

## Half-year Report of the Board of Directors

### HALF YEAR REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS OF THE PERIOD 01/01/2026 – 30/06/2026

*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 2026**

During the reporting period, the Company registered lower financial and operational results relative to the previous year, driven primarily by the following challenging factors and market conditions:

- **Geopolitical and Macroeconomic Disruptions:** The decline in sales volume is a direct consequence of unfavorable geopolitical and global macroeconomic developments that significantly disrupted key target markets. The majority of the reduction in revenues from foreign markets stems from significantly reduced orders from buyers in China, caused by stagnation in China’s construction sector and lower overall investment activity. Furthermore, the military conflict in the Gulf placed an additional burden on the Chinese economy through a sharp spike in energy prices, leading to funding delays for major infrastructure and commercial development projects.
- **Depressed Regional and Global Project Demand:** The decline in sales revenues from factory products is directly linked to the lack of major active construction projects across both regional and international markets. Under conditions of severely suppressed demand for finished slabs and cut-to-size project materials, the production facility recorded minimal sales throughout this period.

While short-term performance was impacted by these macroeconomic headwinds, the Company continued to advance its long-term strategic position. 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 km<sup>2</sup>. 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 km<sup>2</sup>.

### 3. 2026 OPERATING PERFORMANCE

The operating performance during the first semester has declined compared to the respective period of the previous year.

- Turnover for the period was at €8.1 million vs. €12.9 million in the corresponding period of 2025.
- Gross profit margin was at 53,8% of the turnover compared with 53,5% in last year's corresponding period. In absolute figures, the gross profit was €4.4 million vs. €6.9 million in the corresponding period of 2025. (-36,9%)
- Total administrative and sales expenses decreased by 22,9% compared with the corresponding period of 2025.
- Earnings before interest, tax, depreciation and amortization ("EBITDA") for the period decreased to €4.3 million vs. €6.7 million in the corresponding period of 2025. (-35,5%)
- The Company registered operating profit before interest and taxes ("EBIT") of €3.3 million vs. €5.6 million in the corresponding period of 2025. (-41.3%)
- Earnings after tax ("EAT") was €3.0 million vs. €5.0 million in the corresponding period of 2025. Net earnings per share ("EPS") decreased to €0.63 from €1.08 in the corresponding period of 2025.
- Total borrowings were €18 thousand vs. €33 thousand as at 31 December 2025. Net debt as at 30 June 2026 stood at €-5.4 million, compared to €-8.3 million at 30 June 2025 and €-3.7 million at 31 December 2025 (negative figure indicate a net cash position).
- Equity had been at €34.0 million on 30 June 2026 (30 June 2025: €31.1 million; 31 December 2025: €38.7).

### 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.

| Amounts in million euro | June 2026 | June 2025 |
|-------------------------|-----------|-----------|
| Gross profit            | 4.37      | 6.92      |
| Administrative expenses | (0.56)    | (0.59)    |

|                                         |               |               |
|-----------------------------------------|---------------|---------------|
| Selling expenses                        | (0.53)        | (0.82)        |
| Other operating income                  | 0.02          | 0.11          |
| <b>Operating profit</b>                 | <b>3.30</b>   | <b>5.62</b>   |
| <b>Margins (Operating Profit/Sales)</b> | <b>40,62%</b> | <b>43,48%</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.

|                                     | <b>June 2026</b> | <b>June 2025</b> |
|-------------------------------------|------------------|------------------|
| Gross margin (Gross profit / Sales) | 53,8%            | 53,5%            |
| EBITDA / Sales                      | 53,3%            | 51,9%            |
| EBT / Sales                         | 40,6%            | 43,5%            |
| Net profit / Sales                  | 36,6%            | 39,0%            |
| Net profit / Shareholder's equity   | 8,7%             | 16,2%            |

#### **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.

|                                      | <b>30/06/2026</b> | <b>30/06/2025</b> | <b>31/12/2025</b> |
|--------------------------------------|-------------------|-------------------|-------------------|
| Total liabilities / Equity           | 24,8%             | 38,8%             | 4,8%              |
| Current assets / Total assets        | 59,5%             | 60,8%             | 55,5%             |
| Current assets / Current liabilities | 3,0x              | 2,2x              | 12,3x             |

### **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.

| <b>Amounts in million euro</b>            | <b>30/06/2026</b> | <b>30/06/2025</b> |
|-------------------------------------------|-------------------|-------------------|
| Cash flows from operating activities, net | 2.82              | 2.35              |
| Cash flows from investing activities, net | (2.02)            | 1.75              |
| <b>Free cashflows</b>                     | <b>0.79</b>       | <b>4.10</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**

While the majority of trading volume in 2026 remains directed toward China—where market demand has temporarily slowed—the Company’s management remains confident in its financial stability, backed by the following factors:

- **High-Quality, Long-Standing Client Base:** The Company maintains solid, long-term relationships with established key buyers in China who demonstrate strong financial reliability, ensuring that third-party commercial risk remains minimal.
- **Secured Commercial Terms:** Third-party transactions are structured under highly secure settlement mechanisms—primarily advance payments and confirmed Letters of Credit (LCs)—effectively shielding the Company from external credit and default risks.

- **Intercompany Receivables Framework:** A significant portion of total outstanding receivables is held with the Parent Company. Management continuously monitors this position and foresees no collection or impairment risk, as these balances represent structured internal group funding aligned with the Group's overall liquidity management and strategic cash planning.

Overall, since credit exposure is secured for the reasons mentioned above, the operational challenge is strictly confined to top-line market demand. The Company retains sufficient liquidity to support its operations and meet debt obligations. The Company's objectives and policies for managing capital, credit risk, and liquidity risk remain consistent with those detailed in its annual financial statements.

**5.3 BORROWINGS** The current borrowings represent financial leasing obligations, which the Company is repaying regularly and timely.

#### **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 2026, the Company was employing a total of 278 persons (30 June 2025: 280 persons; 31 December 2025: 275 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**

In accordance with the Decision of the Meeting of Shareholders number 02-2380/5 of May 28, 2026, part of the profit from the year 2025 in the amount of €7,498,973 is distributed for the payment of dividends. The gross dividend per ordinary share was set at €1.60.

In the period ending June 30, 2026, the Company paid dividends to its minority shareholders in a total net amount of €721,474 and €80,094 in tax on dividends paid.

## 7. TRANSACTIONS WITH RELATED PARTIES

| 30 June 2026                            | Receivables      | Payables         | Revenues         | Expenses       |
|-----------------------------------------|------------------|------------------|------------------|----------------|
| Stone Works Holding Coöperatief U.A     |                  |                  |                  |                |
| Netherlands                             | -                | 6,692,621        | -                | -              |
| Pavlidis SA Marble-Granite Drama Greece | 8,067,788        | 86               | 2,351,570        | 67,362         |
| Key management remuneration             | -                | -                | -                | 186,733        |
|                                         | <b>8,067,788</b> | <b>6,692,707</b> | <b>2,351,570</b> | <b>254,095</b> |

## 8. BRANCHES

At 30 June 2026 there are no branches of representative offices.

## 9. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the reporting period, in response to the macroeconomic pressures and lower project demand described above, the Company initiated measures to optimize its operational cost structure and align capacity with current market conditions. Consequently, production activities were temporarily scaled back to prioritize existing inventory utilization, while workforce levels were adjusted downward by approximately 10%, primarily through the natural expiration of fixed-term employment contracts.

Management considers these post-balance sheet actions essential to preserving liquidity and maintaining operational efficiency. The Company remains fully prepared to resume standard production volumes as market demand and order activity recover.

## 10. PROSPECTS FOR THE REST OF THE YEAR

The Management of the Company is actively working on maintaining stability and readiness for the upcoming period through the following steps:

- Closely monitoring the developments and shifts in the Chinese market as our key strategic focus, in order to swiftly adjust business operations and delivery dynamics in line with its recovery.
- Continuing to optimize and reduce operating expenses (such as the already achieved 30% reduction in external service costs).
- Maintaining a low debt level and high liquidity, which ensures the Company's stability and resilience amidst global challenges.

Prilep, September 30, 2026

The CHAIRMAN OF THE BOARD  
 Lazaros Pantelidis