

## Half-year Report of the Board of Directors

### HALF YEAR REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS OF THE PERIOD 01/01/2023 – 30/06/2023

*In this report is presented briefly financial information on the Company for the first semester of the current year, as well as important events that occurred in the period, along with their effect on the half-year Financial Statements. The major risk and uncertainties that could be faced are also discussed, along with the prospects until year end. The financial statements were prepared according to the International Financial Reporting Standards.*

#### **1. GENERAL**

MERMEREN KOMBINAT AD Prilep (the “Company” or “Mermeren”) operates according the Trade Laws (Gazette of RM no. 28/96) of the Republic of North Macedonia and its prime activities are exploitation, processing and trade of marble. The quarry, the factory and the administration headquarters of the Company are located in Prilep, Republic of North Macedonia.

#### **2. IMPORTANT EVENTS OF THE YEAR 2023**

On 13 January 2023 the shareholders of Pavlidis S.A Marble-Granite (“Pavlidis”) signed a definitive agreement with funds managed by ECM Partners Inc Ljubljana Slovenia to sell 100% of Pavlidis shares.

On 10 March 2023 the transaction was closed. Dolit Investments SA (“Dolit”) a company incorporated in Greece acquired Pavlidis and the ultimate parent of the Company became ECM Partners Inc Ljubljana Slovenia as indirect 100% owner of Dolit.

On 31 May 2023 Mr. Lazaros Pantelidis was elected as a new member of the Board of Directors, replacing Mr. Christoforos Pavlidis.

#### **3. 2023 OPERATING PERFORMANCE**

The operating performance during the first semester was little changed versus the respective period of the previous year.

- Turnover for the period was at €13.1 million vs. €14.2 million in the corresponding period of 2022.
- Gross profit margin was at 62.9% of the turnover compared with 65.0% in last year’s corresponding period. In absolute figures, the gross profit was €8.2 million vs. €9.3 million in the corresponding period of 2022.
- Total administrative and sales expenses decreased by 25.4% compared with the corresponding period of 2022.
- Earnings before interest, tax, depreciation and amortization (“EBITDA”) for the period decreased to €7.7 million vs. €8.2 million in the corresponding period of 2022.

- The company registered operating profit before interest and taxes ("EBIT") of €6.6 million vs. €7.1 million in the corresponding period of 2022.
- Earnings after tax ("EAT") was €6.2 million vs. €6.4 million in the corresponding period of 2022. Net earnings per share ("EPS") fell to €1.32 from €1.36 in the corresponding period of 2022.
- Total bank loans were fully paid 30 June 2023 as at 31 December 2022. Net debt as at 30 June 2023 stood at €-17.0 million, compared to €-11.8 million at 31 December 2022 (negative figure indicate a net cash position)
- Equity was at €47.1 million on 30 June 2023 (30 June 2022: €33.3 million 31 December 2022: €41.0).

#### 4. ALTERNATIVE PERFORMANCE MEASUREMENT INDICATORS (APM)

The Company uses Alternative Performance Measurement Indicators ("APM") in the context of decision-making regarding its financial, operational and strategic planning as well as for the evaluation and its performance. They serve to better understand the financial and operational results of the Company, its financial position as well as the cash flow statement. The alternative indicators should always be taken into account in conjunction with the financial results prepared in accordance with IFRS and in no case replace them.

#### Definitions and Agreement of Alternative Performance Measures ("APM")

##### a) Profitability indicators

The Company, in order to more fully analyze its operating results, uses the following profitability indicators:

##### Gross profit

Gross profit results directly from the statement of comprehensive income.

##### EBIT (Earnings before taxes and interest)

The EBIT is equal to the operating profit resulting from the statement of comprehensive income.

	June 2023	June 2022
<b>Gross profit (in million euro)</b>	<b>8.24</b>	<b>9.26</b>
Administrative expenses	(0.72)	(0.90)
Selling expenses	(0.94)	(1.33)
Other operating income	0.00	0.07
<b>Operating profit</b>	<b>6.58</b>	<b>7.10</b>
<b>Margins (Operating Profit/Sales)</b>	<b>50.2%</b>	<b>49.8%</b>

##### EBITDA (Earnings before taxes, financing and investing activities, depreciation and amortization)

The EBITDA ratio is calculated from the statement of comprehensive income as "Gross operating profit" plus "Other operating income" less "Administrative operating expenses" and "Disposal operating expenses" before depreciation.

##### EBT (Profit before tax)

EBT is the profit before the deduction of taxes and it results from the statement of comprehensive income.

### Net profit

Net profit is the EBT after deduction of taxes and results from the statement of comprehensive income.

### Margins

For all the above profitability indicators, the corresponding margin is calculated by dividing the corresponding indicator by the total sales.

	June 2023	June 2022
Gross margin (Gross profit / Sales)	62.9%	65.0%
EBITDA / Sales	58.6%	57.4%
EBT / Sales	50.5%	49.8%
Net profit / Sales	47.2%	44.8%
Net profit / Shareholder's equity	13.2%	19.2%

### b) Financial position indicators

#### Total liabilities

Liabilities result directly from the statement of financial position.

#### Equity

Equity results directly from the statement of financial position.

#### Total assets

Total assets result directly from the statement of financial position.

#### Current assets

Current assets result directly from the statement of financial position.

#### Current liabilities

Current liabilities result directly from the statement of financial position.

	30/06/2023	30/06/2022
Total liabilities / Equity	2.8%	4.5%
Current assets / Total assets	66.3%	56.9%
Current assets / Current liabilities	24.7x	13.3x

### c) Cash flow indicators

#### Free cashflow

This indicator shows the amount of cash available for distribution to shareholders and creditors of the company and at the same time it is one of the main indicators of financial robustness

The indicator is calculated by adding the total inflows from operating activities and the total net inflows from investment activities (or subtract the total net outflows from investment activities) as they appear in the Statement of Cash Flows.

Amounts in million euro	2023	2022
Cash flows from operating activities, net	7.21	6.16
Cash flows from investing activities, net	(5.10)	2.02
<b>Free cashflows</b>	<b>2.11</b>	<b>8.18</b>

## 5. MAIN RISKS AND UNCERTAINTIES

### 5.1 SUPPLIERS - INVENTORY

The company has no significant dependence on specific suppliers since it exploits marble reserves on the basis of a long-term concession agreement. Consumables and spare parts are purchased from a diversified basis of domestic and international reliable sources.

### 5.2 CLIENTS

The major volume of trading in 2023 is directed to South–East Asia.

The Company's management believes that the Company is well positioned to face any difficult economic circumstances, on the back of the following factors:

- The Company has a diversified group of old and new customer relationships, most of them on a long-term basis.
- Most of the trade is conducted on a cash basis.
- According to the Company's policy, all major customers' exposures are secured with different types of collaterals such as bank guarantees and cash deposits. Credit quality of trade receivables as at 30 June 2023 is considered to be very good.
- The Company's major customers have not experienced financial difficulties, while they operate on a global market.

Overall, the Company is in a strong position and has sufficient capital and liquidity to serve its operating activities and debt. The Company's objectives and policies for managing capital, credit risk and liquidity risk are described in its recent annual financial statements.

### 5.3 BORROWINGS

The company cooperates for its financing with Komercijalna Banka A.D., a local bank, and its loan contracts are denominated in euro and bearing floating interest rates.

### 5.4 FOREIGN EXCHANGE & INTEREST RISK

**Foreign Exchange Risk.** The Company operates internationally and is exposed to foreign exchange risk arising from various payables and receivables primarily with respect to the Euro. The Company does not use any instrument to hedge the foreign exchange risk.

**Interest Rate Risk.** Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates is minimal, given that currently the Company carries no loan obligation. The Company's management is primarily responsible for daily monitoring of the net interest rate risk position and it sets limits to reduce the potential of interest rate mismatch.

### 5.5 PERSONEL

The Management of the company is conducted by a team of experienced managers, including executives with international experience and background.

On 30 June 2023, the company was employing a total of 269 persons (30 June 2022: 271 persons; 31 December 2022: 270 persons).

## 5.6 ENVIRONMENTAL, HEALTH & SAFETY ISSUES

The company abides by the relevant to its nature and activity laws imposing environmental rules as well as by the regulations on health and safety in the workplace.

For the Company, its development and growth go hand in hand with health and safety of all its employees, making health and safety a top priority for the Company.

## 6. DIVIDEND POLICY

No dividends were distributed during the period ended 30 June 2023.

## 7. TRANSACTIONS WITH RELATED PARTIES

	Receivables	Payables	Revenues	Purchases	Cash
<b>30/06/2023</b>					
Stone Works Holding Coöperatief U.A., Netherlands	-	-	-	-	-
Pavlidis S.A. Marble-Granite Drama Greece	2,733,682	-	1,627,903	718,543	-
Key Management Remuneration	-	-	-	214,393	-
	<b>2,733,682</b>	<b>-</b>	<b>1,627,903</b>	<b>932,936</b>	<b>-</b>

## 8. BRANCHES

At 30 June 2023 there are no branches of representative offices.

## 9. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to 30 June 2023 until the approval of the interim financial statements, there are no adjusting events reflected in these interim financial statements. The following events are materially significant for disclosure:

- On 23 August 2023, Mermeren Kombinat AD Prilep, was informed that Mr. Christoforos Pavlidis purchased 100% of the shares of Dolit Investments SA ("Dolit") which owns Pavlidis Monoprosopi A.E Marmara – Granites (previously known as Pavlidis S.A Marble-Granite) which in turn owns 100% of the equity of Stone Works Holding Coöperatief UA, the holder of 89,25% of Mermeren's issued share capital.
- On 31 August 2023, the public was informed that Pavlidis Monoprosopi A.E Marmara – Granites has the intention to purchase 100% of the shares of Mermeren.

## 10. COVID-19 PANDEMIC IMPLICATIONS ON THE COMPANY

The effect of the Covid-19 pandemic on the performance of the Company has been minimized.

## 11. PROSPECTS FOR THE REST OF THE YEAR

The operations of the Company proceed according to the plan and with positive results, yet there was a decrease in the turnover compared to the same period of the previous year. The second semester of the year is also expected to yield positive results.

Prilep, September 28, 2023

The  
CHAIRMAN OF THE BOARD  
Lazaros Pantelidis

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