Half-year Report of the Board of Directors

HALF YEAR REPORT OF THE BOARD OF DIRECTORS
ON THE FINANCIAL STATEMENTS OF THE PERIOD 01/01/2015 – 30/06/2015

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**") operates according to the Trade Laws (Gazette of RM no. 28/96) of the Republic of 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 FIRST SEMESTER 2015

- Mr. Ilias Rigopoulos, CEO and member of the Board of Directors, resigned effective 01/04/2015. The ordinary General Assembly of 12/06/2015 has elected Mr. Georgi Dimitrov as new member of the Board.

- On 17/06/2015, the new Board of Directors was incorporated. Mr. Georgi Dimitrov was elected as Chairman of the Board and Mr. Theodoros Malfas was elected as CEO.

- The Company underwent external audit and maintained its ISO 9001:2008 certification.

3. HALF YEAR 2015 OPERATING PERFORMANCE

- The turnover for the period decreased by 19.0% compared to the corresponding 2014 period due to lower average quality of excavated material and a lower demand of factory products. The gross profit was at 57.7% of the turnover, down from 59.8% in the corresponding 2014 period. As a result, in absolute numbers, the gross profit dropped to €4.4 million or 21.9% lower than in 2014 (€5.6 million). The reduced gross margin is attributed to reduced turnover.

- The total administrative and sales expenses for the period displayed a decrease by 25.0%, mainly thanks to a reduction in the customer discounts (No charge, vs. € 0.5 million in 2014).

- As a result, the company registered operating profit before interest and taxes ("EBIT") of €2.9 million versus €3.8 million in 2014.

- The earnings before tax, interest, tax and depreciation ("EBITDA") for 2015 dropped to €4.3 million vs. €5.1 million in 2014.

- Earnings after tax ("EAT") was €2.5 million, significantly lower than the corresponding figure of 2014 (€3.6 million). In addition to the reduced operating profit, this was also due to the fact that, according to a law change, 2015 profit was taxed (at €261k), whereas in the corresponding period of 2014, non-distributed profit was not taxable. As a result, the net earnings per share ("EPS") were at €0.54 vs. €0.78 in 2014.

- Total bank loans as of 30 June 2015 were at €4.1 million, down from €5.1 million on 31 December 2014 (30 June 2014: €5.7 million), i.e. a drop of €1.0 million from December 2014 was registered.

- Equity was at €15.6 million on 30 June 2015, decreased by €2.2 million in comparison to 31 December 2014 (€17.8 million) mainly due to distribution of dividends.

4. FINANCIAL STATUS OF THE COMPANY (FINANCIAL RATIOS)

	30/06/2015	**30/06/2014**	**31/12/2014**
EAT / Sales	33.7%	38.6%	36.0%
EAT / Shareholder's equity	16.3%	20.1%	38.4%
Total liabilities / Equity	61.0%	44.2%	35.5%
Bank loans / Equity	26.5%	31.7%	28.5%
Net Debt/ Equity	3.2%	23.6%	18.2%
Current assets / Total assets	48.5%	43.2%	41.9%
Current assets / Current liabilities	1.6x	2.7x	3.0x
EBITDA / Finance cost (net)	34.1x	24.0x	25.1x

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

During a period of intensified economic crisis in Greece and an increased risk of a potential exit of Greece from the Eurozone, which would require the introduction of a new currency, the Company continued trading with some of its major customers who operate out of Greece but most of their trade is directed to exports. On the other hand, the Company's management has minimized credit exposure to Greek customers, and most of the trade is conducted on a cash basis.

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 bank guarantees and cash deposits. Credit quality of trade receivables as at 30 June 2015 is considered to be good.

- The Company's major customers have not experienced financial difficulties, while they operate on a global market.

5.3 BORROWINGS

The Company cooperates for its financing with Komercijalna Banka A.D., a local bank, and its loan contracts are mostly 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 or 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.

5.5 PERSONNEL

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

On 30 June 2015, the company was employing a total of 337 persons (331 persons on 31 December 2014).

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

The General Assembly of the shareholders decided on 12/06/2015 to distribute as dividend earnings of 2014 for the amount of €0.85 per share (gross).

7. TRANSACTIONS WITH RELATED PARTIES

	Receivables	Payables	Revenues	Purchases	Cash
30/06/2015					
Stone Works Holding Cooperatief U.A. Netherlands	-	-	-	200,405	-
Castleblock Limited Nicosia Cyprus	122,298	1,223	122,508	1,225	-
NBGI Private Equity Limited London	-	-	-	-	-
Stopanska Banka AD Skopje	-	-	-	-	6,696
Key Management remuneration	-	-	-	270,554	-
	122,298	**1.223**	**122.508**	**472,184**	**6,696**

8. BRANCHES
The Company, in addition to its headquarters, has a representative office in Athens.

9. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE
After 30 June 2015 until the approval of these interim financial statements, there are no materially significant events adjusting the interim financial information or events that are materially significant for disclosure in this interim financial information.

10. PROSPECTS FOR THE REST OF THE YEAR
Unless a reversal of the quarry excavation quality and factory product demand takes place, the results for the second semester of 2015 are not expected to exceed those of the first half of the year.

Prilep, August 25, 2015

The
CHAIRMAN OF THE BOARD

Georgi Dimitrov