

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 OF THE PERIOD 01/01/2015 – 31/12/2015

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 31/12/2015. The financial statements were prepared according to the International Financial Reporting Standards.

1. GENERAL

MERMEREN KOMBINAT AD-Prilep (the “**Company**”) operates according 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 YEAR 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. 2015 OPERATING PERFORMANCE

- The turnover for the period decreased by 14.3% compared to 2014 due to lower average quality of excavated material and a lower demand of factory products. The gross profit was at 54.5% of the turnover, down from 56.6% in 2015. As a result, in absolute figures, the gross profit dropped to €8.9 million or 17.5% lower than in 2014 (€10.8 million). The reduced gross profit is mainly attributed to reduced turnover.
- The total administrative and sales expenses for the period displayed a decrease by 13.9% 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 €5.7 million versus €7.2 million in 2014 (-20.8%).

- The earnings before interest, tax, depreciation and amortisation (“EBITDA”) for 2015 dropped to €8.4 million vs €9.9 million in 2014 (-15.2%).
- Earnings after tax (“EAT”) was €4.9 million, 28.7% lower than the corresponding figure of 2014 (€6.9 million). It is noted that this year, an income tax of €0.6 million was calculated vs. no tax in 2014. Net earnings per share (“EPS”) dropped to €1.04 from €1.46 in 2014.
- Total bank loans as at 31 December 2015 were at €3.3 million, down from €5.1 million on 31 December 2014, i.e. a drop of €1.8 million from December 2014 was registered.
- Equity rose to €18.0 million on 31 December 2015, increased by €0.2 million in comparison to 31 December 2014 (€17.8 million).

4. FINANCIAL STATUS OF THE COMPANY (FINANCIAL RATIOS)

	31/12/2015	31/12/2014
EAT / Sales	30.0%	36.0%
EAT / Shareholder’s equity	27.1%	38.4%
Total liabilities / Equity	31.0%	35.5%
Bank loans / Equity	18.8%	28.5%
Net Debt/ Equity	0.6%	18.2%
Net Debt/ EBITDA	0.0x	0.3x
Current assets / Total assets	47.4%	41.9%
Current assets / Current liabilities	2.5x	3.0x
EBITDA / Finance cost (net)	33.1x	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

In 2015, the company further diversified its client base, a policy expected to be continued in the future.

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

Assets		2015	2014
Cash and cash equivalents	EUR	3,111,058	1,719,498
Trade receivables – foreign debtors	EUR	958,043	1,694,953
Trade receivables – foreign debtors	USD	82,800	77,280
		4,151,901	3,491,731
Liabilities			
Trade payables – foreign suppliers	EUR	(134,307)	(158,010)
Trade payables – foreign suppliers	USD	(709)	(71,740)
Trade payables – foreign suppliers	GBP	(30,218)	(7,653)
Trade payables – foreign suppliers	SEK	-	(15,084)
Borrowings	EUR	(2,765,797)	(3,975,165)
		(2,931,031)	(4,227,651)

Foreign currency sensitivity analysis

	Net amount	+1%	+5%	-1%	-5%
31 December 2015					
EUR	1,168,998	11,690	-	(11,690)	-
USD	82,091	-	4,105	-	(4,105)
GBP	(30,218)	-	(1,511)	-	1,511
Gain or (loss)	1,220,870	11,690	2,594	(11,690)	(2,594)
31 December 2014					
	Net amount	+1%	+5%	-1%	-5%
EUR	(787,559)	(7,856)	-	7,856	-
USD	74,175	-	3,709	-	(3,709)
GBP	(7,653)	-	(383)	-	383
SEK	(15,084)	-	(754)	-	754
Gain or (loss)	(736,121)	(7,856)	2,572	7,856	(2,572)

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

	2015	2014
	in Euro	in Euro
Assets		
Non – interest bearing:		
Trade and other receivables	975,907	1,718,909
Cash and cash equivalents	1,529	1,249
	977,436	1,720,158
With fixed interest rate		
Investments in government bonds	-	-
Cash and cash equivalents	3,274,811	1,826,074
	3,274,811	1,826,074
Total Assets	4,252,247	3,546,232
Liabilities		
Non – interest bearing:		
Trade and other payables	1,334,702	1,077,299
	1,334,702	1,077,299
With fixed interest rate:		
Borrowings	26,327	43,451
	26,327	43,451
With floating interest rate:		
Borrowings	3,354,465	5,036,721
	3,354,465	5,036,721

The nominal interest rate is based either on Euribor or Eurolibor plus 4.0%

Interest rate sensitivity analysis	Net amount in Euro	+2%	-2%
31 December 2015			
Borrowings with floating interest rate	(3,354,465)	(67,089)	67,089
31 December 2014			
Borrowings with floating interest rate	(5,036,721)	(100,734)	100,734

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 2015, the company was employing a total of 351 persons (329 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 part of the profit of the Company for the year 2014 for the amount of €1.00 per share. Out of this, the gross amount of the advance payment of dividend out of the profit earned in 2014, paid in December 2014 was deducted, which represents €0.15 per share. Therefore, the net amount of €0.85 per share was actually paid.

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

7.1. 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	
	Currency	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.

7.2. RESTRICTIONS ON TRANSFER OF SHARES OF THE COMPANY

There are no restrictions on transfer of shares.

7.3. IMPORTANT DIRECT/ INDIRECT HOLDINGS

On 31/12/2015, the following shareholders held more than 5% of the total voting rights of the Company:

	<u>Number</u>	<u>Nominal value</u>	<u>%</u>
<i>Stone Works Holdings Cooperatief U.A. Netherlands</i>	4,143,357	4,143,357	88.40
<i>Piraeus Bank S.A.(see Note)</i>	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.

7.4. SHARES PROVIDING SPECIAL CONTROL RIGHTS

There are no shares which confer special rights

7.5. RESTRICTIONS ON VOTING RIGHTS

There are no restrictions on voting rights.

7.6. 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.

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

Not applicable.

7.8. 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.

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

There is not any such agreement.

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

There is not any such agreement.

7.11. COMPOSITION OF THE BOARD OF DIRECTORS

Mr. Ilias Rigopoulos, CEO and member of the Board of Directors, resigned on 01/04/15. The Ordinary General Assembly of the shareholders of 12/06/2015 decided the election of Mr. Georgi Dimitrov as member of the Board. Likewise, The Extraordinary General Assembly of the shareholders of 22/10/2015 decided the election of Mr. Bojidar Matchev as member of the Board which after the above changes, has the following composition:

Executive members: Theodoros Malfas and Jasna Azhievska - Petrusheva

Non-executive members: Georgi Dimitrov, Mark Richard Jacobson and Ventseslav Avramov

Independent non-executive member: Bojidar Matchev.

The Board has been established as body as follows:

1. Georgi Dimitrov, non-executive member, Chairman of the Board
2. Mark Richard Jacobson, non - executive member
3. Ventseslav Avramov, non- executive member
4. Theodoros Malfas, executive member, CEO

5. Jasna Azhievskva – Petrusheva, executive member
 6. Bojidar Matchev*, independent non – executive member

*: Mr. Bojidar Matchev resigned on 23/02/16.

8. TRANSACTIONS WITH RELATED PARTIES

	Receivables	Payables	Revenues	Purchases	Cash
31/12/2015					
Stone Works Holding Cooperatief U.A. Netherlands	-	-	-	400,365	-
Castleblock Limited Nicosia Cyprus	-	-	122,546	1,448	-
NBGI Private Equity London	131,102	67,549	131,070	67,699	-
Stopanska Banka AD Skopje	-	-	-	-	6,664
Key Management Remuneration	-	-	-	471,942	-
	131,102	67,549	253,616	941,454	6,664

	Receivables	Payables	Revenues	Purchases	Cash
31/12/2014					
Stone Works Holding Cooperatief U.A. Netherlands	-	-	-	400,475	-
Castleblock Limited Nicosia Cyprus	-	-	928,952	9,073	-
NBGI Private Equity London	156,026	68,432	155,668	71,588	-
Stopanska Banka AD Skopje	-	-	-	-	6,768
Key Management Remuneration	-	-	-	448,241	-
	156,026	68,432	1,084,620	929,377	6,768

9. BRANCHES

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

10. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

- On 02/02/16, National Bank of Greece, the ultimate owner of Stone Works Holdings Coöperatief U.A. through funds managed by its subsidiary NBGI PE Limited, issued an announcement, releasing inter alia the following information: "National Bank of Greece S.A. ("NBG" or the "Bank") entered into a definitive agreement to sell 100% of its interests in eleven Limited Partnerships (the "Funds") held directly or indirectly by NBG and managed by NBGI PE Limited ("NBGI PE") (the "Transaction") to funds managed by Deutsche Bank Private Equity ("DBPE") and Goldman Sachs Asset Management ("GSAM") (hereafter collectively referred to as "the Buyers").

The management responsibility of the Funds and underlying investments will continue to be performed by the current management team along with others persons appointed by the Buyers, under a new management vehicle created expressly therefore.

Closing of the Transaction is expected within the first semester of 2016, subject to the approval from the Financial Conduct Authority (FCA), and antitrust and competition authorities."

11. PROSPECTS FOR THE NEW YEAR

2016 is expected to be a period of positive operational and financial performance.

12. 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 one regular meeting during the year 2015. It was held on June 12, 2015 on which the shareholders voted for and approved (1) the annual accounts and annual operating report for the 2014 financial year; (2) the allocation of the net result; (3) the adoption of the internal auditor's report for 2014; (4) the appointment of the authorized auditor for the Financial Statements of 2015; (5) the election of one non-executive members of the Board of Directors.

It held another one extraordinary meeting on October 22, 2015 in which it elected one independent non-executive member of the Board of Directors.

It should be noted that in 2015 the Company did not conclude any major transactions 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 regularly 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 2015.

Prilep, March 14, 2016

The
CHAIRMAN OF THE BOARD

Georgi Dimitrov