



MERCOR Group

Directors' Report on
the operations of
MERCOR S.A. and the
MERCOR Group in
the financial year
from 1 April 2023
to 31 March 2024

Gdańsk, 28 June 2024

Contents

Letter from CEO	4
Financial highlights.....	7
Directors' Report on the operations of the MERCOR Group	9
General information about the Company and the Group.....	9
Subsidiaries	10
Organisational or cross-equity links between the Company and other entities; information on the Company's main domestic and foreign investments	10
Changes in key management policies	10
Management and supervisory personnel	11
Remuneration.....	11
Shares in MERCOR S.A. and related companies held by Management and Supervisory Board members as at the date of this report.....	11
Results of operations and financial position.....	12
Discussion of key economic and financial data.....	12
Factors and non-typical events having a material impact on the Group's operations in the financial year 1 April 2023–31 March 2024	14
Structure of assets and equity and liabilities in the consolidated statement of financial position..	14
Off-balance-sheet items	15
Actual performance versus previous profit guidance	15
Sales and purchases.....	15
Sales of products and services	15
Sales markets, broken down into domestic and foreign, with information on potential dependence on one or more customers.....	15
Sources of supplies, including information on potential dependence on one or more suppliers...	16
Management of financial resources	16
Financial instruments	17
Borrowings contracted and terminated.....	18
MERCOR shares.....	19
Agreements that may result in future changes of existing percentage shareholdings.....	19
Treasury stock transactions	19
Use of issue proceeds	19
Control system for employee stock option plans.....	19
Capital expenditure projects	20
Feasibility of capital expenditure plans.....	20

Other information.....	20
Research and development.....	20
Significant agreements of the Company.....	21
Related party transactions.....	21
Loans advanced (including loans to related entities).....	21
Sureties and guarantees issued or received (including sureties and guarantees issued for related parties)	21
Expenses incurred to sponsor cultural projects, sports, charities, media and social organisations.....	22
Material proceedings involving MERCOR S.A. or its subsidiaries.....	23
Significant events and factors relevant to the Group’s business growth and description of its growth prospects until the end of the financial year following the financial year covered by this report.....	24
Material risk factors and threats	24
Agreements with statutory auditor	24
Non-financial information.....	26
Statement of compliance by MERCOR S.A. with corporate governance standards in the financial year 1 April 2023–31 March 2024	27
Corporate governance standards.....	27
Key features of internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements.....	30
Shareholders with major holdings	32
Holders of securities with special control rights	32
Restrictions on the transferability of securities and on voting rights	32
Rules governing the appointment and removal of Management Board members and their powers	33
Rules governing amendments to the Company’s Articles of Association	33
Operation and key powers of the General Meeting; shareholder rights and how they are exercised	33
Composition and operation of the Company’s Management and Supervisory Boards and their committees.....	34
Diversity policy.....	36
Statement by the Management Board of MERCOR S.A. on fair presentation of the financial statements for the financial year 1 April 2023–31 March 2024.....	38
Statement by the Management Board of MERCOR S.A. prepared on the basis of the Supervisory Board’s representation regarding selection of the audit firm to audit full-year consolidated financial statements.....	39

Letter from CEO

Ladies and Gentlemen,

We present a report on the operations of the MERCOR Group in the financial year ended 31 March 2024. This summary contains key information on the Group's strategic business areas.

1. Shareholders

We achieved our goal set in previous years of maintaining an ROE of at least 13% for the financial year. The net profit generated by the Group, amounting to PLN 52.8 million, translated into a return on equity of 26%.

This strong performance lays a solid foundation for continuing our dividend payments to Shareholders.

2. Business model

The MERCOR Group operates based on a proven business model that leverages high-quality engineering expertise and continuous improvement of its product range.

We design and manufacture end-to-end solutions tailored to individual customer needs, which are then delivered, installed, and, depending on the contract or project, maintained by the Group specialists.

We focus on the continuous development of our products by enhancing automation, creating dedicated software, and refining production processes.

3. Market

Over the past financial year and continuing into the present, the market has been demanding, largely due to a significant slowdown in the pace and volume of building construction activity. Additionally, delays in the release of EU funding and the economic downturn in Germany have created further challenges.

We hope that the coming periods will see the launch of new property development projects, thereby shifting the market from a state of uncertainty to a phase of recovery.

4. Reported results

With revenue at PLN 587.4 million, the MERCOR Group reported a net profit of PLN 52.8 million (up 11.8% year on year), which we view as a robust performance. One noteworthy one-off event of the second quarter was the refund of income tax with interest, received following the conclusion of proceedings conducted by relevant authorities. It added some PLN 10.5 million to the Group's profit.

5. Solutions

The key areas of the MERCOR Group's business include:

- 1) natural smoke exhaust systems,
- 2) fire ventilation systems,
- 3) fire protection of building structures,
- 4) fire separations,
- 5) Industry 4.0 solutions,
- 6) energy storage facilities.

6. Structure

There were no material changes in the Group structure in the financial year ended 31 March 2024.

7. Debt

Consolidated net debt to EBITDA ratio as at the end of the financial year ended 31 March 2024 stood at 0.95.

8. Acquisitions and sale of business

In 2023/2024, we did not complete any new acquisitions nor did we sell any material assets. In the reporting period, the Management Board continued to review strategic options.

10. People

The strength of the MERCOR Group lies in its highly skilled and experienced workforce with a robust technical culture. We are committed to building and developing our team across all levels, thus ensuring stable growth of the Group.

11. Sustainability

When making business decisions at the MERCOR Group, we take into account environmental and social issues as well as financial considerations. Furthermore, some of our products promote energy efficiency.

The Group operates its own solar PV systems, which not only contribute to cost savings as a source of less expensive energy but also help mitigate our carbon footprint.

12. Situation at our Ukrainian and Russian companies

The Ukrainian subsidiary of the MERCOR Group is carrying on its manufacturing and trading activities to the extent permitted by available workforce resources. The company's registered office is located in Lviv, western Ukraine, where war hostilities are not as dramatic as in the east part of the country.

The Russian company continues its operations, producing and delivering products and services to the local market. No trade flows have taken place since the outbreak of the war.

13. General assessment

The financial year ended 31 March 2024 was successful for the MERCOR Group. We have demonstrated that with our product and geographic diversification we can deliver solid performance despite challenging market conditions.

We are entering the new financial year well-prepared and intend to reinforce our position as a leader in innovative fire protection technologies.

Krzysztof Krempeć



President of the Management Board of MERCOR S.A.

Financial highlights

Consolidated financial highlights

Financial highlights	PLN thousand		EUR thousand	
	1 Apr 2023– 31 Mar 2024	1 Apr 2022– 31 Mar 2023	1 Apr 2023– 31 Mar 2024	1 Apr 2022– 31 Mar 2023
Revenue	587,401	628,358	132,492	133,648
Operating profit	57,090	68,751	12,877	14,623
Profit before tax	59,390	60,439	13,396	12,855
Net profit	52,768	47,218	11,902	10,043
Net profit attributable to owners of the parent	49,310	41,695	11,122	8,868
Net cash provided by (used in) operating activities	49,028	64,046	11,059	13,622
Net cash provided by (used in) investing activities	(19,111)	(11,957)	(4,311)	(2,543)
Net cash provided by (used in) financing activities	(43,544)	(42,780)	(9,822)	(9,099)
Total net cash flows	(13,627)	9,309	(3,074)	1,980
Total assets	432,380	447,658	100,532	95,745
Non-current liabilities	75,055	86,202	17,451	18,437
Current liabilities	118,055	135,660	27,449	29,015
Equity	239,270	225,796	55,632	48,293
Share capital	3,892	3,915	905	837
Equity attributable to owners of the parent	226,861	213,695	52,747	45,705
Number of shares	15,444,769	15,544,103	15,444,769	15,544,103
Net earnings per share	3.19	2.68	0.72	0.57
Book value per share	14.69	13.75	3.42	2.94

Separate financial highlights

Financial highlights	PLN thousand		EUR thousand	
	1 Apr 2023– 31 Mar 2024	1 Apr 2022– 31 Mar 2023	1 Apr 2023– 31 Mar 2024	1 Apr 2022– 31 Mar 2023
Revenue	346,143	356,467	78,074	75,818
Operating profit	26,628	28,958	6,006	6,159
Profit before tax	39,114	29,911	8,822	6,362
Net profit	38,178	23,929	8,611	5,090
Net cash provided by (used in) operating activities	32,129	32,520	7,247	6,917
Net cash provided by (used in) investing activities	7,732	516	1,744	110
Net cash provided by (used in) financing activities	(39,437)	(34,299)	(8,895)	(7,295)
Total net cash flows	424	(1,263)	96	(268)
Total assets	303,153	314,316	70,486	67,226
Non-current liabilities	71,986	77,622	16,738	16,602
Current liabilities	59,354	77,536	13,800	16,583
Equity	171,813	159,158	39,948	34,041
Share capital	3,892	3,915	905	837
Number of shares	15,444,769	15,544,103	15,444,769	15,544,103
Earnings per share	2.47	1.54	0.56	0.33
Book value per share	11.12	10.24	2.59	2.19

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. 4.3009 for 31 March 2024 and 4.6755 for 31 March 2023.

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. 4.4335 for the period 1 April 2023–31 March 2024, and 4.7016 for the period 1 April 2022–31 March 2023.

Directors' Report on the operations of the MERCOR Group

General information about the Company and the Group

MERCOR S.A. (the "Company", "MERCOR") has traded as a joint-stock company since 21 September 2004. Prior to that date, it traded as a limited liability company under the name of Przedsiębiorstwo Usługowo-Handlowe MERCOR Sp. z o.o. On 21 September 2004, the Company underwent a legal transformation, changing its form of incorporation from limited liability company to joint stock company. MERCOR S.A. is the parent of the MERCOR Group.

The Company's registered office is located in Gdańsk (registered address: ul. Grzegorza z Sanoka 2, 80-408 Gdańsk, Poland), which is the principal place of business of the Company. The Company operates at its principal place of business, as well as through trade offices and production establishments. None of these entities maintains a separate set of accounts. MERCOR S.A. is registered with the District Court of Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register, under entry No. KRS 0000217729.

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

- ✓ smoke and heat exhaust systems, rooflight systems,
- ✓ fire ventilation systems,
- ✓ fire protections of building structures,
- ✓ fire separations.

Companies of the MERCOR Group manufacture, deliver and install equipment components for fire protection systems and provide maintenance services to guarantee reliable long-term operation of such systems. In addition, MERCOR offers product advisory services and comprehensive assistance in designing tailor-made fire protection 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.

Our goal 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 customer's desired product features while adhering to safety standards and relevant regulatory requirements.

Subsidiaries

As at 31 March 2024, the following entities were consolidated:

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

In the financial year ended 31 March 2024, there were no changes in the Group structure.

Organisational or cross-equity links between the Company and other entities; information on the Company's main domestic and foreign investments

Apart from the consolidated entities, the Company does not have any other equity investments.

Changes in key management policies

In the period 1 April 2023–31 March 2024, there were no changes to the Company and its Group's key management policies.

Management and supervisory personnel

Remuneration

For information on the remuneration, awards or benefits granted to Management and Supervisory Board members, see Note 27 to the consolidated financial statements.

Agreements concluded with Management and Supervisory Board members providing for compensation in the event of their resignation or removal from office

No agreements were concluded with Management or Supervisory Board members providing for compensation in the event of their resignation or removal from office without a good reason or following a merger by acquisition.

Obligations to former Management and Supervisory Board members

There are no obligations arising from retirement or similar benefits to former Management and Supervisory Board members.

Shares in MERCOR S.A. and related companies held by Management and Supervisory Board members as at the date of this report

Management Board

	Number of shares held at the date of issue 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 date of issue 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

Related entities

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

Results of operations and financial position

Discussion of key economic and financial data

Financial results of the MERCOR Group and MERCOR S.A.

MERCOR GROUP	1 Apr 2023– 31 Mar 2024	1 Apr 2022– 31 Mar 2023
Total revenue	587,401	628,358
Cost of sales	434,325	472,164
Gross profit	153,076	156,194
% margin (gross profit/total revenue)	26.1%	24.9%
Distribution costs and administrative expenses	94,836	88,571
Net other income (expenses)	(1,150)	1,128
Operating profit (EBIT)	57,090	68,751
% margin (EBIT/total revenue)	9.7%	10.9%
Net finance income (costs)	2,300	(8,312)
Profit before tax	59,390	60,439
% margin (profit before tax/total revenue)	10.1%	9.6%
Income tax	6,622	13,221
Net profit (loss)	52,768	47,218
% margin (net profit (loss)/total revenue)	9.0%	7.5%

MERCOR S.A.	1 Apr 2023– 31 Mar 2024	1 Apr 2022– 31 Mar 2023
Total revenue	346,143	356,467
Cost of sales	271,303	284,428
Gross profit	74,840	72,039
% margin (gross profit/total revenue)	21.6%	20.2%
Distribution costs and administrative expenses	48,761	42,460
Net other income (expenses)	549	(621)
Operating profit (EBIT)	26,628	28,958
% margin (EBIT/total revenue)	7.7%	8.1%
Net finance income (costs)	12,486	953
Profit before tax	39,114	29,911
% margin (profit before tax/total revenue)	11.3%	8.4%
Income tax	936	5,982
Net profit (loss)	38,178	23,929
% margin (net profit (loss)/total revenue)	11.0%	6.7%

Gross profit margin achieved by MERCOR S.A. for the financial year ended 31 March 2024 was up by 1.4 percentage points on the previous financial year. Margin growth for the entire Group was 1.2 percentage points. Expressed as an amount, gross profit for MERCOR S.A. was up by almost 4% on the previous year, while for the entire Group it fell 2% year on year. The increase in percentage terms was mainly attributable to lower production costs reflecting changes in the prices of raw materials.

EBIT margin is growing faster than gross profit margin, reflecting mainly an operating leverage effect at the level of distribution costs and administrative expenses.

The Company's net profit margin for the financial year ended 31 March 2024 was higher (by 4.3 percentage points) than in the previous period, which is largely attributable to a one-off event, i.e. a refund of corporate income tax for 2012/2013 with interest. Net profit margin booked by the entire Group increased by 1.5 percentage points.

Factors and non-typical events having a material impact on the Group's operations in the financial year 1 April 2023–31 March 2024

For information on the impact of the political and economic situation in Ukraine on the Group's operations, see Note 1 to the consolidated financial statements.

Structure of assets and equity and liabilities in the consolidated statement of financial position

	31 Mar 2024	31 Mar 2023	Change	% change	Structure	
					31 Mar 2024	31 Mar 2023
Non-current assets	199,401	195,276	4,125	2.1%	46.1%	43.6%
Current assets	232,979	252,382	(19,403)	(7.7%)	53.9%	56.4%
TOTAL ASSETS	432,380	447,658	(15,278)	(3.4%)	100.0%	100.0%
Equity	239,270	225,796	13,474	6.0%	55.3%	50.4%
Non-current liabilities	75,055	86,202	(11,147)	(12.9%)	17.4%	19.3%
Current liabilities	118,055	135,660	(17,605)	(13.0%)	27.3%	30.3%
TOTAL EQUITY AND LIABILITIES	432,380	447,658	(15,278)	(3.4%)	100.0%	100.0%

As at 31 March 2024, the Group's total assets and total equity and liabilities stood at PLN 432,380 thousand, down by PLN 15,278 thousand (3.4%) on the previous financial year.

Changes in the amounts of assets and liabilities were mainly attributable to a decline in current assets in the form of inventories and receivables (including contract assets) resulting from reduced operational scale and less extensive use of external financing sources.

Off-balance-sheet items

There were no material off-balance-sheet items in the reporting period.

Actual performance versus previous profit guidance

The Company did not publish any profit guidance for the financial year 1 April 2023–31 March 2024 with respect to the Company or its Group.

Sales and purchases

Sales of products and services

The Group has two sales streams: construction services and products. Accordingly, profitability is measured separately for construction contracts (covering a product and service) and separately for sales of individual products. Given two different methods used to measure profitability, there are no global sales figures taken into account for the purposes of day-to-day management.

In the case of construction services the unit of sales is a construction contract, while in the case of products – it is a product unit.

Sales markets, broken down into domestic and foreign, with information on potential dependence on one or more customers

The Group has a fragmented customer base. The sales structure of the Company and its Group is diversified, with no dependence on any single or more customers, including any exposures in excess of 10% of total revenue.

In terms of geographical distribution, the Group's sales predominantly focus on the Polish market (52%), followed by the Russian (8%), Spanish (8%), Hungarian (8%), Czech and Slovak (7% combined) markets. Sales to other countries account for a total of 17%.

Sources of supplies, including information on potential dependence on one or more suppliers

Key materials used in the manufacturing process during the reporting financial year included:

- steel and aluminium sheet,
- aluminium profiles,
- mineral wool,
- control system elements,
- polycarbonate.

There were no cases where a single supplier would account for more than 10% of revenue.

The Company and the Group rely on a diversified supplier base to ensure security of supplies. The Company is constantly exploring the market in an effort to identify alternative suppliers for basic materials.

The financial year ended 31 March 2024 saw price reductions for strategic materials such as steel sheet, aluminium profiles and polycarbonate.

Management of financial resources

In the financial year 1 April 2023–31 March 2024, the Company and its Group held financial resources enabling timely debt service. Key performance indicators for the Company and the Group are as follows:

MERCOR GROUP

	31 Mar 2024	31 Mar 2023
Liquidity ratio	1.97	1.86
Average payment period	73 days	74 days
Average collection period	85 days	79 days
Inventory cycle	63 days	58 days
Debt ratio	45%	50%

MERCOR S.A.

	31 Mar 2024	31 Mar 2023
Liquidity ratio	1.97	1.59
Average payment period	68 days	75 days
Average collection period	80 days	81 days
Inventory cycle	53 days	51 days
Debt ratio	43%	49%

Financial instruments

Main financial instruments used by the Group include:

- bank and other borrowings,
- cash and bank deposits,
- receivables and liabilities,
- foreign exchange derivatives.

Key risk exposures arising from these financial instruments include:

- interest rate risk,
- currency risk,
- liquidity risk,
- credit risk.

As regards interest rate risk, the Group does not use any hedging instruments.

With respect to currency risk, the Group's hedging strategy is to enter into forward contracts. The Group keeps monitoring currency risk for both on- and off-balance-sheet items.

The Group's exposure to significant accounts receivable risk is not material because it monitors and insures receivables on an ongoing basis.

Credit risk is mitigated by entering into transactions with entities of good credit standing, their conclusion preceded by internal checks.

Borrowings contracted and terminated

MERCOR S.A. relied partly on bank and non-bank borrowings from related entities as a source of financing for its day-to-day activities and investments.

In the period from April 2023 to the end of March 2024, the following amendments were made to the Company's credit facility agreements:

- in December 2023, the Company executed an amendment to the overdraft facility agreement with Credit Agricole Bank Polska S.A. of Wrocław, extending its term until 31 October 2025. The facility amount remained unchanged at PLN 28,560,000.00;
- in December 2023, the Company executed an amendment to the credit limit agreement with BNP Paribas Bank Polska Spółka Akcyjna of Warsaw, extending its term until 2 December 2025. The credit limit remained unchanged at PLN 42,880,000.00;
- in November 2023, the Company executed an amendment to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw, extending its term until 28 November 2025. The facility amount remained unchanged at PLN 28,560,000.00.

Subsidiary DFM Doors Sp. z o.o.:

- in May 2023, the company executed an amendment to the credit limit agreement with BNP Paribas Bank Polska Spółka Akcyjna of Warsaw whereby the credit limit was increased to PLN 9,000,000.00. Under an amendment signed in November 2023, the term of the agreement was extended until 2 December 2024;
- in November 2023, the company executed an amendment to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw, extending its term until 15 November 2024. The facility amount remained unchanged at PLN 2,000,000.00;

In November 2023, the subsidiary MCR TECH LAB Sp. z o.o. executed an amendment to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw, extending its term until 15 November 2024. The facility amount remained unchanged at PLN 2,000,000.00.

In December 2023, the subsidiary ELMECH-ASE Sp. z o.o. executed an amendment to the multi-facility agreement with Santander Bank Polska Spółka Akcyjna, extending its term until 5 December 2024. The facility amount remained unchanged at PLN 6,000,000.00.

For information on the financing terms and collateral, see Note 21 to the consolidated financial statements.

MERCOR shares

Agreements that may result in future changes of existing percentage shareholdings

As at the date of issue of this report, the Company was not aware of any agreements that could result in future changes in the percentages of Company shares held by its existing shareholders.

On 26 January 2023, the Extraordinary General Meeting of MERCOR S.A. passed a resolution to establish an incentive scheme, issue registered subscription warrants and conditionally increase the Company's share capital in connection with an issue of ordinary bearer shares. The scheme is not yet being operated. No agreement has yet been signed as part of the scheme, and no list of eligible scheme participants has been determined.

The Company continues to buy back its shares within the scope of the authorisation it was granted under the General Meeting's resolution of 30 June 2020. The terms and conditions of the buyback are set out in the Rules. For information on amendments to the Rules adopted by the General Meeting, see Current Report No. 11/2021 of 16 March 2021.

The options review process announced by the Company in Current Report No. 18/2021 of 31 May 2021 remains open.

Treasury stock transactions

Pursuant to a resolution of June 2020 authorising the Management Board to repurchase Company shares, 211,766 shares were bought back as at 31 March 2024. Of these, 89,258 shares were cancelled under the General Meeting's resolution of 26 January 2023. On 2 June 2023, the District Court for Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register, registered the resulting amendments to the Company's Articles of Association. As at 31 March 2024, the Company held 122,508 treasury shares, representing 0.78686% of its share capital and total voting rights at its General Meeting.

Use of issue proceeds

In the financial year 1 April 2023–31 March 2024, MERCOR S.A. did not issue any securities.

Control system for employee stock option plans

On 26 January 2023, the Extraordinary General Meeting of MERCOR S.A. passed a resolution to establish an incentive scheme. As at the date of issue of this report, the scheme was not yet being operated.

Capital expenditure projects

At the Cieplewo manufacturing plant, work continued on process automation and transitioning of production, warehouse and commercial documentation to electronic systems. The smoke exhaust systems division implemented online tools to support sales, enabling third-party architects to identify or search for products meeting their project requirements and access the relevant documentation for inclusion in their projects.

In the past financial year, the building structure protections division focused on refining the production process for Silboard fire protection boards and on improving the product. Furthermore, a sales platform was launched for the division's customers, where they can place orders while retaining their existing individual terms of business.

DFM Doors, a subsidiary manufacturing fire doors, expanded its paint shop and launched a new CNC centre for the processing of aluminium profiles.

Development work carried out by the Group involved primarily certification processes for new applications of existing products and for the extension of product applications and ranges.

Feasibility of capital expenditure plans

As at the date of this report, the Company did not make any final decisions to launch major capital investments. However, it is considering moving forward with expansion projects at its manufacturing plants in Cieplewo near Gdańsk and Mirosławiec near Płock. The Company has submitted two applications for funds under the National Recovery Plan, but has not received any updates on the competition results as at the date of this report.

The Company also plans to implement further improvements in key operational processes, for instance by developing the IT infrastructure.

Funds needed to implement capital investment plans, including the equity portion of the investment if the Company receives the co-financing under the National Recovery Plan and carries out the expansion projects within its framework, will come from surplus cash generated by the Group, as well as long-term leases and bank borrowings

Other information

Research and development

Development work at the Group was carried out within all product divisions, i.e. natural smoke exhaust, fire ventilation, building structure protection and fire separation products. Existing products were developed and upgraded, their ranges extended and new applications added.

During the past financial year, the smoke exhaust systems division responded to customer needs by introducing mcr PROLIGHT smoke vents featuring new opening systems capable of operating across a wide range of power voltages. This enhancement significantly improved product performance while optimising configurations. Furthermore, a series of device modifications were completed, tailored to meet the specific needs of customers in export markets. Furthermore, the division worked on optimising

its manufacturing technologies. A notable accomplishment was obtaining Environmental Product Declarations (EPDs) for its three product groups: mcr PROLIGHT and mcr ULTRA THERM vents and skylights, and PROLIGHT continuous rooflights with vents. These EPDs will improve our scores in multi-criteria certification systems like LEED or BREEAM.

The fire ventilation division conducted research on new configurations and applications its fire dampers. It also worked on improving the design of selected products to streamline manufacturing processes and reduce costs. Additionally, the division had its mcr BORA fan certified for use with new motors.

At our production facility in Mirosławiec near Płock, efforts continued to develop the mcr Silboard product.

The subsidiary DFM Doors commenced work on a new type of separations, i.e. bullet-proof doors.

Significant agreements of the Company

For information on bank credit facility agreements material to the Company, see “Borrowings contracted and terminated”.

The terms of bank guarantee facilities contracted by the Company with Santander Bank Polska S.A. and BNP Paribas Bank Polska S.A. were extended. The available facility limits under the agreements with Santander Bank Polska S.A. and BNP Paribas Bank Polska S.A. remained unchanged at PLN 7,000,000.00 and PLN 10,500,000.00, respectively. The guarantee facilities were made available until 15 November 2024 (Santander Bank Polska S.A.) and 2 December 2025 (BNP Paribas Bank Polska S.A.).

Related party transactions

Related party transactions were executed on an arm’s length basis. For details of related party transactions, see Note 27 to the consolidated financial statements.

Loans advanced (including loans to related entities)

The term of a PLN 200,000.00 loan advanced by MERCOR to its subsidiary MCR TECH LAB Sp. z o.o. was extended until 30 June 2027 under an amendment to the loan agreement signed by the parties.

Sureties and guarantees issued or received (including sureties and guarantees issued for related parties)

In the financial year ended 31 March 2023, MERCOR S.A. and other Group companies issued performance bonds and defects liability bonds (under trade contracts).

The following sureties were provided by the Company for DFM Doors Sp. z o.o.:

- surety for the credit facility agreement between DFM Doors Sp. z o.o. and BNP Paribas Bank Polska Spółka Akcyjna. the PLN 9,000,000.00 bank facility was granted to DFM Doors Sp. z o.o. to finance its day-to-day operations. By way of an amendment to the agreement, the availability period was extended until 2 December 2024;

- surety for the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. the facility amount is PLN 2,000,000.00. The repayment date was set for 15 November 2024;
- surety for a CNC processing centre lease contract, executed with BNP Paribas Leasing Services Sp. z o.o. of Warsaw in November 2023 for a term of 60 months, valued at EUR 99,470.00;
- surety for a powder coating line lease contract, executed with BNP Paribas Leasing Services Sp. z o.o. of Warsaw in February 2024 for a term of 60 months, valued at PLN 378,496.80.00.

The Company provided surety for the subsidiary MCR TECH LAB Sp. z o.o. in respect of its overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. The facility amount is PLN 2,000,000.00. The final repayment date for all amounts outstanding under the overdraft facility was set for 15 November 2024.

MERCOR S.A. assumed joint and several liability for ELMECH-ASE's debt under its multi-facility agreement with Santander Bank Polska S.A. The PLN 6,000,000.00. facility was granted with availability period until 5 December 2024.

The Company provided sureties for the following car lease contracts and car service contracts executed with Toyota Leasing Polska Sp. z o.o. of Warsaw:

Company	Surety for	Contract No.	Surety amount	Surety valid until
MCR TECH LAB Sp. z o.o.	lease contract	TSP/2023/12/S5/1441	131,722.77	12 Dec 2026
MCR TECH LAB Sp. z o.o.	service contract	TSP/2023/12/S5/1441	9,442.03	12 Dec 2026
MCR TECH LAB Sp. z o.o.	lease contract	TSP/2023/12/S5/1442	131,722.77	12 Dec 2026
MCR TECH LAB Sp. z o.o.	service contract	TSP/2023/12/S5/1442	9,442.03	12 Dec 2026
MCR TECH LAB Sp. z o.o.	lease contract	TSP/2023/7/S5/2656	138,109.62	27 Jul 2028
MCR TECH LAB Sp. z o.o.	service contract	TSP/2023/7/S5/2656	18,540.21	27 Jul 2028
MERCOR Centrum Usług Wspólnych Sp. z o.o.	lease contract	TSP/2023/10/S5/4029	173,964.31	30 Oct 2028
MERCOR Centrum Usług Wspólnych Sp. z o.o.	service contract	TSP/2023/10/S5/4029	15,908.39	30 Oct 2028
MERCOR Centrum Usług Wspólnych Sp. z o.o.	lease contract	TSP/2023/10/S5/4030	180,862.77	30 Oct 2028
MERCOR Centrum Usług Wspólnych Sp. z o.o.	service contract	TSP/2023/10/S5/4030	17,616.12	30 Oct 2028
MERCOR Centrum Usług Wspólnych Sp. z o.o.	lease contract	TSP/2023/6/S5/2677	130,650.00	23 Jun 2028
MERCOR Centrum Usług Wspólnych Sp. z o.o.	service contract	TSP/2023/6/S5/2677	12,458.38	23 Jun 2028

Expenses incurred to sponsor cultural projects, sports, charities, media and social organisations

MERCOR is committed to integrating its business activities with initiatives oriented toward social needs. During the past financial year, it collaborated with the Museum of Gdańsk on several new projects. One highlight was the creation, on the Company's initiative, of a limited edition album, "The Third Dimension

of Gdańsk". The publication consists of three parts, featuring photographs from 1906–1914, 1940, and contemporary photos. It also includes stereoscopic images. The descriptions of monuments and historic places were authored by the esteemed enthusiast of Gdańsk history, Professor Andrzej Januszajtis. The Company also supported the Amber Museum, a branch of the Museum of Gdańsk, by producing a calendar and puzzles showcasing an 18th century amber cabinet crafted by Johan Georg Zerneck. The amount transferred to the Museum totalled PLN 45,557.07. Additionally, MERCOR donated PLN 75,000.00 for the acquisition of portraits of the Gdańsk-born painter and illustrator Daniel Chodowiecki and his wife, by Anton Graff, which are now part of the Museum of Gdańsk's collection.

Under a sponsorship agreement signed in the financial year ended 31 March 2023 with the Iskra Sports Club of the Polish Navy Academy in Gdynia to cover the costs of the female sailing team's participation in the Polish Sailing Champions League, the RS21 Polish Cup and the *Women on Water* series, in the financial year ended 31 March 2024 MERCOR supported the team with a donation of PLN 64,040.00. Additionally, the Company contributed to the children's football tournament organised by NOWA Football Academy of Gdynia by providing gifts worth PLN 5,792.97 for the young participants of the WINTER CUP 2023.

The Company donated PLN 25,000.00 to the Board of the Szczecin Province Unit of the Voluntary Fire Brigades Association of Poland to support its activities, and funded a prize for the top student at the Main School of Fire Service in Warsaw: a laptop valued at PLN 5,403.71.

A donation of EUR 1,800.00 was also provided for the *5th penneRUN 6.0* charity event. The full amount of proceeds from starter packs purchased by the participants was transferred to an association that helps leukemia patients.

The subsidiary Mercor Slovakia supported a charitable initiative for disabled children *Chyt' Me Sa Za Ruky* with a donation of EUR 500.00, and contributed EUR 1,500.00 to the volleyball club of the Bratislava Police. DFM Doors transferred PLN 500.00 to the public benefit organisation *Aktywni Tak Samo*.

Material proceedings involving MERCOR S.A. or its subsidiaries

There are no material proceedings pending that would involve the Company or its subsidiaries.

Significant events and factors relevant to the Group's business growth and description of its growth prospects until the end of the financial year following the financial year covered by this report

2023 was marked by the ongoing war in Ukraine, unrest in Gaza, and attacks from Yemeni territories on commercial ships, which impacted the procurement of raw materials. It was also a record year for inflation. All this added to market uncertainty and volatility, a trend that is expected to continue into the next financial year. Despite price reductions in strategic raw materials such as steel, aluminium, and polycarbonate seen during the year, the costs of energy and pay pressures have been, and will likely remain, significant challenges.

The slowdown in the pace and volume of property development activities translated into fewer construction projects, particularly in their final stages, leading to a slight decline in orders experienced by the Group since the end of 2023. On a positive note, the design firms working with the Issuer are heavily booked, an indication that new projects are in the pipeline. In the Polish market, the release of EU funds and interest rate cuts are expected to reduce uncertainty among businesses and boost their willingness to invest. The Company also sees opportunities in the German-speaking markets and aims to strengthen its presence there. Operating in multiple markets helps mitigate the impact of conditions in individual countries, facilitating smoother transition through the construction industry's slowdown.

Material risk factors and threats

Material risks affecting the Company include:

- sentiment in the building construction sector for large-sized and high-rise buildings,
- prices of production materials,
- pay pressures,
- availability of essential materials,
- cost of debt service,
- inflation rate,
- liquidity position of customers,
- war in Ukraine,
- availability of qualified workforce.

Agreements with statutory auditor

On 19 October 2020, the Company entered into an auditor engagement letter providing for:

- audit of the separate and consolidated full-year financial statements for the financial years ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025;
- review of the condensed separate and consolidated interim financial statements for the six months ended 30 September 2020, 30 September 2021, 30 September 2022, 30 September 2023 and 30 September 2024;
- review of the subsidiary Mercor Proof LLC's consolidation package for the 12 months ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025, and presentation of a separate report,

with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością Sp. k.

In June 2023, the parties executed an amendment to the auditor engagement letter.

Resolutions to appoint the auditor and execute the amendment to the engagement letter were passed by the Supervisory Board of MERCOR S.A. as the competent corporate body under Art. 12.3.b of the Company's Articles of Association.

It was the first time that the entity was engaged by the Company.

The auditor fees for the financial year ended 31 March 2023 were as follows:

- fee for the review of the separate interim financial statements as at 30 September 2022: PLN 38,951 (exclusive of VAT);
- fee for the review of the condensed consolidated interim financial statements as at 30 September 2022: PLN 38,951 (exclusive of VAT);
- expenses: PLN 2,290 (exclusive of VAT);
- fee for the audit of the separate financial statements as at 31 March 2023: PLN 115,000 (exclusive of VAT);
- fee for the audit of the consolidated financial statements as at 31 March 2022: PLN 115,000 (exclusive of VAT);
- expenses: PLN 7,421 (exclusive of VAT).

The fees paid for the financial year ended 31 March 2024 were as follows:

- fee for the review of the separate interim financial statements as at 30 September 2023: PLN 50,000 (exclusive of VAT);
- fee for the review of the condensed consolidated interim financial statements as at 30 September 2023: PLN 50,000 (exclusive of VAT);
- expenses: PLN 2,380 (exclusive of VAT);
- fee for the audit of the separate financial statements as at 31 March 2024: PLN 80,000 (exclusive of VAT);
- fee for the audit of the consolidated financial statements as at 31 March 2024: PLN 80,000 (exclusive of VAT);
- expenses: PLN 3,791 (exclusive of VAT).

The fees payable for the financial year ended 31 March 2024:

- fee for the audit of the separate financial statements: PLN 35,000 (exclusive of VAT),
- fee for the audit of the consolidated financial statements: PLN 35,000 (exclusive of VAT).

Non-financial information

Pursuant to Art. 49b.1 and Art. 55.2b-d of the Accounting Act of 29 September 1994, as amended, MERCOR S.A. and the MERCOR Group are required to prepare a non-financial statement for the financial year 1 April 2023–31 March 2024. Such statement will be published as a separate report (comprising the Company's report and the Group's report) on the Company's website at www.mercor.com.pl on the date of issue of the separate and consolidated reports for the financial year ended 31 March 2024.

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, 28 June 2024

Statement of compliance by MERCOR S.A. with corporate governance standards in the financial year 1 April 2023–31 March 2024

Corporate governance standards

The Management Board of MERCOR S.A. represents that since July 2021 the Company has observed the corporate governance standards set out in the Best Practice for GPW Listed Companies 2021, as communicated in Current Report No. 1/2021 published in the EIB system on 29 July 2021.

The corporate governance standards of the Best Practice for GPW Listed Companies 2021, attached as an appendix to WSE Supervisory Board Resolution No. 13/1834/2021 of 29 March 2021, were published on the website of the Warsaw Stock Exchange dedicated to best practice guidelines at <https://www.gpw.pl/dobre-praktyki2021>.

Information on compliance by MERCOR S.A. with the standards set out in the Best Practice

In the financial year ended 31 March 2024, the Company did not comply with the following standards of the Best Practice 2021:

1.3 Companies integrate ESG factors in their business strategy, including in particular:

1.3.1. environmental factors, including measures and risks relating to climate change and sustainable development;

The principle is not complied with.

The Company's comment: The strategy pursued by the Company encompasses ESG (Environmental, Social, and Governance) considerations. Guidelines for the R&D teams outline the goal of attaining utmost energy efficiency by new products. Work is under way to integrate solar photovoltaic solutions into the Group's offerings. Nevertheless, no specific metrics have been assigned to the environmental objectives adopted within the corporate strategy. In formulating a new strategy for the following years, the Company's sustainability initiatives will be more extensively incorporated into the overall strategic framework and described with appropriate metrics.

1.3.2. social and employee factors, including among others actions taken and planned to ensure equal treatment of women and men, decent working conditions, respect for employees' rights, dialogue with local communities, customer relations;

The principle is not complied with.

The Company's comment: Social and labour matters are important considerations, integrated with the organisation's day-to-day activities. The Company is committed to ensuring equal opportunities for professional growth and advancement to all its employees. Respecting their rights, the Company

remains steadfast in ensuring adequate working conditions for all. As this commitment is reflected in the Company's daily operations, it has not been explicitly highlighted in the most recent strategy document. However, we intend to raise the prominence of social aspects in the strategy envisioned for the following years.

1.4. To ensure quality communications with stakeholders, as a part of the business strategy, companies publish on their website information concerning the framework of the strategy, measurable goals, including in particular long-term goals, planned activities and their status, defined by measures, both financial and non-financial. ESG information concerning the strategy should among others:

1.4.1. explain how the decision-making processes of the company and its group members integrate climate change, including the resulting risks;

The principle is not complied with.

The Company's comment: The issue of climate change was not reflected in the Company's strategy before the effective date of Best Practice 2021. However, in the upcoming strategy, the Company intends to address this area.

1.4.2. present the equal pay index for employees, defined as the percentage difference between the average monthly pay (including bonuses, awards and other benefits) of women and men in the last year, and present information about actions taken to eliminate any pay gaps, including a presentation of related risks and the time horizon of the equality target;

The principle is not complied with.

The Company's comment: The Company conducted an analysis of employee pay, arriving at the following key conclusions: 1) The base salaries received by employees depend on their respective positions and scope of duties. Regardless of gender, individuals holding equivalent positions with similar responsibilities and qualifications receive equitable base salaries.

2) In addition, the sales teams are enrolled in bonus schemes linked to their performance. Consequently, any variations in pay levels for individuals are attributable to bonuses earned by them during specific periods. The technical nature of the Company's industry is the reason why individual genders are overrepresented within specific employee groups. For instance, men predominate within areas requiring an educational background in construction, while administrative roles are filled predominantly by women. This largely uneven gender distribution by job may lead to distorted average results. As a result of these considerations, the Company has chosen not to present the equal pay index on its website, as it would not accurately reflect the true relationship between employee remuneration.

2.1. Companies should have in place a diversity policy applicable to the management board and the supervisory board, approved by the supervisory board and the general meeting, respectively. The diversity policy defines diversity goals and criteria, among others including gender, education, expertise, age, professional experience, and specifies the target dates and the monitoring systems for such goals. With regard to gender diversity of corporate bodies, the participation of the minority group in each body should be at least 30%.

The principle is not complied with.

The Company's comment: The selection process for the Company's governing bodies is founded on a commitment to ensuring diversity in education, knowledge, professional experience, and suitability of candidates in terms of the Company's business profile. The nature of the Company's business, which is focused primarily on the construction industry, results in a predominance of male candidates

possessing the requisite qualifications. As the Company's governing bodies are committed to the principle of non-discrimination, candidates are selected based solely on their merits. Inclusion in the diversity policy of any guidelines regarding gender or age would potentially entail an obligation to treat candidates unequally.

- 2.2. Decisions to elect members of the management board or the supervisory board of companies should ensure that the composition of those bodies is diverse by appointing persons ensuring diversity, among others in order to achieve the target minimum participation of the minority group of at least 30% according to the goals of the established diversity policy referred to in principle 2.1.

The principle is not complied with.

The Company's comment: Our commitment to diversity in selecting board members ensures that the Company gains access to a broad spectrum of talent and skills. The Management and Supervisory Board members embody a diverse range of educational backgrounds, knowledge, skills, and professional experience, all aligned with the Company's business profile. Such diverse team facilitates effective and efficient management of the organisation. While equal treatment, irrespective of gender or age, remains a vital aspect among our organisational values, these factors do not determine the selection of personnel. Instead, the recruitment process prioritises such essential elements as knowledge, skills and experience. Presently, all members of the Company's governing bodies are male. Such gender distribution on the Company's governing bodies may be explained by the technical nature of its business and a much smaller pool of female talent possessing the necessary qualifications.

- 3.4. The remuneration of persons responsible for risk and compliance management and of the head of internal audit should depend on the performance of delegated tasks rather than short-term results of the company.

The principle is not complied with.

The Company's comment: The aforementioned functions have not been separated at the Company. In the Company's view, the current method of supervising risk management, compliance and internal audit areas is sufficient. If circumstances change, either externally or internally, necessitating the separation of these functions, the Company remains open to the possibility of appointing dedicated individuals for such roles.

- 3.5. Persons responsible for risk and compliance management report directly to the president or other member of the management board.

The principle is not complied with.

The Company's comment: The aforementioned functions have not been separated at the Company. The current method of supervising risk management and compliance areas is sufficient. If circumstances change, either externally or internally, necessitating the separation of these functions, the Company remains open to the possibility of appointing dedicated individuals for such roles.

3.6. The head of internal audit reports organisationally to the president of the management board and functionally to the chair of the audit committee or the chair of the supervisory board if the supervisory board performs the functions of the audit committee.

The principle is not complied with.

The Company's comment: The aforementioned function has not been separated at the Company. In the Company's view, the current method of supervising internal audit area is sufficient. If circumstances change, either externally or internally, necessitating the separation of this function, the Company remains open to the possibility of appointing a dedicated individual for such role.

3.7. Principles 3.4 to 3.6 apply also to members of the company's group which are material to its activity if they appoint persons to perform such tasks.

The principle does not apply to the Company.

The Company's comment: No individuals have been appointed to perform such tasks at the subsidiaries.

6.4. As the supervisory board performs its responsibilities on a continuous basis, the remuneration of supervisory board members cannot depend on the number of meetings held. The remuneration of members of committees, in particular the audit committee, should take into account additional workload on the committee.

The principle is not complied with.

The Company's comment: The remuneration of the Company's Supervisory Board members does not depend on the number of meetings held. However, the Supervisory Board members appointed to the committees receive no additional remuneration.

Key features of internal control and risk management systems used in the process of preparation of financial statements and consolidated financial statements

The Company's Management Board holds the responsibility for overseeing the internal control system at the Company and its Group and the system's effectiveness in the preparation of financial statements and periodic reports pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated 20 April 2018. A key objective of the robust internal control system in financial reporting is to ensure the accuracy and reliability of financial information disclosed in the financial statements and periodic reports.

In the preparation of separate and consolidated financial statements, one of the key controls is to have them reviewed or audited by an independent auditor. In particular, the auditor's responsibilities encompass a review of the half-year separate and consolidated financial statements, as well as a preliminary and comprehensive audit of the full-year separate and consolidated financial statements. The independent auditor is selected by the Parent's Supervisory Board. Upon completion of an audit by the independent auditor, the financial statements are submitted for assessment to members of the Company's Supervisory Board.

The accounting and financial division, overseen by the Parent's Chief Financial Officer, assumes pivotal responsibility for preparing the financial statements, periodic financial reporting, and day-to-day management reporting.

The financial data forming the basis of financial statements and periodic reports are sourced from monthly financial and operating reports generated by the Group companies. After a monthly accounting period is closed, the financial results of the Company and its individual operating departments are analysed by senior and mid-level management, with active participation of the accounting and financial division. Such analysis involves comparing the actual results with the business objectives outlined in the budget.

Any errors detected during such performance analysis are promptly addressed through relevant accounting records, in accordance with the adopted accounting policy.

MERCOR S.A. undertakes an annual review of its business strategies and plans, encompassing both the Company and all entities of its Group. The budgeting process, covering all operational areas, actively involves senior and mid-level managers. As soon as they are prepared, separate and consolidated budgets are endorsed by the Parent's Management Board, and subsequently approved by the Supervisory Board. Throughout a financial year, the Management Board monitors financial performance figures against the approved budget.

In alignment with the Parent's accounting policy for statutory reporting, these procedures govern the budgeting process and the preparation of periodic management reports. The Company ensures consistency by adhering to uniform accounting policies across financial statements, periodic financial reports and other reports presented to shareholders.

Based on a comprehensive evaluation of the applied procedures, the Parent's Management Board is satisfied that, as at 31 March 2024, there were no deficiencies that could materially affect the effectiveness of internal controls relevant to the preparation of financial statements.

Shareholders with major holdings

Shareholder	As at the date of issue of this report			
	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	3,358,904	21.57%	3,358,904	21.57%
Nationale Nederlanden Otworthy Fundusz Emerytalny	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.	791,018	5.08%	791,018	5.08%

Holders of securities with special control rights

Mercor S.A. did not issue any securities that would confer special control rights over the Company.

Restrictions on the transferability of securities and on voting rights

There are no restrictions on the transferability of any securities issued by the Company or restrictions on the exercise of voting rights attached to Company shares.

Rules governing the appointment and removal of Management Board members and their powers

Members of the MERCOR S.A. Management Board are appointed and removed by the Supervisory Board.

The Management Board manages the Company's business and represents the Company before third parties. Matters which fall within the ordinary course of the Company's business may be managed by any Management Board member individually. Matters which fall outside the ordinary course of business require a resolution of the Management Board. The Company is represented by two persons. Any declarations of intent, including to incur obligations, on behalf of the Company, are made by two members of the Management Board acting jointly, one of them being President of the Management Board or First Vice President of the Management Board. The Management Board does not have the power to make decisions on issue or buyback of shares.

Rules governing amendments to the Company's Articles of Association

As per the Commercial Companies Code.

Operation and key powers of the General Meeting; shareholder rights and how they are exercised

KEY POWERS	METHOD OF OPERATION	SHAREHOLDER RIGHTS AND HOW THEY ARE EXERCISED
<p>Powers of the General Meeting are as defined in:</p> <ol style="list-style-type: none"> 1. the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the General Meeting of the Company'*, 4. the Best Practice for GPW Listed Companies. 	<p>The General Meeting operates pursuant to:</p> <ol style="list-style-type: none"> 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the General Meeting of the Company*, 4. the Best Practice for GPW Listed Companies. 	<p>Shareholder rights and procedures for their exercise are defined in:</p> <ol style="list-style-type: none"> 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the General Meeting of the Company'*, 4. the Best Practice for GPW Listed Companies.

* The Company's Articles of Association and the Rules of Procedure for the General Meeting are available on the Company's website.

Composition and operation of the Company's Management and Supervisory Boards and their committees

COMPOSITION OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BOARDS

Management Board (as at 31 March 2024)

Krzysztof Krempeć
Jakub Lipiński
Tomasz Kamiński

On 10 August 2023, the Supervisory Board of MERCOR S.A. appointed the Company's Management Board for a new joint term of office, which commenced on 7 September 2023, upon the closing of the Annual General Meeting convened, among others, to approve the Company's financial statements for the financial year ended 31 March 2023. The composition of the Management Board did not change.

Supervisory Board (as at 31 March 2024)

Eryk Karski
Arkadiusz Kęsicki
Lucjan Myrda
Marian Popinigis
Tomasz Rutowski
Pathy Timu Zenzo
Błażej Żmijewski

In the reporting period, there were no changes in the composition of the Company's Supervisory Board.

Members of the Audit Committee of the Supervisory Board (as at 31 March 2024)

Marian Popinigis
Arkadiusz Kęsicki – independent member
Błażej Żmijewski – independent member

Marian Popinigis, a co-founder of the Company, served as President of its Management Board for two decades. For years, he has been involved in the work of trade associations and organisations connected with the fire protection industry, including as member of the Management Board of the Polish Association of Fire Protection and Rescue Equipment Manufacturers, Chairman of the Certification Committee in the Impartiality Council of the Building Research Institute, and member of the Construction Products Council, an advisory body of the Chief Building Inspection Officer.

Arkadiusz Kęsicki has a degree in Finance and Banking from the WSB University in Poznań. He has long-standing experience gained in management roles within corporate financial units as chief accountant, head of financial department, chief financial officer, and member of the management board, finance director. Within the companies where he managed the financial area, his remit also included overseeing strategic, operational, and process-oriented projects. In his professional journey between 2009 and 2014, he was involved with the construction industry.

Błażej Żmijewski is a graduate of the University of Gdańsk, Faculty of Transport Economics. Since 1992, he has run his own business trading as IMEX TOP 32 Sp. z o.o. of Gdańsk.

Audit Committee meetings

In the financial year ended 31 March 2024, the Audit Committee held five meetings. It also made recommendations and decisions without convening in person.

OPERATION OF THE COMPANY'S MANAGEMENT AND SUPERVISORY BOARDS AND THEIR COMMITTEES

NO.	BODY	COMPOSITION	METHOD OF OPERATION
1	MANAGEMENT BOARD	As stipulated by Art. 14.1 of the Company's Articles of Association, the Management Board is a body composed of two to three members.	The Management Board operates pursuant to and in accordance with: <ol style="list-style-type: none"> 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association, 3. the Rules of Procedure for the Management Board, 4. the Best Practice for GPW Listed Companies.
2	SUPERVISORY BOARD	As stipulated by Art. 10.1 of the Company's Articles of Association, the Supervisory Board is composed of five to seven members.	The Supervisory Board operates pursuant to and in accordance with: <ol style="list-style-type: none"> 1. applicable laws, in particular the provisions of the Commercial Companies Code, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the Supervisory Board, 4. the Best Practice for GPW Listed Companies.
3	AUDIT COMMITTEE	Pursuant to Art. 12.4.2 of the Company's Articles of Association, the Audit Committee consists of at least three members of the Supervisory Board.	The Audit Committee operates pursuant to: <ol style="list-style-type: none"> 1. applicable laws, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the Supervisory Board*,

			<ol style="list-style-type: none"> 4. the Rules of Procedure for the Audit Committee, 5. the Best Practice for GPW Listed Companies.
4	REMUNERATION COMMITTEE	<p>As stipulated by Art. 12.4.1 of the Company's Articles of Association, the Remuneration Committee consists of at least two members of the Supervisory Board.</p>	<p>The Remuneration Committee operates pursuant to:</p> <ol style="list-style-type: none"> 1. applicable laws, 2. the Company's Articles of Association*, 3. the Rules of Procedure for the Supervisory Board*, 4. the Rules of Procedure for the Remuneration Committee, 5. the Best Practice for GPW Listed Companies.

* The Company's Articles of Association and the Rules of Procedure for the Management and Supervisory Boards are available on the Company's website.

Diversity policy

When appointing members to the Company's governing bodies and key managerial positions, MERCOR S.A. prioritises competencies, professional experience, education, and specific expertise essential for the respective roles. Our goal is to create a level playing field in access to professional development and advancement opportunities for all individuals, ensuring that neither gender nor age becomes a determinant in the candidate selection process.

Audit firm

Key principles underlying the audit firm selection policy:

- the appointment and removal of the entity responsible for auditing or reviewing financial statements and the conclusion of contracts with such entity or its affiliates requires prior approval of the Supervisory Board (preceded by a relevant recommendation);
- the chosen statutory auditor or audit firm must provide confirmation of its independence to the Audit Committee;
- the Company may invite any statutory auditors or audit firms to submit proposals for statutory audit services, provided that all the statutory requirements are complied with;
- the Company prepares tender documentation;
- the Company defines selection procedures;
- any findings or conclusions from the Audit Oversight Commission's report that may impact the audit firm selection are taken into account by the Company and the Audit Committee;
- the selection process aims to ensure impartiality and independence of the audit firm;
- the statutory auditor or audit firm selected to carry out a statutory audit of the Company and its affiliated network members are restricted from providing any prohibited services, except for

financial statement audits or financial auditing activities, directly or indirectly to the Company or its related entities;

- non-audit services as specified in Art. 136.2 of the Statutory Auditors Act are permitted only if they do not relate to the Company's tax policy. Such services are subject to an assessment of threats and independence safeguards by the Audit Committee and require the Audit Committee's approval;
- in specific cases, the Audit Committee will issue guidelines on permitted non-audit services.

The auditor engagement letter was executed in October 2020 for a term of five years, covering the reporting periods ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025, respectively. The recommendation for the selection and appointment of the audit firm to audit the Company's financial statements was compliant with the applicable conditions and made following completion of an appropriate selection procedure by the Company.

In the financial year ended 31 March 2024, the audit firm auditing the Company's financial statements did not provide any non-audit services to the Company.

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, 28 June 2024

Statement by the Management Board of MERCOR S.A. on fair presentation of the financial statements for the financial year 1 April 2023–31 March 2024

The Management Board of MERCOR S.A. represents that, to the best of their knowledge, the full-year separate financial statements of MERCOR S.A. and the full-year consolidated financial statements of the MERCOR Group covering the period from 1 April 2023 to 31 March 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, 28 June 2024

Statement by the Management Board of MERCOR S.A. prepared on the basis of the Supervisory Board's representation regarding selection of the audit firm to audit full-year consolidated financial statements

Based on a representation of the Supervisory Board, the Management Board of MERCOR S.A. hereby states that:

- ✓ the audit firm and the auditors who performed the audit met the conditions required to issue an objective and independent report on the audit of the full-year separate and consolidated financial statements in accordance with the applicable laws, professional standards, and professional ethics;
- ✓ the laws governing rotation of audit firms and lead auditors and mandatory cooling-off periods have been observed;
- ✓ the Company has in place a policy for the selection of an audit firm and a policy governing the provision to the Company of additional non-audit services (including services conditionally exempt from the prohibition of being provided by the audit firm) by the audit firm or its affiliated network members.

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, 28 June 2024