

Annual Report of the Board of Directors

ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE ORDINARY GENERAL ASSEMBLY OF THE SHAREHOLDERS ON THE FINANCIAL STATEMENTS FOR THE PERIOD 01/01/2025 – 31/12/2025

TO THE ORDINARY GENERAL ASSEMBLY

Dear Shareholders,

We are hereby submitting for approval the Financial Statements of the Company for the financial year ended on 31/12/2025. The financial statements were prepared according to the International Financial Reporting Standards.

1. GENERAL

MERMEREN KOMBINAT AD-Prilep (the “**Company**”) operates according the Law on trade companies (Gazette of RM no. 28/96) of the Republic of North Macedonia and its prime activities are exploitation, processing and trade of marble and decorative stones. The quarry, the factory and the administration headquarters of the Company are located in Prilep.

2. IMPORTANT EVENTS OF THE YEAR 2025

By decision of the Extraordinary General Assembly on 11/07/2025, the shareholder structure of Pavlidis Monoprosopi A.E. Marmara-Granites was changed and the new name of the company is PAVLIDIS S.A Marble-Granite.

3. 2025 OPERATING PERFORMANCE

- Turnover for the period was lower by 3.7% compared to 2024.
- Gross margin was at 56.5% of the turnover compared to the gross margin 64.1% in 2024. Coupled with the lower sales, in absolute figures the gross profit decreased to €17.2 million, from €20.3 million in 2024.
- Total administrative and sales expenses decreased by 11.0% from €3.8 million in 2024 to €3.4 million in 2025.
- The company registered operating profit before interest and taxes (“EBIT”) of €14.0 million versus €16.6 million in 2024.
- The earnings before interest, tax, depreciation and amortization (“EBITDA”) for 2025 decreased to €16.3 million vs €18.9 million in 2024.
- Earnings after tax (“EAT”) were €12.6 million and the corresponding figure of 2024 was €14.9 million.
- No bank loans existed as on 31 December 2025, same as on 31 December 2024. Only €24 k linked to financial leasing appear as borrowings versus €41 k in 2024.

- Equity was at €38.7 million on 31 December 2025, compared to €37.3 million on 31 December 2024.

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.

	2025	2024
Gross profit (in million euro)	17.23	20.29
Administrative expenses	(1.18)	(1.16)
Selling expenses	(2.22)	(2.66)
Other operating income	0.28	0.15
Operating profit	14.11	16.62
Margins (Operating Profit/Sales)	46.3%	52.5%

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.

	31/12/2025	31/12/2024
Gross margin (Gross profit / Sales)	56.5%	64.1%
EBITDA / Sales	53.3%	59.7%
EBT / Sales	46.0%	52.4%
Net profit / Sales	41.2%	46.9%
Net profit / Shareholder's equity	32.5%	39.8%

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.

	2025	2024
Total liabilities / Equity	4.8%	5.8%
Current assets / Total assets	55.5%	57.4%
Current assets / Current liabilities	12.3x	10.6x

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	2025	2024
Cash flows from operating activities, net	9.71	19.27
Cash flows from investing activities, net	(0.13)	(4.79)
Free cashflows	9.58	14.49

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 2025 was directed to China. 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.

- According to the Company's policy, all major customers' exposures are secured with different types of collaterals such as letter of credits. Credit quality of trade receivables as at 31 December 2025 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 local commercial banks. No loans stood as of 31 December 2025 and 2024.

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. The carrying value of the monetary assets and liabilities of the Company which are denominated in foreign currencies is as follows:

Assets		2025	2024
Financial receivables	EUR	959,146	3,910,027
Cash and cash equivalents	EUR	2,597,201	4,256,206
Trade receivables – foreign debtors	EUR	12,470,157	8,836,229
Trade receivables – foreign debtors	USD	4,857	37,988
		16,031,361	17,040,450
Liabilities			
Trade payables – foreign suppliers	EUR	(271,963)	(463,460)
		(271,963)	(463,460)

Foreign currency sensitivity analysis

	Net amount	+1%	+5%	-1%	-5%
31 December 2025					
EUR	15,754,541	157,545	-	(157,545)	-
USD	4,857	-	243	-	(243)
Gain or (loss)	15,759,398	157,545	243	(157,545)	(243)
31 December 2024					
EUR	16,539,002	165,390	-	(165,390)	-
USD	37,988	-	1,899	-	(1,899)
Gain or (loss)	16,576,990	165,390	1,899	(165,390)	(1,899)

The sensitivity analysis includes only monetary items denominated in foreign currencies at year end, and a correction of their value is made for a 1% change in the exchange rate of Euro and for 5% change in the other foreign currency rates. The positive or negative amount indicates increase/decrease in profit or other equity, which occurs when the Denar weakens/strengthens its value against the Euro by +/- 1% and against other foreign currencies by +/- 5%.

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 relates primarily to the Company's long-term debt obligation with a floating interest rate. 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.

The table below summarizes the Company's exposure to interest rate risk

	2025	2024
	in Euro	in Euro
Assets		
<i>Non – interest bearing:</i>		
Trade and other receivables	12,526,343	8,924,053
Cash and cash equivalents	202	126
	12,526,545	8,924,179
<i>With fixed interest rate</i>		
Financial receivables	959,146	3,910,027
Cash and cash equivalents	2,728,787	4,397,659
	3,687,933	8,307,686
Total assets exposed to interest rate risk	16,214,478	17,231,865
Liabilities		
<i>Non – interest bearing:</i>		
Trade and other payables	1,258,506	1,314,460
	1,258,506	1,314,460
<i>With floating interest rate:</i>		
Borrowings	24,305	40,938
	24,305	40,938
Interest sensitivity gap	1,282,811	1,355,398

Interest rate sensitivity analysis

At 31 December 2025	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	(24,305)	(486)	486

At 31 December 2024	Net amount in Euro	2%	-2%
Borrowings with variable interest rate	(40,938)	(819)	819

5.5 PERSONEL

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

On 31 December 2025, the company was employing a total of 275 persons (285 persons on 31 December 2024).

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.

The Company is certified with ISO 14001:2015 Environmental management systems and ISO 45001:2018 Occupational health and safety.

6. RESEARCH & DEVELOPMENT

The company conducts drilling research inside its quarry concession. The entire amount spent for drilling research is fully immobilized. In 2025 the amount spent in drilling research was €5 k (2024: €10 k).

7. DIVIDEND POLICY

In accordance with the Decision of the Meeting of Shareholders (No. 02-2442/5, May 30, 2025), a portion of the 2024 profit amounting to €11,248,459 was distributed for dividend payments. The gross dividend per ordinary share was set at €2.40. For the period ending December 31, 2025, the Company paid a total net dividend of €11,124,585 to its shareholders, with €120,524 allocated to dividend-related taxes.

8. DETAILED INFORMATION AND EXPLANATORY REPORT ACCORDING TO THE ARTICLE 4 par. 7 L.3556/2007, as is in force today.

8.1. SHARE CAPITAL STRUCTURE

The evolution and coverage of the share capital of the company from its establishment to date is shown in the following table:

SHARE CAPITAL EVOLUTION										
General Assembly date	Capital increase amount		Coverage in cash		Capital after the increase		Total shares	Nominal value per share		
	DEM	€	DEM	€	DEM	€		DEM	€	
Completion of privatization					5,500,000	2,812,105	55,000	100	51.13	
23/03/01	2,750,000	1,406,052.6	2,750,000	1,406,052	8,250,000	4,218,158	82,500	100	51.13	
07/06/02	Redenomination of share capital from DEM to EUR						4,218,158			1.00
Total before increase						4,218,158	4,218,158		1.00	
Increase (19/12/02 & 23/10/03)		468,700		468,700		4,686,858	468,700		1.00	
Total after the increase						4,686,858	4,686,858		1.00	

The share capital of the company amounts to €4,686,858 and it is divided in 4,686,858 common registered shares of nominal value €1.00 each.

8.2. RESTRICTIONS ON TRANSFER OF SHARES OF THE COMPANY

There are no restrictions on transfer of shares.

8.3. IMPORTANT DIRECT/ INDIRECT HOLDINGS

On 31/12/2025, the following shareholders held more than 5% of the total voting rights of the Company:

	<u>Number</u>	<u>Nominal value</u>	<u>%</u>
Stone Works Holdings Coöperatief U.A. Netherlands	4,182,888	4,182,888	89.25
Piraeus Bank S.A. (see Note)	468,700	468,700	10.00

Note: Piraeus Bank is the issuer of "EL.PIS." (Greek depository receipts) as well as the Custodian of their corresponding shares. One (1) "EL.PIS." represents one (1) common share of MERMEREN KOMBINAT AD Prilep with nominal value of €1.00.

8.4. SHARES PROVIDING SPECIAL CONTROL RIGHTS

There are no shares which confer special rights.

8.5. RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights.

8.6. AGREEMENTS OF SHARES OF THE COMPANY

The Company is not aware of any agreements between Company's shareholders entailing limitations on the transfer of shares.

8.7. RULES OF APPOINTMENT AND REPLACEMENT OF BOARD MEMBERS AND STATUTE AMENDMENTS DEVIATING FROM THE PROVISIONS OF THE LAW 2190/1920

Not applicable.

8.8. POWERS OF THE BOARD OR CERTAIN MEMBERS ON THE ISSUANCE OF NEW SHARES OR THE PURCHASE OF OWN SHARES OF THE COMPANY.

No relevant powers exist.

8.9. IMPORTANT AGREEMENTS COMING IN EFFECT, ALTERED OR TERMINATED UPON CHANGE IN CONTROL OF THE COMPANY ON TAKEOVER

There is not any such agreement.

8.10. IMPORTANT AGREEMENTS WITH MEMBERS OF THE BOARD OR THE STAFF OF THE COMPANY

There is not any such agreement.

8.11. COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors during 2025 worked in the following composition:

1. Lazaros Pantelidis, non-executive member, President of the Board
2. Vasileios Anagnostou, executive member, CEO
3. Jasna Azhievskia, non - executive member
4. Nikolaos Dimarelis, non - executive member
5. Triantafyllos Triantafyllou, non – executive member
6. Zoran Pandev, independent non – executive member

9. TRANSACTIONS WITH RELATED PARTIES

	Receivables	Payables	Revenues	Expenses	Cash
31/12/2025					
Stone Works Holding Coöperatief U.A. Netherlands	-	-	-	-	-
Pavlidis S.A Marble-Granite Drama Greece	6,296,951	-	4,776,229	286,743	-
Key Management Remuneration	-	-	-	378,125	-
	6,296,951	-	4,776,229	664,868	-
	Receivables	Payables	Revenues	Expenses	Cash
31/12/2024					
Stone Works Holding Coöperatief U.A. Netherlands	-	-	-	-	-
Pavlidis Single Member S.A Marble-Granite Drama Greece	2,174,860	-	6,217,731	134,967	-
Key Management Remuneration	-	-	-	349,632	-
	2,174,860	-	6,217,731	484,599	-

10. BRANCHES

The Company does not have any branches or representative offices.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

On March 05, 2026, the Official Gazette of the Republic of North Macedonia (RNM) published a decision granting the Company an extension of its concession territory by 0.271913 km². Subsequently, on April 1, 2026, the Ministry of Energy, Mining and Mineral Resources, representing the Government of RNM, and the Company signed an annex to the concession agreement, establishing the final total territory at 2.460240 km².

12. PROSPECTS FOR THE NEW YEAR

While 2026 is projected to be a period of positive operational and financial performance, the ongoing geopolitical instability in the Gulf region remains a significant variable. Although its full impact cannot yet be quantified, it is expected to influence both the global and Chinese economies. A prolonged conflict could exert downward pressure on market demand, negatively affecting sales and overall financial results. A more definitive outlook will be available at the start of the second half of the year.

13. CORPORATE GOVERNANCE

Corporate Governance principles that the Company follows

In the reporting year, the Company has performed its activities with two bodies: Shareholders Assembly and Board of Directors.

The Shareholder Assembly of the Company held its regular meeting on May 30, 2025 on which the shareholders voted for and approved: (1) The annual accounts for the period 1st January to 31st December 2024; (2) the Financial Statements and independent auditor's report for 2024; (3) The report of the Board of Directors on the operations of the Company for the year 2024; (4) The allocation of the profit of 2024; (5) the amounts of dividend and dividend calendar; (6) The approval of the work of the members of the Board of Directors during the year 2024; (7) Re-election of members of the Board of Directors; (8) The Annual Report

of the Internal Audit for 2024; (9) The appointment of auditors for the audit of the financial statements and annual accounts of the Company for the year 2025.

During 2025 the Company did not conclude any major transaction such as selling property over 20% of the NBV of the total assets or major transactions with interested parties from which a conflict of interest might arise.

The Board of Directors has performed its duties according to the Law on trade companies and the Statute of the Company, held a total of 5 sessions and undertook all necessary activities to provide for the proper operation of the Company.

Description of the internal control and internal management systems

Internal Control: The BOD is responsible for reviewing the effectiveness of the Company's system of internal control. The internal auditor submitted the appropriate reports timely.

Code of Business Conduct: The Company maintains a Code of Business Conduct and Ethics, including anti-Bribery Policies, which applies to all employees and is signed by all employees.

Organizational Structure: A clear organization structure exists, detailing lines of authority and control responsibilities. The competence of staff is maintained both through rigorous recruitment policies and a performance appraisal system.

Roles and Responsibilities: There are documented approval limits by the Board of Directors for all forms of payments, receipts, bank transfers, and also other responsibilities. Furthermore, there are job descriptions for all positions.

Information Systems: Information systems are developed to support the Company's decision – making processes.

Planning & Monitoring: There is a detailed annual and monthly budget, which was subjected to adequate scrutiny and approved by the Board of Directors. Comparisons are made between actual, historical and budgeted revenues, costs and K.P.I.s with adequately detailed explanations obtained for all significant variances.

Management Accounting System: A detailed management accounting system is in place providing management with financial and operational performance measurement indicators. Detailed management accounts are prepared monthly to cover each major area of the business. Variances from plan and previous forecasts are analyzed, explained and acted on. As well as regular Board discussions, weekly meetings are held by the Senior Management team to discuss performances.

All mentioned above about the financial condition of the Company can be found in the Financial Statements of 31 December 2025.

Prilep, April 24, 2026

PRESIDENT OF THE BOARD
Lazaros Pantelidis