

## EXPLANATION ON THE OPERATION OF MERMEREN KOMBINAT AD PRILEP FOR THE PERIOD FROM 01.01.2020 TO 31.12.2020

In accordance to the changes and additions of the Quotation regulations, we present this explanation to the financial result for the period from 01 January to 31 December 2020.

- A. Changes in accounting policies and methods of evaluation of items in the financial statements compared to the latest annual audited financial statements have not been made.
- B. For the period from 01 January to 31 December 2020, Mermeren Kombinat AD Prilep ("the Company"), generated sales revenue amounting to € 22,133,336, which is a decrease of 38.8% compared to the same period of the previous year.

<b>Sales revenue</b>	<b>2020</b>		<b>2019</b>	
- Domestic market	141,980	0.64%	334,150	0.93%
- Foreign market	21,991,356	99.36%	35,810,053	99.07%
	<b>22,133,336</b>		<b>36,144,203</b>	

<b>Sales revenue</b>	<b>2020</b>		<b>2019</b>	
- Quarry	21,548,164	97.36%	34,012,554	94.02%
- Factory	585,172	2.64%	2,131,649	5.98%
	<b>22,133,336</b>		<b>36,144,203</b>	

The operating profit for the period is in the amount of € 8,837,300, compared to the operating profit for the same period in 2019 in the amount of €22,364,432, representing a decrease of 60.49%.

EBITDA for the period of 01 January to 31 December 2020 is € 11,099,837, compared to € 24,063,340 for the same period of the previous year, or decrease of 53.87%.

The net result after tax is positive, amounting to € 8,291,583 showing a decrease of 58.80% compared to the profit for the same period last year, in the amount of € 20,124,798.

- C. Operating expenses are in the amount of € 14,360,035 and represent decrease of 7.60% compared to the same period of the previous year.
- D. The cost of materials and consumables was decreased by 1.74%, and employee expenses were decreased by 4.47%.
- E. External services expenses are decreased by 26.66%. Depreciation costs amounted to € 2,258,617, and are higher by 33.31% compared to the previous year.
- F. There is no significant write-off, higher than 30% of the value of the assets.
- G. At 16 October 2020 and according to the Shareholders' Assembly decision no. 02-5420/3, part of retained earnings realized up to 31 December 2019 in the amount of 8,014,527 Euros were allocated for dividends distribution. During the period ended 31 December 2020 the Company paid dividends to its shareholders in the total net amount of 7,926,902 Euros and in addition 86,027 Euros relating to taxes on dividend paid.
- H. Loan indebtedness of the Company for the period January to December 2020 dropped by €157,411 compared to the previous annual financial statements.
- I. COVID-19 pandemic implications on company:  
During 2020, the Company carried on its operations in conditions of a world pandemic and the existence of a crisis situation in the country, due to the spread of the Covid-19 virus, and in a part of the year also in conditions when a state of emergency was declared in the country (18/03/2020 - 22/06/2020). During this period, adapting to the new conditions, the Company undertook various actions and fully adapted its operation to the recommendations and decrees adopted by the Government, for the protection of public health. In order to protect the health of its employees and associates, the Company undertook organizational and technical actions, which enabled continuity of the business of the Company:
- In order to mitigate sales decrease, alternative ways of presenting products to buyers/inspectors were introduced. Technology and internet tools such as high - quality photo/video imaging and teleconferences are introduced in place of physical presence of buyers.
  - In order to protect it personnel, the Company adopted measures to enhance social distancing during work, doubled the number of means of transport of the personnel, promoted and organized remote work wherever possible.

Nevertheless, the Company suffered important consequences due to the Covid-19 pandemic.

- Decreased sales, attributed mainly to the global recession. It is also due to imposed travelling restrictions of product buyers. It is noted that before the pandemic measure enforcement, physical presence of buyer was required for the inspection and selection of products.
- Decreased production is partly attributed to the reduced labor force due to temporary release from work tasks certain categories of employees in accordance with the recommendations and measures of the Government to prevent the introduction and spread of coronavirus Covid-19.
- Delays in implementation of investment plan, deliveries of equipment, consumables, spare parts etc.

J. Prospects: Demand of marble product is directly connected to economy growth. Global partial or full shutdown of factories and construction sites led to global economy slowdown. Therefore, the prospects for 2021 cannot be **currently** assessed, as they are dependent on the extent of the global recession and the possibility of recovery. Nevertheless, there are some optimistic signs of recovery particularly for the Chinese economy which is a major destination of the Company's exports.

## Comprehensive Income Statement

In EUR

	Position	Previous Period	Curent Period	Indexes
		Year to date	Year to date	curent year / previous year
1	Sales revenues	36.144.203	22.133.336	61
1a	Revenues from domestic market	334.150	141.980	42
1b	Revenues from foreign markets	35.810.053	21.991.356	61
2	Cost of goods sold	9.389.353	8.803.820	94
3	<b>Gross Profit</b>	<b>26.754.850</b>	<b>13.329.516</b>	<b>50</b>
4	Administrative Costs	1.477.032	1.588.334	108
5	Sales and Marketing Cost	2.459.514	2.475.335	101
6	Provisions	0	0	0
7	Other operating revenues	49.805	57.054	115
8	Impairment and Other operating Costs	503.677	485.601	96
9	<b>Operating profit</b>	<b>22.364.432</b>	<b>8.837.300</b>	<b>40</b>
10	Total Financial Revenue	228.259	120.145	53
10a	Financial revenues from investment, loans granted and interest and exchange rate gains	228.234	120.145	53
10b	Other Financial Revenue	25	0	0
10c	Income From Associated Companies	0	0	0
11	Total Financial Expenses	288.716	163.533	57
11a	Financial expenses from interests and exchange rate losses	288.716	163.533	57
11b	Other financial expenses	0	0	0
11c	Losses from Associates	0	0	0
12	<b>Profit from ordinary activities</b>	<b>22.303.975</b>	<b>8.793.912</b>	<b>39</b>
13	Net Profit from Discontinued activities	0	0	0
14	<b>Profit from ordinary activities before taxation</b>	<b>22.303.975</b>	<b>8.793.912</b>	<b>39</b>
15	Corporate tax	-2.179.177	-502.329	23
16	<b>Net profit</b>	<b>20.124.798</b>	<b>8.291.583</b>	<b>41</b>
17	Net profit minority shareholders	0	0	0
18	<b>Net profit Majority shareholders</b>	<b>20.124.798</b>	<b>8.291.583</b>	<b>41</b>
19	Total other comprehensive income	0	0	0
20	<b>TOTAL COMPREHENSIVE INCOME</b>	<b>20.124.798</b>	<b>8.291.583</b>	<b>41</b>

### Analysis of the operating profit by nature of costs

	Position	Previous Period	Curent Period	Indexes
		Year to date	Year to date	curent year / previous year
1	Sales revenues	36.144.203	22.133.336	61
1a	Revenues from rents and consumables	3.192	477	15
2	Other operating revenues	122.234	172.038	141
3	Changes in inventories of finished goods and work in progress	817.634	445.742	55
4	Cost of trading goods sold	18.956	0	0
5	Cost of consumed materials and other supplies	3.588.664	3.516.456	98
6	Cost of materials, spare parts and other inventory sold	3.731	494	13
7	Services	3.541.298	2.590.049	73
8	Other Expenditures	906.731	750.053	83
9	Personnel Cost	4.460.866	4.249.853	95
10	Amortization And Depreciation	1.698.908	2.258.617	133
11	Impairment losses of Non-current assets	0	0	0
12	Impairment losses of current assets	429.073	83.159	19
13	Provisions	0	0	0
14	Other operating expenses	74.604	465.612	624
15	<b>Operating profit</b>	<b>22.364.432</b>	<b>8.837.300</b>	<b>40</b>