

ANNUAL REPORT

on the Operation of Makstil AD – Skopje¹ for the year 2023

1. Circumstances under which the Company pursued its business activity in the course of the year 2023

The last 2023 was a year of recovery for the global steel industry. Steel demand has started to grow in Turkey, Europe, the United States and Brazil. Regional conflicts, inflation, and financial requirements for the transition to a low-carbon economy remain the main challenges. Steel producers will continue to play a key role in the European Union's "Fit for 55" plan to cut greenhouse gas emissions by 55% by 2030.

Makstil, as a significant regional producer of hot rolled plates, continuously follows global trends, adjusts its business operations and manages to respond promptly to the current steel demand.

During the period January - December 2022, Makstil achieved positive financial results as stated in the unaudited individual financial statements.

The realized production of hot rolled plates in 2023 in the production plant Plate Mill amounts to 300,009t, which compared to 303,288t in the same period of 2022 constitutes an decrease of approximately 1%, while relative to the determined production plan for 2023 (293.572t) it constitutes an increase of approximately 2%. The realized production of own steel semi-finished products, steel slabs, amounts to 296,023t during the reporting period, which compared to 247.166t in 2022 constitutes a increase of 19%, while relative to the planned annual production (175.000t) it also constitutes a increase of 18%.

Table 1 Production of slabs and plates (quantity expresses in tonnes)

Production in tonnes	2023	2022
Production of slabs	296,023	247,166
Production of plates	300,009	303,288

The output of hot-rolled steel plates expressed in quantitative indicators amounts to 305,367t, which compared to 278,193t of the same period in the previous year constitutes an increase of 9%.

¹ This Annual Report on the Operation pertains to Makstil AD – Skopje (hereinafter referred to as: "Makstil").

Table 2 Output of plates (quantity in tonnes)

Output of plates in tonnes	2023	2022
Agreement on processing	82.595	192,034
Direct sales	222.772	86,159
Total output	305.367	278,193

In the course of the entire year, operating revenues were generated in the amount of MKD 8.44 billion, of which the share of sales revenues as a carrying item in the total revenues structure is as high as 98%. Compared to the same period of 2022, the generated operating revenues (11.25 billion) are lower by 25%. The decreased revenues were primarily due to a decrease in the selling prices of our finished product as well as the ratio between Makstil direct sales and processing contracts.

Table 3 Generated sales revenues

	(in MKD 000)	
Generated revenues from direct sales and revenues from processing	2023	2022
Revenues from direct sales	4,832,944	7,017,416
Revenues from processing	3,364,989	4,034,231
Total revenues	8,197,933	11,051,647

Realized expenses during 2023 amounted to 7.59 billion denars, of which production costs are the main item and in the structure of total expenses they participate with 92%. Compared to 2022, the operating expenses (9.64 billion denars) are lower by 22%, which is mainly due to the reduction of energy costs, primarily electricity and natural gas, and input materials during this period.

Profit before tax and net profit

Table 4. Profit

	(Во 000 Ден.)		
Net profit	2023 amount	2022 Amount	Index 23/22
Net profit	355,552	1,077,236	33
Profit before tax	402,793	1,200,763	33



The profit before taxation in the reporting period is 402 million denars and is three times lower than the one achieved in 2022, while the net profit is 355 million denars, three times lower than the one achieved last year. The decrease in profit is largely due to the mandatory payment of the solidarity tax in the amount of 257 million denars, which was calculated in September 2023 and which does not result from the company's operations. In addition, the decrease in profit during this accounting period compared to the one achieved during the same period last year is also due to the lower selling prices of the finished product compared to the prices in 2022.

The accounting policies and methods for the evaluation of the line items in the financial statements of Makstil AD did not undergo any changes in the course of 2023.

2. Composition and manner of operation of the Company bodies

In 2023, Makstil pursued its activities via the following Company bodies: the Shareholders' Assembly, the Board of Directors and the Investment Committee.

2.1. Shareholders' Assembly of the Company

As at 31.12.2023, the Company has a total number of 5,138 shareholders. The Shareholders' Assembly, within the competencies thereof, performs all activities stipulated in the legal regulations and the Statute of the Company. During the reporting year, the Shareholders' Assembly held one meeting on 31.05.2023. At the meeting, the Shareholders' Assembly, adopted the financial statements of Makstil AD Skopje for the year 2022, audited by the audit company PwC (PricewaterhouseCoopers), it adopted the Annual Accounts and the Annual Report of the Company for the year 2021, it reviewed and adopted all the reports and proposed materials pertaining to the operation of the Company in 2022 and it adopted a Decision on the appointment of an audit company for the year 2023, a Decision on the approval of the operation and the management of the operation of the Company by the members of the Board of Directors for the year 2022, a Decision on the distribution of the profit and a Decision on the adoption of the Annual Report of the Internal Audit Department for the year 2022.

2.2. Board of Directors and Committees

Data on the committees of the Company, including their membership and activities, the number of held meetings and the presence of each committee member at the meetings:

Board of Directors Chart			
Name and surname	Gender	Independent	Presence
Dimitar Cvetkovski	Male	No	12 (twelve) meetings of the Board of Directors
Marija Dukovska - Pavlovska	Female	No	7 (seven) meetings of the Board of Directors
Petar Janeski*	Male	No	7 (seven) meetings of the Board of Directors
Aleksandra Miskovska	Female	Yes	7 (seven) meetings of the Board of Directors
Pietro Moschetti	Male	Yes	7 (seven) meetings of the Board of Directors
Alessandro Casale	Male	No	5 (five) meetings of the Board of Directors
Louis Christian Carstens	Male	No	7 (seven) meetings of the Board of Directors
Stefano Gramigna	Male	No	7 (seven) meetings of the Board of Directors

Investment Committee Chart			
Name and surname	Non-executive member of the BoD or external member	Independent	Presence
Louis Christian Carstens	Non-executive member of the BoD	No	8 (eight) meetings of the Investment Committee
Pietro Moschetti	Non-executive member of the BoD	No	8 (eight) meetings of the Investment Committee
Marija Dukovska - Pavlovska	Executive member of the BoD	No	8 (eight) meetings of the Investment Committee
Petar Janeski	Executive member of the BoD	No	8 (eight) meetings of the Investment Committee
Giuseppe Pralongo	External member	Yes	2 (two) meetings of the Investment Committee

2.3. Fees of the Board of Directors

In the course of 2023, the operation of the Company was managed by 2 (two) Executive Members of the Board of Directors and 6 (six) Non-Executive Members of the Board of Directors.

The monthly fee – salary of the Executive Members of the Board of Directors is determined in their respective Managerial Contract. During the reporting year, 2 (two) Executive Members of the Board of Directors were paid a gross amount of a total of MKD 14,8 million based upon salary, salary supplements, insurances and other entitlements, from which 14,47 million MKD on the basis of calculated income on the basis of salary and 319 thousand denars on the basis of other allowances.

In addition, 2 (two) Non-Executive Members of the Board of Directors were paid a gross amount of fees for the membership in the Board of Directors amount of MKD 800 thousand.

As regards the remuneration of 6 (six) Non-Executive Members of the Board of Directors who are not employed at Makstil AD – Skopje no data are available due to the applicable rules regarding their remuneration.

Additional information on the financial operation of Makstil, the operating and accounting policies, as well as other relevant data pertaining to the finance sources of the Company, the policy on the treatment of the long-term debt in terms of the principal capital and the policy on the management of the currency, liquidity and credit risk, are comprised in the Financial Statements of Makstil for the year ended on 31st December 2023.

3. Large transactions and transactions with an interested party

Pursuant to the Law on Trade Companies, Makstil AD – Skopje did not execute any large transactions or transactions with an interested party in the course of 2023. The data on the transactions with an interested party are set out in detail in the Financial Statements of Makstil for the year ended on 31.12.2023.

4. Investments, Research and Development

In the course of the year, new investments were made in the Steel Shop plant, where the casting machines were modernized and the systems for movement at a height were reconstructed whereby the safety was improved, as well as in the Plate Mill plant, where compressed air installations were installed, the plate transport system was reconstructed and regular general maintenance of the equipment was conducted. The investment amount reached MKD 232.7 million in 2023. Makstil also adopted a mid-term plan for investment activities, according to which a part of the activities have already commenced and the value of the foreseen funds for this purpose has been planned to amount to EUR 12.8 million.

5. Corporate social responsibility

The concept of socially responsible operation is firmly integrated in the Company's business policy. At Makstil, corporate social responsibility has been adopted as an exceptionally important corporate value.

By implementing significant programme contents and project activities, Makstil aims to meet the demands of the employees, the vendors, the customers, as well as the wider social community, thereby preserving its goodwill and enhancing its reputation.

Experience, dedication and an open cooperation with the institutions and the individuals from society contributed to the development of a company that assumes social and corporate responsibility, providing support to individuals and institutions and ensuring the development of a normal and healthy environment in which every individual has equal rights and opportunities. The active support that the Company is providing to society is also evidenced by the various sponsorship and donation activities undertaken by the Company for the benefit of culture, sports, education and health.

The strategic objective in terms of the social responsibility of the Company is to foster and inspire a socially responsible behaviour by building proactive and mutually beneficial relations with the market, the employees, the community and the environment, which shall surpass their expectations and yield a perception of the Company as a highly conscientious company.

At Makstil, last year, also the Occupational Safety and Health System – ISO 45001 was introduced, whereby once again the Company affirmed its commitment to prevent and reduce any injuries at the workplace, as well as improve the working conditions of its employees. Furthermore, in May 2023, a successful check-up was conducted pursuant to the MKC EN 13242 standard, wherein the electric arc furnace slag was acknowledged as a product for an artificial aggregate that may be used in construction. In the course of last year, in November and December, verification was performed of ISO 9001 – the standard related to quality management and a successful verification was conducted regarding the ISO 14001 Certificate – the standard related to environmental management, as well as ISO 50001 – the standard related to energy management.

6. Statement of compliance with the corporate management code

Makstil, as a company listed on the official stock exchange market of Macedonian Stock Exchange Inc., in the sub-segment 'stock listings - regular shares', is continuously committed to applying the best corporate management practices and it strives to meet high requirements and standards on ethical and business conduct on the part of the managers and the employees at the Company, including also the members of the BoD.

Its corporate management relies on principles that guarantee the rights and interests of the shareholders, ensure high transparency of the ownership structure, a fair delegation of authority, regular and efficient controls and audits, compliance with the laws and the ethical standards and practices, as well as independence and objectivity.

The primary goal of the Company is a completely harmonized application of the practices prescribed in the Corporate Management Code of joint stock companies listed on the Macedonian Stock Exchange, wherein the Board of Directors of the Company has given a Statement of Compliance with the Corporate Management Code, enclosed as Annex 1 with the Annual Report on the Operation of the Company.

Over the forthcoming period, our greatest challenge remains to be the tackling of the energy crisis, the increased inflation, as well as the difficulties related to the transport and the logistics.

Despite dealing with all these challenges, the Company is still managing to undertake all activities required for achieving the targets set. During last year, the main company focus was once again placed on the employees, the improvement of the working conditions, as well as increasing their safety, thereby reducing the number of injuries at the workplace. In 2023, there was an upward adjustment of the salaries of all employees and a holiday allowance was paid in the maximum amount. Furthermore, there was no lack of creation of positive changes in the local and the wider social community – multiple projects of social interest were supported in the sphere of education and sports.

Skopje, April 2023
Makstil AD Skopje

Board of Directors