

---

## INDEPENDENT AUDITOR'S REPORT

---

**To the General Meeting and Supervisory Board of MERCOR S.A.**

**Auditor's report on the full-year consolidated financial statements**

---

### Opinion

---

We have audited the full-year consolidated financial statements of the MERCOR Group (the "Group"), whose parent is MERCOR S.A. (the "Parent") with its registered office at ul. Grzegorza z Sanoka 2, Gdańsk, Poland, comprising the consolidated statement of comprehensive income for the period April 1st 2022–March 31st 2023, consolidated statement of financial position as at March 31st 2023, consolidated statement of changes in equity, consolidated statement of cash flows for the period April 1st 2022–March 31st 2023, and notes to the financial statements (the "consolidated financial statements").

In our opinion, the consolidated financial statements:

- give a true and fair view of the Group's consolidated assets and financial position as at March 31st 2023, as well as its consolidated financial result and consolidated cash flows for the period April 1st 2022–March 31st 2023, in accordance with the applicable International Financial Reporting Standards as endorsed by the European Union, and the applied accounting policies;
- comply with the form and content requirements laid down in the laws applicable to the Group and the Parent's Articles of Association.

This opinion is consistent with the additional report for the Audit Committee, which we issued on June 30th 2023.

---

### Basis for opinion

---

We conducted our audit in accordance with the Polish Financial Auditing Standards with the wording of the International Auditing Standards adopted by resolutions of the National Council of Statutory Auditors ("PFAS"), as well as in accordance with the Act of May 11th 2017 on Statutory Auditors, Audit Firms and Public Supervision (the "Statutory Auditors Act"), and Regulation (EU) No. 537/2014 of the European Parliament and of the Council of April 16th 2014 on specific requirements regarding statutory audits of public-interest entities, repealing Commission Decision 2005/909/EC (the "EU Regulation"). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group Companies in accordance with the International Code of Ethics for Professional Accountants (including International Standards of Independence) adopted by the International Council of Statutory Auditors (the "IESBA Code") adopted by resolution of the National Council of Statutory Auditors, and with other ethical requirements that are relevant to audits of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with those requirements and the IESBA Code. During our audit, the lead auditor and the audit firm remained independent of the Group Companies in compliance with the independence requirements set out in the Statutory Auditors Act and the EU Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Key audit matters

Key audit matters are those which, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the relevant reporting period. They cover the most significant assessed risks of a material misstatement, including material misstatement due to fraud. We addressed those matters in the context of our audit of the consolidated financial statements as a whole and when formulating our opinion, and we also summarised our response to those risks. Where we considered it relevant, we included key observations arising with respect to the particular risks. We do not provide a separate opinion on those matters.

Key audit matter	How our audit addressed the matter
<b><i>Goodwill and other non-current assets – analysis of impairment</i></b>	
<p>In accordance with International Accounting Standard 36 <i>Impairment of Assets</i>, the Group is required to perform annual impairment tests for cash-generating units to which goodwill is allocated and to assess whether there has been any indication of impairment of non-current assets allocated to other cash-generating units.</p> <p>Impairment testing of cash-generating units to which goodwill is allocated and identification of any indicators of impairment of non-current assets allocated to other cash-generating units are considered a key audit matter due to the significance of the balance of goodwill and other non-current assets to the consolidated financial statements. The balance, as disclosed in the consolidated statement of financial position as at the reporting date, totalled PLN 195,276 thousand.</p> <p>Every year, the Group assesses whether there are any indications of impairment of non-current assets allocated to cash-generating units to which no goodwill is allocated. For the purposes of the consolidated financial statements as at March 31st 2023, the Group performed such assessment in particular with respect to assets held in subsidiaries registered in Russia and Ukraine, i.e. OOO Mercor-PROOF LLC and TOB MERCOR Ukraine, respectively.</p> <p>If any indications of impairment are identified, and mandatorily for cash-generating units to which goodwill is allocated, the recoverable amounts of assets are calculated based on the results of impairment tests carried out under the discounted cash flow model for individual cash-</p>	<p>Our procedures in relation to the described key audit matter included:</p> <ul style="list-style-type: none"> <li>• evaluating the assessment of indications of impairment performed by the Parent's Management Board, especially with respect to assets held in the Russian and Ukrainian subsidiaries;</li> <li>• understanding the process of impairment testing and identifying the cash-generating unit to which they have been allocated;</li> <li>• gaining insight into the method of allocating goodwill to cash-generating units, not larger than operating segments;</li> <li>• evaluating the assumptions adopted by the Group under the discounted cash flow model for the following years, including future revenue, cost and margin forecasts, the Group's anticipated market position, as well as other assumptions, by analysing budgets and historical performance against budgets;</li> <li>• assessing the macroeconomic assumptions, including inflation and marginal growth rates, based on publicly available market analyses and our own analyses;</li> <li>• assessing the weighted average cost of capital by reviewing the relevant input data used in its calculation, based on the work and expertise of our valuation experts;</li> <li>• evaluating the discounted cash flow models in terms of compliance with the applicable financial reporting standards;</li> <li>• evaluating the discounted cash flow models in terms of arithmetic correctness;</li> </ul>

generating units.

In addition, tests for impairment of the recoverable amounts of cash-generating units to which the tested assets are allocated are based largely on the estimates of the Parent's Management Board, including the Group's strategy, anticipated capital expenditure, forecast revenue and expenses, as well as the assumed weighted average cost of capital and marginal growth rate. These assumptions are subject to a significant risk of being affected by changing market conditions.

For disclosures related to the applied accounting policies and material judgments concerning goodwill, see section 3 "Professional judgment of the Group's Management Board" in Note 2 "MATERIAL ACCOUNTING POLICIES" to the consolidated financial statements.

For disclosures related to goodwill and impairment tests performed for the assets specified above, see Note 11 "INTANGIBLE ASSETS" to the consolidated financial statements.

For disclosures related to judgment exercised by the Parent's Management Board with respect to the absence of indications of impairment of assets held in the subsidiaries registered in Russia and Ukraine, see section 4 "Impact of the war in Ukraine on the business" in Note 1 "GENERAL INFORMATION" to the consolidated financial statements.

- verifying the consistency of assumptions made for the impairment tests with those underlying other estimates;
- evaluating the judgment exercised by the Parent's Management Board to determine whether it has control over the subsidiaries and jointly controlled entities;
- obtaining a detailed representation by the Parent's Management Board on the completeness and correctness of data provided to us and significant assumptions underlying the impairment tests;
- holding discussions with the Parent's Management Board regarding the impact of the war in Ukraine on asset impairment and going concern assumptions adopted for individual cash-generating units.

In addition, we evaluated the adequacy of the presentation of disclosures relating to impairment tests, including with respect to the sensitivity analysis and impact of the war in Ukraine on the Group's business.

### ***Correctness of development expense recognition***

As at March 31st 2023, the Group disclosed in the consolidated statement of financial position capitalised costs of development work in progress of PLN 4,871 thousand (exclusive of VAT) and costs of completed development work of PLN 17,346 thousand (exclusive of VAT), representing approximately 5% of the total assets.

Development expenditure at the Group includes the cost of certification processes for new products and technologies to be placed on the market, as well as the cost of developing new products.

In accordance with International Accounting

Our audit procedures in relation to the described key audit matter included:

- understanding the Group's process for capitalising development costs;
- holding discussions with the Parent's Management Board and persons responsible for the respective development projects to understand the current nature and status of various development work;
- reviewing internal documentation for a selected sample of development projects, including documents showing the nature of the work, expected outcomes and deviations of the expenditure incurred from

Standard 38 *Intangible Assets* (“IAS 38”), the Parent’s Management Board exercises its judgment in assessing whether development expenditure incurred should be capitalised, including the moment of its capitalisation, and recognises a separate intangible asset for each project. Such judgement involves an assessment of whether:

- there is technical feasibility and intention to complete the intangible asset; the entity can demonstrate the ability to use
- or sell the asset, and how it will generate future economic benefits;
- the expenditures can be reliably measured.

Furthermore, in accordance with International Accounting Standard 36 *Impairment of Assets*, the Parent’s Management Board is required to perform annual impairment tests for ongoing development work, the results of which are highly dependent on estimates made by the Parent’s Management Board with respect to projected cash flows, including those related to anticipated capital expenditure, and the adopted discount rate.

Such estimates are forward-looking and therefore subject to a significant risk of being affected by changing market conditions.

The correctness of development expense recognition and mandatory impairment tests for development work were considered a key audit matter due to the fact that the Company incurs significant R&D expenditure, and because selecting the appropriate method of its recognition in the financial statements requires the exercise of significant judgment by the Parent’s Management Board.

For disclosures related to the applied accounting policies and material judgments concerning the recognition of development expenditure, see section 5 “Material accounting policies” in Note 2 “MATERIAL ACCOUNTING POLICIES” to the financial statements. For disclosures related to the expenditure incurred on development work and impairment tests carried out for completed development work, see Note 11 “INTANGIBLE ASSETS” to the financial statements.

the approved project budgets;

- performing analytical procedures with regard to the structure of expenses incurred for a selected sample of development projects;
- for a selected sample of projects, evaluating the judgment exercised by the Parent’s Management Board to determine whether the capitalisation criteria under IAS 38 were met for selected expenditures;
- assessing the impairment tests performed by the Parent’s Management Board for expenditure on ongoing development work to ascertain if the applied model was correct and the key assumptions adopted by the Parent’s Management Board were reasonable.

In addition, we assessed the adequacy of the presentation and scope of the disclosures concerning development costs in the financial statements.

---

## **Responsibility of the Parent’s Management Board and Supervisory Board for the consolidated financial statements**

---

The Parent’s Management Board is responsible for preparing the consolidated financial statements that give a true and fair view of the Group’s consolidated assets, financial position and financial performance in accordance with the International Financial Reporting Standards as endorsed by the European Union, the adopted accounting policies, the laws applicable to the Group and the Parent’s Articles of Association, as well as for the internal control that the Parent’s Management Board deems necessary to enable the preparation of the consolidated financial statements that are free of any material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the Parent’s Management Board is responsible for assessing the Group’s (i.e. the Parent’s and the significant entities’) ability to continue as a going concern, for disclosing, if applicable, any issues relating to the Group’s continuing as a going concern, and for adopting the going concern basis of accounting, except where the Management Board intends to liquidate the Group or discontinue its business, or if there is no viable alternative to liquidating the Group or discontinuing the business.

The Parent’s Management Board and members of its Supervisory Board are also required to ensure that the consolidated financial statements comply with the requirements set forth in the Polish Accounting Act of September 29th 1994 (the “Accounting Act”). Members of the Parent’s Supervisory Board are responsible for supervising the financial reporting process.

---

## **Auditor’s responsibilities for the audit of the consolidated financial statements**

---

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PFAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the consolidated financial statements and in formulating the auditor’s opinion. Accordingly, all opinions and statements contained in the auditor’s report are made taking into account the qualitative and quantitative materiality level determined according to the auditing standards and the auditor’s professional judgment.

The scope of an audit does not include assurance as to the future viability of the audited Group or on the efficiency or effectiveness with which the Parent’s Management Board has conducted or will conduct the affairs of the Group.

In auditing financial statements in accordance with the PFAS, we apply professional judgment and maintain professional scepticism, and:

- we identify and assess risks of a material misstatement of the consolidated financial statements, whether due to fraud or error, plan and perform audit procedures adequate to the identified risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- we obtain understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control;
- we evaluate the appropriateness of the accounting policies applied and the reasonableness of
- the accounting estimates and related disclosures made by the Parent’s Management Board;
- we draw a conclusion as to the appropriateness of application of the going concern basis of accounting by the Parent’s Management Board and, based on the audit evidence obtained, a conclusion as to whether any material uncertainty exists related to any events or conditions which may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report on the audit of the consolidated financial statements to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- we evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- we obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Parent’s Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent’s Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and that we will communicate to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related risk mitigation measures and safeguards.

From the matters communicated to the Parent’s Audit Committee, we determined those matters that were of most significance in the audit of the consolidated financial statements for the reporting period and were therefore considered key audit matters. We describe those matters in our auditor’s report unless law or regulation precludes their public disclosure or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

---

### **Other Information, including the Directors’ Report on the Group’s operations**

---

Other information comprises the Directors’ Report on the operations of the MERCOR Group in the period April 1st 2022–March 31st 2023 (the “Directors’ Report on the Group’s operations”), together with the corporate governance statement, being a separate part of the Directors’ Report, and the non-financial statement, as well as the consolidated annual report for the financial year ended March 31st 2023 (the “consolidated annual report”) (jointly the “Other Information”). The Other Information does not include the consolidated financial statements or the auditor’s report thereon.

#### *Responsibilities of the Parent’s Management Board and Supervisory Board*

The Parent’s Management Board is responsible for the preparation of the Other Information in



accordance with applicable laws.

The Parent's Management Board and members of its Supervisory Board are required to ensure that the Directors' Report, including the separate statements included therein, meet the requirements stipulated in the Accounting Act.

#### *Auditor's responsibilities*

Our opinion on the audited consolidated financial statements does not cover the Other Information. In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is not materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. In accordance with the Statutory Auditors Act, our responsibility is also to issue an opinion on whether the Directors' Report on the Group's operations was prepared in accordance with applicable laws and whether it is consistent with the information appearing in the consolidated financial statements.

In addition, we are required to report whether the Parent has prepared a non-financial statement and to issue an opinion on whether the Parent has included all required information in the corporate governance statement.

---

#### **Opinion on the Directors' Report on the Group's operations**

---

Based on the work we performed as part of our audit, we believe that the Directors' Report on the Group's operations:

- was prepared in accordance with Art. 49 of the Accounting Act and with Par. 71 of 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 March 29th 2018 (the "Current Reporting Regulation"),
- is consistent with the consolidated financial statements.

Furthermore, based on our knowledge of the Group and its environment obtained in the course of our audit, we have not identified any material misstatements in the Directors' Report on the Group's operations.

---

#### **Opinion on the corporate governance statement**

---

In our opinion, the Group's corporate governance statement contains the information required under Par. 70.6.5 of the Current Reporting Regulation.

In addition, in our opinion, the information specified in Par. 70.6.5. (c) to (f), (h) and (i) of the Regulation contained in the corporate governance statement is compliant with the applicable regulations and consistent with the information contained in the consolidated financial statements.

---

#### **Non-financial statement**

---

In accordance with the Statutory Auditors Act, we would like to note that the Parent stated in the Directors' Report on the Group's operations that it had prepared a separate non-financial report referred to in Art. 55.2c of the Accounting Act and the Parent did prepare such separate report.

We have not performed any assurance work regarding the non-financial report and we do not give any assurance about it.

---

#### **Report on other legal and regulatory requirements**

---

## **Opinion on the compliance of the mark-up of the consolidated financial statements prepared in accordance with the single electronic reporting format with the requirements of the Regulation on Technical Standards on the Specification of a Single Electronic Reporting Format**

In connection with the audit of the consolidated financial statements, we have been engaged to provide an assurance service giving reasonable assurance in order to express an opinion on whether the Group's consolidated financial statements as at and for the year ended March 31st 2023, prepared in accordance with the single electronic reporting format and contained in the file "esef\_mcr\_2023-03-31\_pl.zip" (the "consolidated financial statements in the ESEF format"), have been marked up in accordance with the requirements set out in Commission Delegated Regulation (EU) 2019/815 of December 17th 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation").

### *Identification of the criteria and description of the engagement*

The ESEF-compliant consolidated financial statements have been prepared by the Parent's Management Board to meet the mark-up requirements and technical requirements for the specification of a single electronic reporting format as set out in the ESEF Regulation.

The purpose of our assurance engagement is to verify the compliance of the mark-up of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and the requirements set out in the ESEF Regulation are, in our opinion, appropriate criteria for us to issue an opinion.

### *Responsibilities of the Parent's Management Board and Supervisory Board*

The Management Board is responsible for the preparation of the consolidated financial statements in the ESEF format in accordance with the mark-up requirements and technical requirements for the specification of a single electronic reporting format as set out in the ESEF Regulation. This responsibility includes the selection and application of appropriate XBRL tags, using the taxonomy specified in those regulations.

The responsibility of the Management Board also includes the design, implementation and maintenance of internal controls to ensure the preparation of the consolidated financial statements in the ESEF format that are free from any material non-compliance with the ESEF Regulation.

Members of the Parent's Supervisory Board are responsible for supervising the financial reporting process, including the preparation of financial statements in accordance with the format required under the applicable laws.

### *Auditor's responsibilities*

Our objective was to express an opinion, based on our reasonable assurance engagement, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.

We have performed our service in accordance with National Standard on Assurance Engagements Other than Audits and Reviews 3001 PL ("NSAE 3001 PL") and, where appropriate, in accordance with National Standard on Assurance Engagements Other than Audits and Reviews 3000 (Z) compliant with International Standard on Assurance Engagements 3000 (Revised) – "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("NSAE 3000 (Z)").

The Standard requires that we plan and perform our procedures so as to obtain reasonable assurance that the consolidated financial statements in the ESEF format have been prepared in accordance with the specified criteria.

Reasonable assurance is a high level of assurance but is not a guarantee that a service performed in

accordance with NSAE 3001 PL and, where appropriate, NSAE 3000 (Z) will always detect a material misstatement.

The selection of procedures depends on the auditor's judgment, including the auditor's assessment of the risk of a material misstatement due to fraud or error. When assessing this risk, the auditor takes into account the internal controls related to the preparation of the consolidated financial statements in the ESEF format in order to plan appropriate procedures to provide the auditor with sufficient and appropriate evidence. We have not assessed the functioning of the internal control system to issue an opinion on its effectiveness.

#### *Summary of the work performed*

The procedures we planned and performed included:

- obtaining an understanding of how the consolidated financial statements in the ESEF format were prepared, including the selection and application of XBRL tags, and ensuring compliance with the ESEF Regulation, including an understanding of the internal controls relevant to that process;
- reconciliation of the marked-up information contained in the consolidated financial statements in the ESEF format with the audited consolidated financial statements;
- using a dedicated IT tool and IT expert support
- to assess compliance with the technical standards for the specification of a single electronic reporting format;
- using a dedicated IT tool to assess completeness of the marking up of information in the consolidated financial statements in the ESEF format with the XBRL tags;
- assessment of whether the applied XBRL tags from the taxonomy specified in the ESEF Regulation were applied properly and whether taxonomy extensions were used in situations where no appropriate elements were identified in the core taxonomy specified in the ESEF Regulation;
- assessment of the correctness of anchoring the applied taxonomy extensions in the core taxonomy specified in the ESEF Regulation.

We believe that the evidence we obtained is sufficient and appropriate to express our opinion on the compliance of the mark-up with the requirements of the ESEF Regulation.

#### *Ethical requirements, including independence*

In performing the engagement, the auditor and the audit firm complied with the independence requirements and other ethical requirements laid down in the IESBA Code. The IESBA Code is based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour. We also complied with other independence and ethical requirements applicable to this assurance service in Poland.

#### *Quality control requirements*

The audit firm applies national quality control standards as defined in International Standard on Quality Control 1 – Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, adopted by resolution of the National Council of Statutory Auditors (“NSQC”).

In accordance with the requirements of the NSQC, the audit firm maintains a comprehensive quality control system including documented policies and procedures for compliance with ethical requirements, professional standards and the applicable laws and regulations.



### *Opinion on compliance with requirements of the ESEF Regulation*

The auditor's opinion is based on the matters described above and therefore the opinion should be read taking into account those matters.

In our opinion, the consolidated financial statements in the ESEF format have been marked up in all material respects in accordance with the requirements of the ESEF Regulation.

---

### **Statement on provision of non-audit services**

---

To the best of our knowledge and belief, the services we have provided to the Group are compliant with applicable laws and regulations in force in Poland, and we have not provided any non-audit services that are prohibited under Article 5(1) of the EU Regulation or Art. 136 of the Statutory Auditors Act. The non-audit services we provided to the Group in the audited reporting period are specified in the Directors' Report on the Group's operations.

---

### **Appointment of the audit firm**

---

We were first appointed to audit the Group's consolidated financial statements by resolution of the Supervisory Board of September 3rd 2020. We have audited the Group's consolidated financial statements without interruption since the financial year ended March 31st 2021, this is for a period of three consecutive years.

Warsaw, June 30th 2023

Key Audit Partner

Łukasz Kleszczonek  
qualified auditor  
No in the register: 13486  
acting on behalf of:

Ernst & Young Audyt Polska  
spółka z ograniczoną odpowiedzialnością sp.k.

Rondo ONZ 1, 00-124 Warsaw, Poland  
entered in the register of audit firms under No. 130