

**INDEPENDENT AUDITOR'S REPORT
TO THE
SHAREHOLDERS ASSEMBLY OF
Construction Company GRANIT AD - Skopje**

Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of the Construction Company GRANIT AD - Skopje (The Company), which comprise the balance sheet as at 31.December 2009, and the income statement, statement of changes in equity and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards which are which are accepted and published in the Republic of Macedonia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting polices used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT (Continued)
TO THE
SHAREHOLDERS ASSEMBLY OF
Construction Company GRANIT AD - Skopje**

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the Construction Company GRANIT AD - Skopje as of 31.December 2009, and of its financial performance and its cash flows for the period then ended in accordance with the International Financial Reporting Standards which are which are accepted and published in the Republic of Macedonia.

Skopje, 7.April 2010

Certified Auditor

Goce Hristov

Manager

Antonio Veljanov

Construction Company GRANIT AD - Skopje
INCOME STATEMENT for the year ended at 31.December

	Note	2009 (000) MKD	2008 (000) MKD
Revenues from construction works	8	3,266,068	2,881,446
Other operating income	9	611,320	720,895
Changes in inventories of finished goods and work in progress		65,002	96,659
Raw materials used	10	(1,177,509)	(1,224,754)
Employees expenses	11	(682,020)	(592,103)
Depreciation		(254,549)	(230,978)
Other operating expenses	12	<u>(1,615,321)</u>	<u>(1,542,796)</u>
OPERATING PROFIT (LOSS)		212,991	108,369
Financing income	13	80,739	216,173
Income from investments	14	91,605	139,152
Financing expenses	15	<u>(36,786)</u>	<u>(32,321)</u>
PROFIT BEFORE TAXATION		348,549	431,373
Income tax expense	18	(11,626)	(37,547)
NET PROFIT FOR THE PERIOD		<u>336,923</u>	<u>393,826</u>
Basic earnings per share (In MKD)	16	<u>114</u>	<u>134</u>

Skopje, March 2010

**For the Steering Committee
President**

Straso Milkovski

Construction Company GRANIT AD - Skopje
BALANCE SHEET as at 31.December

	Note	2009 (000) MKD	2008 (000) MKD
ASSETS			
Cash and cash equivalents	19	182,075	314,823
Trade receivables	20	1,458,098	1,251,662
Receivables for advances	21	25,990	100,279
Short-term loans	22	3,602	3,912
Other short term assets	23	3,269	10,436
Inventories	24	875,982	787,950
Total current assets		2,549,016	2,469,062
Investments in subsidiaries and associates	25	51,446	85,840
Investments available-for-sale	26	3,779	3,847
Long-term loans	27	28,132	1,031
Intangible assets	28	9,231	6,079
Property, plant and equipment	29	2,794,778	2,525,061
Total non-current assets		2,887,366	2,621,858
TOTAL ASSETS		5,436,382	5,090,920
LIABILITIES AND EQUITY			
Trade payables	30	1,241,735	1,099,515
Payables for advances	31	268,580	332,335
Short-term borrowings	32	251,037	223,000
Current portion of long-term borrowings	33	227,191	161,470
Other short-term liabilities	34	134,665	170,544
Total current liabilities		2,123,208	1,986,864
Long-term borrowings	35	301,317	343,579
TOTAL LIABILITIES		2,424,525	2,330,443
Shareholders capital		932,367	932,367
Treasury shares		(62,164)	(62,164)
Share premium		51,895	51,895
Legal reserves		1,540,091	1,231,808
Revaluation reserves		13,051	13,051
Fair value of investments available-for-sale		-	-
Retained earnings		536,617	593,520
TOTAL EQUITY		3,011,857	2,760,477
TOTAL LIABILITIES AND EQUITY		5,436,382	5,090,920

Construction Company GRANIT AD - Skopje
CASH FLOW STATEMENT for the year ended at 31.December

	Note	2009 (000) MKD	2008 (000) MKD
Cash flows from operating activities			
PROFIT (LOSS) BEFORE TAXES		348,549	431,373
Adjusted for:			
Depreciation	29	252,357	229,599
Amortization of intangible assets	28	2,192	1,379
Provision on bad receivables	12	85,922	28,892
Income from investments in subsidiaries	14	(84,697)	(139,152)
Interest income (expenses), net	13;15	(43,217)	(180,227)
Income from write-off payables		(14,698)	(49,563)
Provision and write-off investments		68	896
Gain from disposal of investments in subsidiaries		(6,908)	-
Gain from disposal of PPE	9;12	(6,036)	(15,804)
Profit (loss) before changes in current assets		533,532	307,393
Trade receivables		(288,183)	94,300
Receivables for advances		74,289	(6,415)
Other short term assets		190	8,009
Inventories		(88,032)	46,678
Trade payables		156,918	50,330
Payables for advances		(63,755)	(96,849)
Other short -term liabilities		(37,410)	53,721
Net cash used in operations		287,549	457,167
Interest paid		(29,525)	(25,510)
Income tax paid		(8,556)	(44,172)
Net cash flows from operating activities		249,468	387,485
Cash flows from investing activities			
Collected (given) short-term loans	22	310	(569)
Investments in related parties		-	(1,839)
Received dividends	14	99,999	60,990
Proceeds from disposed investments	26	21,825	-
Received interest	13	72,742	205,737
Collected (given) long-term loans	27	(27,101)	362
Acquisition of intangible assets	28	(5,388)	(1,949)
Acquisition of PPE	29	(311,216)	(373,856)
Proceeds from disposed PPE	29	7,716	16,453
Net cash flows from investment activities		(141,113)	(94,671)

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Construction Company GRANIT AD - Skopje
CASH FLOW STATEMENT for the year ended at 31.December (Continued)

	Note	2009 (000) MKD	2008 (000) MKD
Cash flows from financing activities			
Proceeds (repayment) of long-term borrowings	35	(189,035)	(98,318)
Proceeds (repayment) of short-term borrowings	32	28,037	6,000
Acquisition of treasury shares		-	-
Disposal of treasury shares		-	-
Dividends paid		(62,328)	(62,707)
Rewards paid		(17,777)	(13,620)
Net cash flows from financing activities		(241,103)	(168,645)
Net increase (decrease) of cash and cash equivalents		(132,748)	124,169
Cash and cash equivalents at the beginning of the year	19	314,823	190,654
Cash and cash equivalents at the end of the year	19	182,075	314,823

Construction Company GRANIT AD - Skopje

STATEMENT OF CHANGES IN EQUITY for the year ended at 31.December 2009 and 2008

	Ordinary shares		Treasury shares		Share premium	Reserves (legal and from reinvested income)	Reserves for treasury shares	Revaluati on reserve	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount						
In (000) MKD										
a) Changes in 2008										
Balance as at 01.01.2008	3,071,377	932,367	(125,037)	(62,164)	51,895	863,836	100,000	13,051	477,792	2,376,777
Profit for the period	-	-	-	-	-	-	-	-	393,826	393,826
Part of retained earnings to legal reserves	-	-	-	-	-	217,972	-	-	(217,972)	-
Dividends	-	-	-	-	-	-	-	-	(67,999)	(67,999)
Rewards to management	-	-	-	-	-	-	-	-	(12,167)	(12,167)
Part of retained earnings for acquisition of treasury shares	-	-	-	-	-	-	50,000	-	(50,000)	-
Gains from previous years according tax controls	-	-	-	-	-	-	-	-	70,040	70,040
Balance as at 31.12.2008	3,071,377	932,367	(125,037)	(62,164)	51,895	1,081,808	150,000	13,051	593,520	2,760,477

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Construction Company GRANIT AD - Skopje

STATEMENT OF CHANGES IN EQUITY for the year ended at 31.December 2009 and 2008 (Continued)

	Ordinary shares		Treasury shares		Share premium	Reserves (legal and from reinvested income)	Reserves for treasury shares	Revaluati on reserve	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount						
In (000) MKD										
b) Changes in 2009										
Balance as at 01.01.2009	3,071,377	932,367	(125,037)	(62,164)	51,895	1,081,808	150,000	13,051	593,520	2,760,477
Profit for the period	-	-	-	-	-	-	-	-	336,923	336,923
Part of retained earnings to legal reserves	-	-	-	-	-	396,119	-	-	(396,119)	-
Dividends	-	-	-	-	-	-	-	-	(67,766)	(67,766)
Rewards to management	-	-	-	-	-	-	-	-	(17,777)	(17,777)
Part of retained earnings for acquisition of treasury shares	-	-	-	-	-	-	(87,836)	-	87,836	-
Balance as at 31.12.2009	3,071,377	932,367	(125,037)	(62,164)	51,895	1,477,927	62,164	13,051	536,617	3,011,857

Notes comprise an integral part of the Financial Statements

Auditors report is on pages 1 and 2