MERCOR Group

Interim financial statements for the three months ended 30 June 2024

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

Gdańsk, 23 August 2024

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Consolidated financial highlights

Financial highlights	PLN '000		EUR '000	
	1 April–30 June 2024	1 April–30 June 2023	1 April–30 June 2024	1 April–30 June 2023
Revenue	137,230	152,206	31,909	33,632
Operating profit	10,397	15,523	2,417	3,430
Profit before tax	9,086	15,565	2,113	3,439
Net profit	6,548	12,649	1,523	2,795
Net profit attributable to owners of the parent	6,068	11,733	1,411	2,593
Net cash provided by (used in) operating activities	22,343	3,332	5,195	736
Net cash provided by (used in) investing activities	(4,033)	(960)	(938)	(212)
Net cash provided by (used in) financing activities	(15,200)	(6,668)	(3,534)	(1,473)
Total net cash flows	3,110	(4,296)	723	(949)
Total assets	412,958	432,380	95,747	100,532
Non-current liabilities	68,249	75,055	15,824	17,451
Current liabilities	104,670	118,055	24,268	27,449
Equity	240,039	239,270	55,655	55,632
Share capital	3,892	3,892	902	905
Equity attributable to owners of the parent	226,823	226,861	52,591	52,747
Number of shares	15,342,154	15,444,769	15,342,154	15,444,769
Net earnings per share	0.40	0.76	0.09	0.17
Book value per share	14.78	13.75	3.43	3.42

Separate financial highlights

Financial highlights	PLN '000		EUR '000	
	1 April–30 June 2024	1 April–30 June 2023	1 April–30 June 2024	1 April–30 June 2023
Revenue	71,386	93,493	16,599	20,659
Operating profit	2,480	7,829	577	1,730
Profit before tax	2,505	9,048	582	1,999
Net profit	1,836	7,240	427	1,600
Net cash provided by (used in) operating activities	13,459	5,737	3,129	1,267
Net cash provided by (used in) investing activities	(806)	(151)	(187)	(33)
Net cash provided by (used in) financing activities	(12,669)	(3,819)	(2,946)	(844)
Total net cash flows	(16)	1,767	(4)	390
Total assets	294,446	303,153	68,269	70,486
Non-current liabilities	63,128	71,986	14,636	16,738
Current liabilities	60,175	59,354	13,952	13,800
Equity	171,143	171,813	39,681	39,948
Share capital	3,892	3,892	902	905
Number of shares	15,342,154	15,444,769	15,342,154	15,444,769
Earnings per share	0.12	0.47	0.03	0.10
Book value per share	11.16	11.12	2.59	2.59

Items of the statement of financial position have been translated into the euro at the mid rate quoted by the National Bank of Poland for the reporting dates: 4.3130 for 30 June 2024 and 4.3009 for 31 March 2024.

Items of the statement of comprehensive income, statement of changes in equity and statement of cash flows have been translated into the euro at the arithmetic mean of the mid rates quoted by the National Bank of Poland for the last days of the months covered by this report: 4.3007 for the period 1 April–30 June 2024, and 4.5256 for the period 1 April–30 June 2023.

Interim condensed consolidated statement of comprehensive income

	1 April–30 June 2024	1 April–30 June 2023
	unaudited	unaudited
Revenue	137,230	152,206
Cost of sales	100,588	113,524
Gross profit	**36,642**	**38,682**
Other income	710	432
Distribution costs	14,420	12,997
Administrative expenses	11,099	10,334
Other expenses	1,472	456
(Expected credit loss)/reversal of expected credit loss	36	196
Operating profit	**10,397**	**15,523**
Finance income	513	2,453
Finance costs	1,532	2,411
Share of profit (loss) of equity-accounted investees	(292)	-
Profit before tax	**9,086**	**15,565**
Income tax	2,538	2,916
Net profit	**6,548**	**12,649**
Attributable to:		
owners of the parent	6,068	11,733
non-controlling interests	480	916
	6,548	12,649
Other comprehensive income		
Exchange differences from translation of foreign operations	(3,273)	(11,160)
Total comprehensive income	**3,275**	**1,489**
Attributable to:		
owners of the parent	2,468	2,722
non-controlling interests	807	(1,233)
	3,275	1,489
Earnings/(loss) per share:		
Basic	0.40	0.76
Diluted	0.40	0.76

Interim consolidated statement of financial position

Assets

	End of period 30 June 2024	End of period 31 March 2024
	unaudited	
Non-current assets		
Goodwill	47,400	47,288
Other intangible assets	28,745	28,148
Property, plant and equipment	82,958	84,440
Right-of-use assets	18,118	17,500
Deferred tax assets	4,775	4,170
Other financial assets	4,045	3,955
Equity-accounted investees	-	-
Long-term security deposits receivable	8,966	13,089
Other non-current assets	761	811
	195,768	**199,401**
Current assets		
Inventories	73,663	72,120
Financial assets	-	-
Trade and other receivables	90,111	104,680
Contract receivables	25,825	29,056
Short-term security deposits receivable	3,841	3,665
Forward contracts	13	39
Current income tax assets	2,411	1,988
Other current assets	2,595	5,810
Cash and cash equivalents	18,731	15,621
	217,190	**232,979**
Total assets	**412,958**	**432,380**

Equity and liabilities

	End of period 30 June 2024	End of period 31 March 2024
	unaudited	
Equity		
Share capital	3,892	3,892
Share premium	106,202	106,202
Share buyback reserve	6,180	6,180
Merger reserve	857	857
Translation reserve	(11,750)	(8,150)
Treasury shares	(5,080)	(2,574)
Retained earnings	126,522	120,454
Equity attributable to owners of the parent	**226,823**	**226,861**
Non-controlling interests	13,216	12,409
Total equity	**240,039**	**239,270**
Non-current liabilities		
Long-term borrowings	52,101	60,535
Deferred tax liabilities	31	96
Provisions for liabilities	555	555
Deferred income	3,303	3,303
Right-of-use liabilities	12,259	10,566
	68,249	**75,055**
Current liabilities		
Short-term borrowings	7,540	8,774
Trade and other payables	85,142	92,092
Contract liabilities	1,484	3,688
Current income tax liabilities	388	579
Forward contracts	-	-
Provisions for liabilities	4,194	4,195
Deferred income	502	502
Right-of-use liabilities	5,420	8,225
	104,670	**118,055**
Total equity and liabilities	**412,958**	**432,380**

Interim condensed consolidated statement of changes in equity

	Share capital	Share premium	Share buyback reserve	Merger reserve	Translation reserve	Treasury shares	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at 1 April 2023	**3,915**	**106,202**	**7,245**	**857**	**2,415**	**(1,507)**	**94,568**	**213,695**	**12,101**	**225,796**
Net profit (loss) for reporting period	-	-	-	-	-	-	11,733	11,733	916	12,649
Other comprehensive income	-	-	-	-	(9,011)	-	-	(9,011)	(2,149)	(11,160)
Comprehensive income for period	**-**	**-**	**-**	**-**	**(9,011)**	**-**	**11,733**	**2,722**	**(1,233)**	**1,489**
Dividend payment	-	-	-	-	-	-	-	-	-	-
Release of capital reserve (buyback of shares)	(23)	-	(1,062)	-	-	1,085	-	-	-	-
Buyback of shares	-	-	-	-	-	(202)	-	(202)	-	(202)
Transactions with owners recognised in equity	**(23)**	**-**	**(1,062)**	**-**	**-**	**883**	**-**	**(202)**	**-**	**(202)**
As at 30 June 2023	**3,892**	**106,202**	**6,183**	**857**	**(6,596)**	**(624)**	**106,301**	**216,215**	**10,868**	**227,083**
As at 1 April 2024	**3,892**	**106,202**	**6,180**	**857**	**(8,150)**	**(2,574)**	**120,454**	**226,861**	**12,409**	**239,270**
Net profit (loss) for reporting period	-	-	-	-	-	-	6,068	6,068	480	6,548
Other comprehensive income	-	-	-	-	(3,600)	-	-	(3,600)	327	(3,273)
Comprehensive income for period	**-**	**-**	**-**	**-**	**(3,600)**	**-**	**6,068**	**2,468**	**807**	**3,272**
Dividend payment	-	-	-	-	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-	-	-	-	-
Buyback of shares	-	-	-	-	-	(2,506)	-	(2,506)	-	(2,506)
Transactions with owners recognised in equity	**-**	**-**	**-**	**-**	**-**	**(2,506)**	**-**	**(2,506)**	**-**	**(2,506)**
As at 30 June 2024	**3,892**	**106,202**	**6,180**	**857**	**(11,750)**	**(5,080)**	**126,522**	**226,823**	**13,216**	**240,039**

Interim condensed consolidated statement of cash flows

	1 April–30 June 2024	1 April–30 June 2023
	unaudited	unaudited
Operating activities		
Profit (loss) before tax	9,086	15,565
Adjustments for:		
Depreciation and amortisation	4,836	4,966
Interest accrued	1,391	1,497
(Gains) losses on investing activities	(13)	(237)
Change in inventories	(1,543)	(207)
Change in receivables	18,542	(9,139)
Change in liabilities and provisions	(6,951)	4,948
Change in contract assets and liabilities	1,027	(1,680)
Change in other assets	3,063	2,582
Other adjustments (including exchange differences on consolidation)	(3,273)	(11,160)
Total adjustments	***17,079***	***(8,430)***
Income tax paid	(3,822)	(3,803)
Net cash provided by (used in) operating activities	**22,343**	**3,332**
Investing activities		
Purchase of property, plant and equipment	(4,046)	(1,203)
Loans	-	-
Proceeds from sale of property, plant and equipment	13	-
Grants for development projects	-	243
Net cash provided by (used in) investing activities	**(4,033)**	**(960)**
Financing activities		
Increase in (repayment of) borrowings	(9,668)	(3,357)
Payment of right-of-use liabilities	(1,635)	(1,612)
Buyback of shares	(2,506)	(202)
Dividends paid	-	-
Interest paid	(1,391)	(1,497)
Net cash provided by (used in) financing activities	**(15,200)**	**(6,668)**
Change in cash	**3,110**	**(4,296)**
Cash at beginning of period	15,621	29,248
Cash at end of period	**18,731**	**24,952**

Interim condensed separate statement of comprehensive income

	1 April–30 June 2024	1 April–30 June 2023
	unaudited	unaudited
Revenue	71,386	93,493
Cost of sales	55,441	74,435
Gross profit	**15,945**	**19,058**
Other income	195	258
Distribution costs	8,047	6,625
Administrative expenses	5,576	4,917
Other expenses	73	141
(Expected credit loss)/reversal of expected credit loss	36	196
Operating profit	**2,480**	**7,829**
Finance income	1,172	2,615
Finance costs	1,147	1,396
Profit before tax	**2,505**	**9,048**
Income tax	669	1,808
Net profit	**1,836**	**7,240**
Net comprehensive income	**1,836**	**7,240**
Earnings per share:		
Basic	0.12	0.47
Diluted	0.12	0.47

Interim condensed separate statement of financial position

Assets

	End of period 30 June 2024	End of period 31 March 2024
	Unaudited	
Non-current assets		
Intangible assets	14,017	13,843
Property, plant and equipment	59,565	60,439
Right-of-use assets	6,925	7,476
Other financial assets	98,182	97,891
Deferred tax assets	4,077	3,291
Long-term security deposits receivable	3,146	3,345
Other non-current assets	191	190
	186,103	**186,475**
Current assets		
Inventories	37,539	37,790
Financial assets	-	-
Trade and other receivables	50,592	58,700
Contract assets	13,668	13,486
Short-term security deposits receivable	2,554	2,334
Current income tax assets	1,245	933
Forward contracts	13	39
Other current assets	2,198	2,846
Cash and cash equivalents	534	550
	108,343	**116,678**
Total assets	**294,446**	**303,153**

Equity and liabilities

	End of period 30 June 2024	End of period 31 March 2024
	unaudited	
Equity		
Share capital	3,892	3,892
Share premium	106,202	106,202
Capital reserves	7,037	7,037
Treasury shares	(5,080)	(2,574)
Retained earnings	59,092	57,256
Total equity	**171,143**	**171,813**
Non-current liabilities		
Long-term borrowings	54,848	63,175
Deferred tax liabilities	-	-
Provisions for liabilities	555	555
Deferred income	3,135	3,135
Right-of-use liabilities	4,590	5,121
	63,128	**71,986**
Current liabilities		
Short-term borrowings	2,703	2,787
Trade and other payables	49,297	48,052
Contract liabilities	1,484	1,847
Corporate income tax payable	-	-
Provisions for liabilities	3,402	3,402
Forward contracts	-	-
Deferred income	502	502
Right-of-use liabilities	2,787	2,764
	60,175	**59,354**
Total equity and liabilities	**294,446**	**303,153**

Interim condensed separate statement of changes in equity

	Share capital	Share premium	Capital reserves	Treasury shares	Retained earnings	Total equity
As at 1 April 2023	**3,915**	**106,202**	**8,102**	**(1,507)**	**42,446**	**159,158**
Net profit (loss) for reporting period	-	-	-	-	7,240	7,240
Comprehensive income for period	**-**	**-**	**-**	**-**	**7,240**	**7,240**
Dividends paid	-	-	-	-	-	-
Cancellation of treasury shares	(23)	-	(1,062)	1,085	-	-
Buyback of shares	-	-	-	(202)	-	(202)
Transactions with owners recognised in equity	**(23)**	**-**	**(1,062)**	**883**	**-**	**(202)**
As at 30 June 2023	**3,892**	**106,202**	**7,040**	**(624)**	**49,686**	**166,196**
As at 1 April 2024	**3,892**	**106,202**	**7,037**	**(2,574)**	**57,256**	**171,813**
Net profit (loss) for reporting period	-	-	-	-	1,836	1,836
Comprehensive income for period	**-**	**-**	**-**	**-**	**1,836**	**1,836**
Dividends paid	-	-	-	-	-	-
Cancellation of treasury shares	-	-	-	-	-	-
Buyback of shares	-	-	-	(2,506)	-	(2,506)
Transactions with owners recognised in equity	**-**	**-**	**-**	**(2,506)**	**-**	**(2,506)**
As at 30 June 2024	**3,892**	**106,202**	**7,037**	**(5,080)**	**59,092**	**171,143**

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Interim condensed separate statement of cash flows

	1 April–30 June 2024	1 April–30 June 2023
	unaudited	unaudited
Operating activities		
Profit (loss) before tax	2,505	9,048
Adjustments for:		
Depreciation and amortisation	2,870	3,016
Interest	1,140	1,118
Dividends received	(517)	-
(Gains) losses on investing activities	(192)	(234)
Change in inventories	251	(2,011)
Change in receivables	8,113	(4,338)
Change in liabilities and provisions	1,245	4,026
Change in contract assets and liabilities	(545)	(2,408)
Change in other assets	357	71
Total adjustments	***12,722***	***(760)***
Income tax paid	(1,768)	(2,551)
Net cash provided by (used in) operating activities	**13,459**	**5,737**
Investing activities		
Purchase of property, plant and equipment	(1,515)	(1,499)
(Grant) repayment of loans	-	871
Proceeds from disposal of property, plant and equipment	192	234
Proceeds from disposal of financial assets	-	-
Dividends received	517	-
Grants for development projects	-	243
Net cash provided by (used in) investing activities	**(806)**	**(151)**
Financing activities		
Increase in/(repayment) of borrowings	(8,411)	(1,841)
Payment of right-of-use liabilities	(612)	(658)
Buyback of shares	(2,506)	(202)
Interest paid	(1,140)	(1,118)
Net cash provided by (used in) financing activities	**(12,669)**	**(3,819)**
Change in cash	**(16)**	**1,767**
Cash at beginning of period	550	126
Cash at end of period	**534**	**1,893**

Notes to the financial statements

General information about the Company and the Group

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

The Company's registered office is situated at ul. Grzegorza z Sanoka 2, 80-408 Gdańsk, Poland. The Company operates from its registered office as well as through trade offices and production establishments, none of which prepares a separate set of accounts. The Company is registered with the District Court of Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register. under entry No. KRS 0000217729.

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

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

MERCOR S.A. and companies of the MERCOR Group manufacture, deliver and install equipment components for fire protection systems. They also provide maintenance services to guarantee reliable long-term operation of such systems. In addition, the Company offers product advisory services and comprehensive assistance in designing tailor-made fire safety solutions, including CFD simulations, CAD and BIM materials. MERCOR employees participate in various industry events to share their considerable knowledge and experience in the fire protection of building structures.

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

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

Management and supervisory bodies

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

Management Board

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

Supervisory Board:

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

There were no changes in the composition of the Management Board and the Supervisory Board of MERCOR S.A. during the reporting period.

Subsidiaries

As at 30 June 2024, the following entities were consolidated:

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

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

Shareholding structure

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

Shareholder	As at the date of issue of this report				Change relative to data disclosed in the most recent periodic report			
	Number of shares	% ownership interest	Number of voting rights	% voting interest	Number of shares	% ownership interest	Number of voting rights	% voting interest
PERMAG Sp. z o.o.	4,102,994	26.35%	4,102,994	26.35%	-	-	-	-
Bangtino Limited	3,358,904	21.57%	3,358,904	21.57%	-	-	-	-
Nationale Nederlanden Powszechne Towarzystwo Emerytalne	1,454,465	9.34%	1,454,465	9.34%	-	-	-	-
Otwarty Fundusz Emerytalny PZU Złota Jesień	1,452,947	9.33%	1,452,947	9.33%	-	-	-	-
N50 Cyprus Limited	1,376,379	8.84%	1,376,379	8.84%	-	-	-	-
PTE Allianz Polska S.A.	791,018	5.08%	791,018	5.08%	-	-	-	-

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

Management Board

	Number of shares held directly at the date of issue of this report	Change since issue of the most recent periodic 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 indirectly – through a Shareholder / related parties	Number of shares held by the Shareholder in the Company's share capital as at the date of issue of this report
PERMAG Sp. z o.o.	Krzysztof Krempeć	4,102,994
N50 Cyprus Limited	Marian Popinigis	1,376,379
Value Fund Poland Activist FIZ	Eryk Karski	587,973

Treasury shares

Pursuant to a resolution passed by the Extraordinary General Meeting in June 2020, the Company has been buying back own shares. As at 30 June 2024, the Company held 227,123 treasury shares, representing 1.45879% of its share capital and the total vote at its General Meeting.

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

Policies applied in the preparation of the financial statements

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

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

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

The functional currency is the same as the local currency of the country in which a given Group entity is located. Currently, the Group companies operate in Poland, the Czech Republic, Slovakia, Spain, Ukraine, Romania, the Russian Federation, Hungary and the United Kingdom. The functional currency and the presentation currency of the Parent is the Polish złoty (PLN).

These condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future. As at the date of the condensed consolidated financial statements, there are no circumstances indicating any threat to the Group continuing as a going concern.

These interim condensed consolidated financial statements of the MERCOR Group covering the period ended 30 June 2024 have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as endorsed by the European Union.

These interim condensed consolidated financial statements cover the three months ended 30 June 2024 and contain comparative data for the three months ended 30 June 2023 with respect to the statement of comprehensive income, statement of changes in equity and statement of cash flows, and comparative data as at 31 March 2024 with respect to the statement of financial position.

These interim condensed consolidated financial statements do not include all the information and disclosures required by IFRS in full-year financial statements and should be read in conjunction with the Group's consolidated financial statements for the financial year ended 31 March 2024.

Seasonality or cyclicality of the Group's operations

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

Segment information

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

Revenue

	1 April–30 June 2024	1 April–30 June 2023
Revenue from sale of products	122,114	128,467
Revenue from sale of merchandise and materials	15,116	23,739
Total revenue	**137,230**	**152,206**

Revenue by geographical markets:

	1 April–30 June 2024	1 April–30 June 2023
Poland	64,363	74,751
Czech Republic and Slovakia	9,414	9,509
Spain	11,264	13,111
Ukraine	677	1,120
Romania	2,401	3,974
Russia	11,455	12,486
Hungary	17,338	10,232
UK	3,109	3,322
Other	17,209	23,701
Total revenue	**137,230**	**152,206**

Operating expenses

	1 April–30 June 2024	1 April–30 June 2023
Cost of sales	100,588	113,524
Distribution costs	14,420	12,997
Administrative expenses	11,099	10,334
Total operating expenses	**126,107**	**136,855**
Depreciation and amortisation	4,836	4,966
Raw materials and consumables used	58,842	65,833
Services	23,187	21,501
Remuneration	20,828	20,259
Employee benefits	4,903	4,146
Taxes and charges	1,665	1,649
Other	2,227	1,903
Cost of merchandise and materials sold	9,619	16,598
Total expenses by nature	**126,107**	**136,855**

Other income and expenses

Other income

	1 April–30 June 2024	1 April–30 June 2023
Gain on disposal of property, plant and equipment	249	237
Grants for development projects	-	-
Liabilities cancelled	-	-
Compensation and penalties received	16	4
Other	445	191
Total	**710**	**432**

Other expenses

	1 April–30 June 2024	1 April–30 June 2023
Loss on disposal of property, plant and equipment	236	-
Compensation and penalties	9	12
Litigation costs	2	27
Other	1,225	417
Total	**1,472**	**456**

Finance income and costs

Finance income

	1 April–30 June 2024	1 April–30 June 2023
Interest on cash and bank deposits	5	33
Interest on loans	66	79
Foreign exchange gains	224	2,313
Other	218	28
Total	**513**	**2,453**

Finance costs

	1 April–30 June 2024	1 April–30 June 2023
Interest and commissions on bank borrowings	1,096	1,460
Interest on leases	295	264
Interest on liabilities	8	23
Foreign exchange losses	127	324
Other	6	340
Total	**1,532**	**2,411**

Income tax

The effective tax rate for the Group was 27.9%, almost 9pp higher than the nominal tax rate for the Parent. This was mainly attributable to different tax rates applicable in various tax jurisdictions in which MERCOR Group companies are located and to permanent differences between profit/(loss) before tax and taxable income.

Deferred tax assets and liabilities

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

	Statement of financial position		Statement of comprehensive income	
	End of period 30 June 2024	End of period 31 March 2024	1 April–30 June 2024	1 April–30 June 2023
Differences between tax base and carrying amounts of property, plant and equipment and intangible assets	2,378	2,329	(49)	215
Effect of measurement of long-term contracts	2,315	2,421	106	(458)
Exchange differences	-	7	7	(9)
Accrued interest	265	238	(27)	(19)
Deferred tax liabilities	**4,958**	**4,995**	**37**	**(271)**
Effect of measurement of long-term contracts	1,018	930	88	447
Differences between tax base and carrying amounts of property, plant and equipment and intangible assets	254	(11)	265	86
Provisions for employee expenses and employee benefit obligations	3,885	3,402	483	(107)
Impairment losses on receivables	1,082	1,083	(1)	(92)
Write-downs of inventories	3,011	2,852	159	178
Unrealised exchange differences and measurement of forward contracts	19	45	(26)	(9)
Deferred income	-	-	-	-
Accrued interest	175	205	(30)	26
Tax loss asset	258	563	(594)	447
Deferred tax assets	**9,702**	**9,069**	**344**	**976**
including:				
deferred tax assets	***4,775***	***4,170***		
deferred tax liabilities	***31***	***96***		
Deferred tax expense			**381**	**705**

Intangible assets

	End of period 30 June 2024	End of period 31 March 2024
Goodwill	47,400	47,288
Costs of completed development work	17,193	18,257
Capitalised costs of development work in progress	7,374	5,682
Permits and licences	4,178	4,209
Total	**76,145**	**75,436**

Property, plant and equipment

	End of period 30 June 2024	End of period 31 March 2024
Land	5,961	5,892
Buildings and structures	31,132	26,198
Machinery and equipment	36,607	36,616
Vehicles	2,916	2,978
Other property, plant and equipment	2,767	1,947
Property, plant and equipment	***79,383***	***73,631***
Property, plant and equipment under construction	3,230	10,419
Prepayments for property, plant and equipment	345	390
Total	**82,958**	**84,440**

Purchase and sale of material items property, plant and equipment

In the three months to 30 June 2024, the Company did not purchase or sell any material items of property, plant and equipment.

Borrowings

	End of period 30 June 2024	End of period 31 March 2024
Bank borrowings	59,641	69,309
Borrowings from financial institutions	-	-
Total	**59,641**	**69,309**
Long-term portion		
Bank borrowings	52,101	60,535
Borrowings from financial institutions	-	-
Total	***52,101***	***60,535***
Short-term portion		
Bank borrowings	7,540	8,774
Borrowings from financial institutions	-	-
Total	***7,540***	***8,774***
Borrowings maturing		
within 1 year	7,540	8,774
in 2 to 3 years	52,101	60,535
in 3 to 5 years	-	-
in over 5 years	-	-
Total	***59,641***	***69,309***

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

	End of period 30 June 2024	End of period 31 March 2024
Borrowings in PLN	27,586	32,653
Borrowings in EUR	32,055	36,656
Total	**59,641**	**69,309**

Credit default or breach of material credit covenants with respect to which no remedial action was taken by the end of the reporting period

In the three months to 30 June 2024, there were no defaults or material breaches under borrowing agreements.

Amount and type of items that affect assets, liabilities, equity, net profit, or cash flows, which are atypical due to their nature, value, or frequency.

In the three months to 30 June 2024, there were no atypical items that would have affected the Company's assets, liabilities, equity, net profit, or cash flows.

Impairment losses

Inventories

As at 30 June 2024, write-downs of inventories to net realisable value were PLN 16,720 thousand. In the reporting period, the Parent reversed write-downs recognised in previous periods for an amount of PLN 67 thousand, while the amount of write-downs recognised in the reporting period was PLN 866 thousand.

Inventories at end of reporting period:

	End of period 30 June 2024	End of period 31 March 2024
Materials	50,499	50,774
Work in progress and semi-finished goods	5,488	6,579
Finished goods	34,396	30,396
Impairment losses	(16,720)	(15,629)
Total	**73,663**	**72,120**

Receivables

	End of period 30 June 2024	End of period 31 March 2024	Change in period
Impairment losses on receivables	7,288	7,517	(229)
Total	**7,288**	**7,517**	**(229)**

Recognition, increase, use and reversal of provisions

	Provision for employee benefit obligations	Provision for warranty repairs	Provision for expected losses
Provisions as at 31 March 2024	**566**	**4,184**	**-**
Provisions expensed in period	-	-	-
Use of provisions recognised in prior periods	-	-	-
Effect of exchange differences	-	(1)	-
Provisions as at 30 June 2024	**566**	**4,183**	**-**

Changes in economic environment and trading conditions with a material effect on the fair value of financial assets and liabilities, irrespective of whether such assets and liabilities are carried at fair value or adjusted acquisition cost

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

Financial instruments

In the three months to 30 June 2024, there were no changes in the method of measuring the fair value of financial instruments.

In the three months to 30 June 2024, there were no changes in the classification of financial assets resulting from a change in their purpose or use.

Contingent assets and liabilities

In the three months to 30 June 2024, there were no material changes in the Company's contingent assets or contingent liabilities.

Related party transactions

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

Sureties or guarantees issued by the Company or its subsidiary if the aggregate value of outstanding sureties or guarantees issued to a single entity or its subsidiary is material

The Company and its subsidiaries did not provide any sureties or guarantees of material value.

Issue, redemption, cancellation and repayment of non-equity and equity securities

There were no issues, redemptions cancellations or repayments of any debt or equity securities during the reporting period.

Factors and events (including of non-recurring nature) having a material bearing on the condensed financial statements

In the three months to 30 June 2024, there were no factors or events (including of non-recurring nature) which would have a material bearing on the condensed financial statements.

Events after the reporting date which are not disclosed in the report but could significantly affect the Company's and its Group's future financial results

After the reporting period, there were no non-recurring events that could potentially impact the Company's and its Group's future performance.

Dividend paid or declared

During the reporting quarter, the Company did not pay or declare any dividends.

Management Board's position on the feasibility of published forecasts

No earnings guidance was published by the Company.

Material proceedings involving MERCOR S.A. or its subsidiaries

In the three months to 30 June 2024, there were no material proceedings pending against the Company or its subsidiaries.

Material settlements under court proceedings

In the reporting period, there were no material settlements under court proceedings.

Material achievements or failures and key events during the reporting period

In the three months to 30 June 2024, the MERCOR Group earned revenue of PLN 137,230 thousand, a year-on-year decrease of nearly 9% from PLN 152,206 thousand. Sales in the Polish market fell by approximately 14%. In the foreign markets where the Group subsidiaries operate, sales growth was reported only for Hungary, with an increase of over 69%. In all other markets, the Group experienced sales declines. In Spain, sales decreased by about 14%, by 1% in the Czech and Slovak markets, and by over 6% in the UK. The most significant sales declines were recorded in Romania and Ukraine, with drops of nearly 40%. Sales in the Russian market fell by over 8%.

Operating profit before depreciation and amortisation was PLN 15,233 thousand, down 26% from PLN 20,489 thousand in the same period of the previous financial year. Operating profit for the period was PLN 10,397 thousand, representing a 33% year-on-year decrease.

The MERCOR Group's net profit for the three months ended 30 June 2024, was PLN 6,548 thousand, compared with PLN 12,649 thousand for the same period in 2023.

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

The personnel, asset and financial position of the Company and the Group companies are stable and have not changed materially. The MERCOR Group has a stable workforce, uses its assets efficiently, and performs its obligations in a timely manner.

Factors that, in the opinion of the Company, will affect its results in the following quarter and beyond

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

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

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, 23 August 2024