



MERCOR Group

Directors' Report
on the Operations of
MERCOR S.A. and the
MERCOR Group
in the financial year
April 1st 2022 – March
31st 2023

Gdańsk, June 30th 2023

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Letter from CEO

Ladies and Gentlemen,

we present a report on the operations of the Mercor Group in the financial year 2022/2023, which was the 35th year of our business activity.

As in previous years, we have reviewed our position from a number of strategic perspectives:

1. Shareholders

In the Group's strategy for 2020–2023, we set ourselves a target of maintaining ROE at 13% per year. That target was again successfully achieved thanks to the Group's net profit of PLN 47.2 million, translating into a return on equity of 26%.

In recent years, we regularly paid dividends to our shareholders. Given the results delivered this year, we are comfortably placed to continue dividend payments. Profit sharing is one of our key goals and the Group runs an ongoing share buyback programme.

2. Business model

For many years, the Mercor Group has relied on a business model involving high-quality engineering expertise combined with consistent improvement of products and services. The Group designs and manufactures customised solutions to meet specific needs, which it then delivers to the customer's site and largely installs. Notably, the Group has recorded a steady increase in revenue from maintenance services provided to support its own products.

Our solutions, including fire ventilation and natural smoke exhaust products complete with control and management systems, are already recognised as advanced and innovative. This is how we intend to build our competitive advantage and hence our commitment to developing the Fire Safety 4.0 technology and R&D efforts pursued by our subsidiary MCR Tech Lab.

3. Market

The past financial year 2022/2023 was successful for the Mercor Group also in terms of sales performance. The nearly 27% sales growth solidified our position as the Polish market's leader in passive fire protection systems and a major industry player in Europe.

A noteworthy development we posted for the full year 2022/2023 was a marked increase in foreign sales, of nearly 26%. Sales growth on the Polish market during the period was also in double digits, exceeding 27%.

4. Results

Despite the challenging business environment, we again managed to post results significantly above our performance targets. With net profit of PLN 47.2 million (+45.4% y/y) and EBITDA of PLN 87.6 million (+50.1% y/y), we believe to have delivered a very satisfying performance.

5. Products

We are glad to note the growing contribution of DFM Doors sp. z o.o., engaged in the business of fire separating elements, to the Group's overall results. This confirms that the Mercor Group's decision to return to the market of fire-rated doors, gates and partitions in 2017 was well advised. DFM Doors sp. z o.o. is now the second largest entity of the Group in terms of revenue.

Through mcr Tech Lab, we are the first player in Poland to have implemented and delivered projects based on the Fire Safety 4.0 technology.

6. Structure

In the financial year 2022/2023, there were no major changes in the Group's structure.

7. Debt

The Mercor Group's good standing is confirmed by the consolidated net debt to EBITDA ratio, which at the end of the financial year 2022/23 stood at 0.77. In line with our strategic target, the acceptable level is up to 3 times EBITDA.

8. Acquisitions / 9. Divestment of business segments

In the reporting year 2022/2023, we did not enter into any acquisition agreements or agreements to sell any substantial parts of our business. However, it cannot be ruled out that the Management Board may take steps to conclude such transactions.

10. People

We have a long-established team of experienced professionals at all levels of the organisation, who guarantee that the Group will remain on a stable development course. However, we realise that a modern business driven by innovation must keep adding new talent to its team. New employees bring in a fresh perspective and invigorate the existing operations.

The years 2022 and 2023 to date have been a time of soaring inflation. Therefore, the Management Board is seeking to shield its employees from the impact of growing prices. As a result, we can boast a stable and excellently qualified workforce.

In the financial year 2022/2023, the General Meeting approved the Management Board's proposal to introduce an incentive scheme for key personnel, based on subscription warrants and Company shares. The purpose of the scheme is to align the Group's long-term strategic objectives with individual efforts of its management staff.

11. Sustainability

The Mercor Group's business decisions are based on a financial rationale, but they also take into account environmental and social considerations. What is particularly important, some of the Group's products help improve energy efficiency.

We have our own solar PV systems, which, in addition to savings from cheaper energy, allow us to reduce our carbon footprint. Their power output is sufficient to fully cover the demand of our largest manufacturing plant in Cieplewo and the Company's head office in Gdańsk. Another noteworthy practice in the context of sustainability is the use at our plants and offices of energy storage facilities from the subsidiary Elmech. Their benefits include increased efficiency of our PV arrays and optimised costs of energy. Also worthy of note is the fact that we have an all-hybrid vehicle fleet.

12. Situation at our Ukrainian and Russian companies

Russia's ongoing military aggression in Ukraine has led to changes in individual markets across Europe and the world. They have also affected Mercor.

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.

By way of conclusion, the financial year 2022/2023 was a good time for the Mercor Group, when our strategic choices proved astute. We are thus well prepared to commence the new financial year.

Krzysztof Krempeć



President of the Management Board of MERCOR S.A.

Financial highlights

Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	Apr 1 2022– Mar 31 2023	Apr 1 2021– Mar 31 2023	Apr 1 2022– Mar 31 2023	Apr 1 2021– Mar 31 2023
Revenue	628,358	496,029	133,648	107,919
Operating profit	68,751	44,034	14,623	9,580
Profit before tax	60,439	40,788	12,855	8,874
Net profit	47,218	32,479	10,043	7,066
Net profit attributable to owners of the Parent	41,695	29,789	8,868	6,481
Net cash provided by (used in) operating activities of continuing operations	64,046	6,570	13,622	1,429
Net cash provided by (used in) investing activities of continuing operations	(11,957)	(17,663)	(2,543)	(3,842)
Net cash provided by (used in) financing activities of continuing operations	(42,780)	6,804	(9,099)	1,480
Total net cash flows	9,309	(4,289)	1,980	(933)
Total assets	447,658	430,713	95,745	92,576
Non-current liabilities	86,202	97,528	18,437	20,962
Current liabilities	135,660	141,488	29,015	30,411
Equity	225,796	191,697	48,293	41,203
Share capital	3,915	3,915	837	841
Equity attributable to owners of the Parent	213,695	184,676	45,705	39,694
Number of shares	15,544,103	15,582,123	15,544,103	15,582,123
Earnings per share	2.68	1.91	0.57	0.42
Book value per share	13.75	11,85	2.94	2.55

Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	Apr 1 2022– Mar 31 2023	Apr 1 2021– Mar 31 2023	Apr 1 2022– Mar 31 2023	Apr 1 2021– Mar 31 2023
Revenue	356,467	291,397	75,818	63,398
Operating profit	28,958	22,080	6,159	4,804
Profit before tax	29,911	28,908	6,362	6,289
Net profit	23,929	24,575	5,090	5,347
Net cash provided by (used in) operating activities	32,520	(8,742)	6,917	(1,902)
Net cash provided by (used in) investing activities	516	(6,126)	110	(1,333)
Net cash provided by (used in) financing activities	(34,299)	15,302	(7,295)	3,329
Total net cash flows	(1,263)	434	(268)	94
Total assets	314,316	314,523	67,226	67,603
Non-current liabilities	77,622	86,864	16,602	18,670
Current liabilities	77,536	81,980	16,583	17,621
Equity	159,158	145,679	34,041	31,312
Share capital	3,915	3,915	837	841
Number of shares	15,544,103	15,582,123	15,544,103	15,582,123
Earnings per share	1.54	1.58	0.33	0.35
Book value per share	10.24	9.35	2.19	2.01

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. 4.6755 for March 31st 2023 and 4.6525 for March 31st 2022.

Items of the statement of comprehensive income, statement of changes in equity and statement of cash flows have been translated into the euro at the arithmetic mean of the mid rates quoted by the National Bank of Poland for the last days of the months covered by this report, i.e. 4.7016 for the period April 1st 2022–March 31st 2023, and 4.5963 for the period April 1st 2021–March 31st 2022.

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 September 21st 2004. Prior to that date, the Company traded as a limited liability company under the name of Przedsiębiorstwo Usługowo-Handlowe MERCOR sp. z o.o. On September 21st 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 at 80-408 Gdańsk, ul. Grzegorza z Sanoka 2. The Company operates from its registered office as well as through trade offices and manufacturing 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 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 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.

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 client's desired product features while adhering to safety standards and relevant regulatory requirements.

Subsidiaries

As at March 31st 2023, 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 spółka z o.o. of Gdańsk (Poland)
- ✓ MHD1 sp. z o.o. of Gdańsk (Poland)
- ✓ MERCOR HD sp. z o.o. of Gdańsk (Poland)

In February 2023, a newly established company MERCOR Centrum Usług Wspólnych sp. z o.o. commenced operations. The new entity is to perform shared corporate functions for various Group companies, which will help improve operational and financial efficiency of administrative support.

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 April 1st 2022–March 31st 2023, 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 <i>indirectly</i> – 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	1,250,854
Value Fund Poland Activist FIZ	Eryk Karski	530,630

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	Apr 1 2022	Apr 1 2021
	Mar 31 2023	Mar 31 2022
Total revenue	628,358	496,029
Cost of sales	472,164	379,218
Gross profit	156,194	116,811
% margin (gross profit/total revenue)	24.9%	23.5%
Distribution costs and administrative expenses	88,571	74,169
Net other income (expenses)	1,128	1,392
Operating profit (EBIT)	68,751	44,034
% margin (operating profit/total revenue)	10.9%	8.9%
Net finance income (costs)	(8,312)	(3,246)
Profit before tax	60,439	40,788
% margin (profit before tax/total revenue)	9.6%	8.2%
Income tax	13,221	8,309
Net profit (loss)	47,218	32,479
% margin (net profit (loss)/total revenue)	7.5%	6.5%

MERCOR S.A.	Apr 1 2022	Apr 1 2021
	Mar 31 2023	Mar 31 2022
Total revenue	356,467	291,397
Cost of sales	284,428	234,978
Gross profit	72,039	56,419
% margin (gross profit/total revenue)	20.2%	19.4%
Distribution costs and administrative expenses	42,460	35,569
Net other income (expenses)	(621)	1,230
Operating profit (EBIT)	28,958	22,080
% margin (operating profit/total revenue)	8.1%	7.6%
Net finance income (costs)	953	6,828
Profit before tax	29,911	28,908
% margin (profit before tax/total revenue)	8.4%	9.9%
Income tax	5,982	4,333
Net profit (loss)	23,929	24,575
% margin (net profit (loss)/total revenue)	6.7%	8.4%

Gross profit margin achieved by MERCOR S.A. for the financial year ended March 31st 2023 was up by 0.8 percentage point on the previous financial year. Margin growth for the entire Group was 1.4 percentage points. Expressed as an amount, gross profit for MERCOR S.A. was up by over 27% on the previous year, while for the entire Group it grew by more than 33% year on year. The increase was mainly attributable to lower production costs reflecting changes in the prices of raw materials and consumables.

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

Net profit margin achieved by the Company for the financial year 2022/2023 was lower than in the previous period (down by 1.7 percentage points), due mainly to rising inflation and interest rate hikes during the financial year, as well as higher finance costs incurred to service borrowings. Net margin booked by the entire Group increased by 1.0 percentage point.

Continuation of the comprehensive production capacity and portfolio expansion plan launched in the financial year 2016/2017 (at present involving mainly mcr Silboard) is aimed to bring about further expansion of the Group's operational scale.

Factors and non-typical events having a material impact on the Group's operations in the financial year April 1st 2022–March 31st 2023

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 liabilities in the consolidated statement of financial position

	Mar 31 2023	Mar 31 2022	Change	% change	Structure	
					Mar 31 2023	Mar 31 2022
Non-current assets	195,276	198,464	-3,188	-1.6%	43.6%	46.1%
Current assets	252,382	232,249	20,133	8.7%	56.4%	53.9%
TOTAL ASSETS	447,658	430,713	16,945	3.9%	100.0%	100.0%
Equity	225,796	191,697	34,099	17.8%	50.4%	44.5%
Non-current liabilities	86,202	97,528	-11,326	-11.6%	19.3%	22.6%
Current liabilities	135,660	141,488	-5,828	-4.1%	30.3%	32.9%
TOTAL EQUITY AND LIABILITIES	447,658	430,713	16,945	3.9%	100.0%	100.0%

As at March 31st 2023, the Group's total assets and total equity and liabilities stood at PLN 447,658 thousand, up by PLN 16,945 thousand (3.9%) on the previous financial year.

Changes in the amounts of assets and liabilities were mainly attributable to increases in current assets in the form of inventories and receivables (including contract assets) resulting from expanded operational scale and increased use of external financing sources.

Off-balance-sheet items

Other than described in Note 26 to the consolidated financial statements, 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 April 1st 2022–March 31st 2023 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 (50%), followed by the Russian (10%), Spanish (8%), Hungarian (8%), Czech and Slovak (6% combined) markets. Sales to other countries account for a total of 18%.

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. Due to the war in Ukraine and sanctions imposed in its wake, it was necessary to discontinue dealings with some suppliers, but fortunately this did not affect the availability of materials. Significant market and price volatility led MERCOR to revise its procurement policy. The Company procures materials at shorter notice and for some of them, priced with reference to prices quoted on the London Metal Exchange, it discontinued buffer storage.

Management of financial resources

In the financial year April 1st 2022–March 31st 2023, 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

	Mar 31 2023	Mar 31 2022
Liquidity ratio	1.86	1.64
Average payment period	74 days	76 days
Average collection period	79 days	81 days
Inventory cycle	58 days	55 days
Debt ratio	50%	55%

MERCOR S.A.

	Mar 31 2023	Mar 31 2022
Liquidity ratio	1.59	1.52
Average payment period	75 days	76 days
Average collection period	81 days	79 days
Inventory cycle	51 days	48 days
Debt ratio	49%	54%

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 2022 to the end of March 2023, the following amendments were made to the Company's credit facility agreements:

- in December 2022, the Company executed an amendment to the overdraft facility agreement with Credit Agricole Bank Polska S.A. of Wrocław. Under the amendment, the facility amount was increased to PLN 28,560,000 and the facility term was extended until October 31st 2024;
- under amendments to the framework agreement and overdraft facility agreement with mBank Spółka Akcyjna of Warsaw, the term of the overdraft facility was shortened. The final repayment date of the overdraft balance was set for December 7th 2023;
- by way of an amendment of December 2023 to the credit limit agreement with BNP Paribas Bank Polska Spółka Akcyjna of Warsaw, the amount of the limit available to the Company was increased to PLN 42,880,000.

In November 2022, the Company executed a current account and foreign currency account overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. The facility amount is PLN 28,560,000. The facility repayment date was set for November 28th 2024.

Subsidiary DFM Doors sp. z o.o.:

- in October 2022, the company and BNP Paribas Bank Polska Spółka Akcyjna of Warsaw executed an amendment to the credit limit agreement whereby the financing period was extended until November 30th 2023. The limit remained unchanged at PLN 6,000,000;
- in November 2022 the company executed an overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. The overdraft limit is PLN 2,000,000. The facility repayment date was set for November 15th 2023.

In October 2022, the subsidiary MCR TECH LAB sp. z o.o. executed an overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. The overdraft limit is PLN 2,000,000. The facility repayment date was set for November 15th 2023.

In December 2022, the subsidiary ELMECH ASE sp. z o.o. executed a multi-facility agreement with Santander Bank Polska Spółka Akcyjna. The facility limit is PLN 6,000,000. The repayment date was set for December 5th 2023.

For information on the financing terms and security interests, 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 January 26th 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 June 30th 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 March 16th 2021.

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

Treasury stock transactions

Pursuant to a resolution of June 2020 authorising the Management Board to repurchase Company shares, 114,432 shares, representing 0.73% of the Company's total issued share capital, were bought back until March 31st 2023, of which 89,258 shares (representing 0.57% of the Company's share capital and total voting rights at its General Meeting) were cancelled pursuant to the General Meeting's resolution of January 26th 2023. On June 2nd 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.

Use of issue proceeds

In the financial year April 1st 2022–March 31st 2023, MERCOR S.A. did not issue any securities.

Control system for employee stock option plans

On January 26th 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

The subsidiary MCR SOL ENERGY established in November 2020 completed its project to build a 999,635 kW solar photovoltaic farm. The farm is used as a captive energy source powering one of the Company's plants.

In the financial year 2022/2023, the Company continued work on the mcr Silboard project. The deployment of a visual management system at the manufacturing plant in Cieplewo was progressed through successive stages to improve the quality of management processes thanks to effective visualisation of quality, timeliness and cost indicators.

DFM Doors completed a fit-out of another manufacturing and storage building with an area of 2,000 m² to meet its needs. New manufacturing lines were launched dedicated to stainless separations and gate panels. The company also purchased a CNC press for the manufacture of door frame profiles and implemented laser welding.

Development work carried out by the Group involved primarily certification processes for new products and technologies to be placed on the market.

Feasibility of capital expenditure plans

As at the date of this report, the Company did not make any decisions to launch major capital investments in the financial year 2023/2024. It will undertake capacity replacement projects and will invest selectively to achieve production efficiency gains. It also plans to implement further improvements in key operational processes, for instance by developing the IT infrastructure.

Funds needed to implement capital investment plans 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.

In the previous financial year, the smoke exhaust division rolled out the mcr PROLIGHT TB smoke vent for continuous rooflights without thermal bridges. As a response to customer needs, it was also involved in research to improve the performance of smoke vents (mcr PROLIGHT, mcr LAM, mcr ULTRA THERM), smoke curtains (mcr PROSMOKE) and control devices (mcr R0424/48).

The fire ventilation division placed on the market a new multi-blade cut-off fire damper designed for use in general ventilation systems. It was also working to improve the parameters of other products in its offering.

The subsidiary DFM Doors began to market RC3 single- and double-leaf armoured doors, as well as a new type of steel frames for oversized doors and EI 120 resistance doors. It was also successfully working

on the construction of DFM OS and DFM EI 120 rebated doors and had its DFM SG fire resistant gates certified.

Significant agreements of the Company

In March 2023, MERCOR S.A. entered into a purchase agreement whereby it terminated early the Lease Contract with Millennium Leasing sp. z o.o. of Warsaw and purchased the property on which its manufacturing plant is located. The sale price as at the date of termination of the Lease Contract was set at a tax-inclusive amount of PLN 15,233,284.92 (fifteen million, two hundred and thirty-three thousand, two hundred and eighty-four złoty, 92/100), settled partly against the security deposit accumulated pursuant to the Lease Contract (an amount of PLN 8,246,000.00 (eight million, two hundred and forty-six thousand złoty)) and partly paid by bank transfer (an amount of PLN 6,987,284.92 (six million, nine hundred and eighty-seven thousand, two hundred and eighty-four złoty, 92/100)).

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 remained unchanged at PLN 7,000,000 and PLN 10,500,000, respectively, under the agreements with Santander Bank Polska S.A. and BNP Paribas Bank Polska S.A. The guarantee facilities were made available until November 15th 2023 (Santander Bank Polska S.A.) and December 16th 2023 (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)

In the financial year 2022/2023, MERCOR advanced the following loans to its subsidiary Elmech-ASE:

- in May 2022, a PLN 1,300,000 loan for a period of 12 months;
- in December 2022, a PLN 950,000 loan for a period until December 31st 2022.

By way of an amendment signed in April 2022, the repayment period of a loan advanced by MERCOR to its subsidiary DFM DOORS sp. z o.o. was extended until April 2027. At the same time, the loan amount was increased from PLN 11,500,000 to PLN 14,000,000.

In July 2022, the Company entered into a loan agreement with its subsidiary MCR TECH LAB. The loan amount was PLN 200,000. In accordance with the agreement, the loan is repayable by March 31st 2024.

In December 2022, MERCOR extended a loan of PLN 350,000 to the subsidiary MCR SOL ENERGY for the period until May 31st 2024.

In February 2023, a loan of up to PLN 600,000 was advanced by MERCOR S.A. to its subsidiary Mercor Centrum Usług Wspólnych sp. z o.o. The final repayment date is March 31st 2026.

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

In the financial year 2022/2023, MERCOR S.A. and other Group companies issued performance bonds and defects liability bonds (under trade contracts).

The following sureties were issued by the Company for its subsidiary DFM Doors sp. z o.o.:

- Surety with respect to the fuel card agreement concluded by DFM Doors sp. z o.o. with BP Europe SE of Hamburg and B2MoMobility GmbH of Wittener. The surety of up to PLN 10,000 was granted for the period from June 30th 2022 to June 30th 2027;
- Surety with respect to the lease contract with BNP Paribas Leasing Services sp. z o.o. with a value of PLN 60,081.30, repayable in June 2025;
- Surety with respect to sale agreements between DF Doors sp. z o.o. and Biuro Techniczno-Handlowe BHT IMPORT STAL sp. z o.o. , up to the amount of the credit limit granted by the creditor of PLN 900,000. The surety was valid until March 31st 2023;
- Surety with respect to the credit facility agreement between DFM Doors sp. z o.o. and BNP Paribas Bank Polska Spółka Akcyjna. The PLN 6,000,000 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 November 30th 2023;
- Surety with respect to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. The facility amount was PLN 2,000,000 and the repayment date was set for November 15th 2023.

The following sureties were issued by the Company for its subsidiary MCR Tech Lab sp. z o.o.:

- Surety with respect to the overdraft facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw. The facility amount is PLN 2,000,000. The final repayment date for all amounts outstanding under the overdraft facility was set for November 15th 2023;
- Surety with respect to car rental contracts signed under the Master Agreement and maintenance contracts signed under the Master Maintenance Agreement with Toyota Leasing Polska sp. z o.o. of Warsaw. The surety of approximately PLN 143,000 was issued by Mercor S.A. until February 24th 2028.

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 facility granted by the Bank amounts to PLN 6,000,000. The credit line was granted for the period until December 5th 2023.

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

MERCOR became a patron of two sports events held as part of the MTB Pomerania 2023 Marathon. The costs incurred were PLN 10,000. It also entered into a sponsorship agreement 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. The costs incurred in the financial year 2022/2023 were EUR 950.

The Company also supported the organisation of the 9th Regatta for the Cup of the Warsaw Branch of the Association of Fire Engineers and Technicians. The amount of the support was PLN 3,300. The Company donated PLN 20,000 to support children from Ukraine.

It partnered with the Museum of Gdańsk to publish the 'Third dimension of Gdańsk. Gdańsk in stereoscopic images' album.

The Slovak subsidiary Mercor Slovakia donated EUR 450 to support the organisation of 'Chyt'me sa za ruky', a concert for children with disabilities.

Material proceedings involving MERCOR S.A. or its subsidiaries

There are no material proceedings pending that would involve the Company or its subsidiaries, except for the tax proceedings discussed in Note 9 to the consolidated financial statements.

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

The dominant themes of 2022 were the war in Ukraine, rising energy costs and mounting inflation. Therefore, the beginning of the financial year 2022/2023 was a time of uncertainty as to the availability and prices of raw materials. The end of 2022 and the first quarter of 2023 saw a marked decline in demand affecting many industries, which improved the market availability of materials but did not have a noticeable effect on price levels as the energy costs remained high and inflation continued to climb. Even though the forecast economic slowdown did materialise, as at the date of this report MERCOR did not record any effects of the downturn. Ongoing projects in which the Company is present include mainly industrial facilities and large public buildings. To avoid dependence on conditions prevailing in any single country, MERCOR is diversifying its sales across geographies and products. The backlog of orders shows that the Company has secured sales for several months ahead.

Material risk factors and threats

In the current macro environment, key factors that may affect the Group's performance are related to economic sentiment and market uncertainty triggered by Russia's invasion of Ukraine, as well as the levels of energy prices and inflation:

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

Agreements with statutory auditor

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

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

- fee for the review of the interim separate financial statements as at September 30th 2021: PLN 38,951 (exclusive of VAT);
- fee for the review of the interim condensed consolidated financial statements as at September 30th 2021: PLN 38,951 (exclusive of VAT);
- expenses: PLN 2,552 (exclusive of VAT);
- fee for the audit of the separate financial statements as at March 31st 2022: PLN 60,889 (exclusive of VAT);
- fee for the audit of the consolidated financial statements and review of the subsidiary's consolidation package as at March 31st 2022: PLN 60,889 (exclusive of VAT).
- additional fee for the audit of the Mercor Group's: PLN 60,000 (exclusive of VAT);
- expenses: PLN 6,337 (exclusive of VAT).

The fees paid for the financial year 2022/2023 were as follows:

- fee for the review of the interim separate financial statements as at September 30th 2021: PLN 38,951 (exclusive of VAT);
- fee for the review of the interim condensed consolidated financial statements as at September 30th 2021: PLN 38,951 (exclusive of VAT);
- expenses: PLN 2,290 (exclusive of VAT);
- fee for the audit of the separate financial statements as at March 31st 2023: PLN 40,000 (VAT exclusive);

The fees payable for the financial year 2022/2023:

- fee for the audit of the separate financial statements: PLN 75,000 (VAT exclusive)
- fee for the audit of the consolidated financial statements: PLN 115,000 (VAT exclusive).

Non-financial information

Pursuant to Art. 49b.1 and Art. 55.2b-d of the Accounting Act of September 29th 1994, as amended, MERCOR S.A. and the MERCOR Group are required to prepare a non-financial statement for the financial year April 1st 2022–March 31st 2023. 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 2022/2023.

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, June 30th 2023

Statement of compliance with corporate governance standards by MERCOR S.A. in the financial year April 1st 2022–March 31st 2023

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 WSE Listed Companies 2021, as communicated in Current Report No. 1/2021 published in the EIB system on July 29th 2021.

The corporate governance standards of the Best Practice for WSE Listed Companies 2021, constituting an appendix to WSE Supervisory Board Resolution No. 13/1834/2021 of March 29th 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 2022/2023, 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 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 April 20th 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 March 31st 2023, there were no deficiencies that could materially affect the effectiveness of internal controls relevant to the preparation of financial statements.

Shareholders with significant 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	3,675,502	23.61%	3,675,502 ⁽¹⁾	23.61%
Nationale Nederlanden Otarty Fundusz Emerytalny	1,454,465	9.34%	1,454,465 ⁽²⁾	9.34%
Otarty Fundusz Emerytalny PZU Złota Jesień	1,452,947	9.33%	1,452,947 ⁽³⁾	9.33%
N50 Cyprus Limited	1,250,854	8.03%	1,250,854	8.03%
PTE Allianz Polska S.A.	791,018	5.08%	791,018 ⁽⁴⁾	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 transfer of securities and on voting rights

There are no restrictions on the transfer 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 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 Company's General Meeting*, 4. the Best Practice for WSE 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 Company's General Meeting*, 4. the Best Practice for WSE 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 Company's General Meeting*, 4. the Best Practice for WSE 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 March 31st 2023)

Krzysztof Krempeć
Jakub Lipiński
Tomasz Kamiński

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

Supervisory Board (as at March 31st 2023)

Eryk Karski
Arkadiusz Kęsicki
Lucjan Myrda,
Marian Popinigis,
Tomasz Rutowski
Pathy TIMU ZENZO
Błażej Żmijewski

On September 30th 2022, the General Meeting appointed members of the Supervisory Board of the new joint five-year term of office. The Supervisory Board is composed of: Eryk Karski, Arkadiusz Kęsicki, Lucjan Myrda, Marian Popinigis, Tomasz Rutowski, Pathy TIMU ZENZO, and Błażej Żmijewski.

Members of the Supervisory Board of the Audit Committee (as at March 31st 2023)

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

The Audit Committee of the new joint term of office of the Supervisory Board, appointed on September 30th 2022, is composed of: Marian Popinigis, Arkadiusz Kęsicki and Błażej Żmijewski.

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 2022/2023, 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 WSE 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 WSE 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*,

			<ol style="list-style-type: none"> 3. the Rules of Procedure for the Supervisory Board*, 4. the Rules of Procedure for the Audit Committee, 5. the Best Practice for WSE Listed Companies.
4	REMUNERATION COMMITTEE	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>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 WSE 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 concluded in October 2020 for a term of five years, covering the reporting periods ended March 31st 2021, March 31st 2022, March 31st 2023, March 31st 2024 and March 31st 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 2021, the audit firm responsible for auditing the Company's financial statements for the financial year 2022/2023 also provided the Company with an assurance service. This service involved conducting an assessment of the remuneration report which was prepared as at March 31st 2021, covering the financial years ended March 31st 2020 and March 31st 2021. The audit firm's independence was thoroughly evaluated and the provision of such service was approved.

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, June 30th 2023

Statement by the Management Board of MERCOR S.A. on fair presentation of the financial statements for the financial year April 1st 2022–March 31st 2023

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 April 1st 2022 to March 31st 2023 and the comparative data have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and give a true, fair and clear view of the assets, financial position and financial results of MERCOR S.A. and the MERCOR Group, and that the Directors' Report on the operations of MERCOR S.A. and the MERCOR Group gives a true view of the development and achievements of the Company and the Group, including a description of key risks and threats.

MANAGEMENT BOARD OF MERCOR S.A.:

Krzysztof Krempeć

President of the Management
Board

Jakub Lipiński

First Vice President of the
Management Board

Tomasz Kamiński

Member of the Management
Board

GDAŃSK, June 30th 2023

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, June 30th 2023