated EBITDA thresholds generated by the demerged business in the 12 months ending 31 March 2026. Depending on the level of target EBITDA achieved, the Company will receive a corresponding portion of the deferred payment, ranging from PLN 15 million to PLN 60 million.

The agreement additionally provides that the final price would be subject to adjustments based on the investor's audit of financial statements as at the closing date, to be performed using a method typical for business acquisition transactions (i.e. the completion accounts method).

Completion of the transaction is subject to the following conditions precedent: (i) concentration clearance obtained by the investor from the relevant antitrust authority, (ii) approval from the Company's General Meeting for the transfer of its assets forming an organised part of the business, (iii) completion of the demerger process, and (iv) approval from the Company's financing banks for the transaction, including the release of security interests created in favour of those banks over assets to be transferred in the demerger process to the divestment companies.

The operations subject to the planned transaction were not classified as discontinued operations or assets available for sale as at 30 September 2024 as they failed to meet the criteria set out in IFRS 5:

- the operations were not available for immediate sale in their present condition (organisational changes are required)
- their sale was not highly probable and the management of the company was not committed to a plan to sell the asset, so the probability of the transaction was considered insufficient to reclassify the asset
- no active programme had been initiated to locate a buyer or complete the plan.

In the event of the separation of the company's assets into separate entities, the company may be required to return part of the grants received under the Demonstrator programme for development projects carried out in previous years. The estimated potential amount of the grant subject to repayment is PLN 4,153 thousand. This amount may be increased by interest.

After the reporting date, there were no other 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, 31 December 2024

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 1 April to 30 September 2024 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

President of the Management
Board

Jakub Lipiński

First Vice President of the
Management Board

Tomasz Kamiński

Member of the Management
Board

Gdańsk, 31 December 2024