

**Construction Company  
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2015**

**Skopje, May 2016**

*These reports are translation from the official ones issued in Macedonian language*

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

**Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Construction Company GRANIT AD - Skopje ("the Company"), which comprise Consolidated Statement of Financial Position as at 31 December 2015, and the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of changes in equity and Consolidated Cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting standards which are accepted in the Republic of Macedonia and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

*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 which are accepted in the Republic of Macedonia. 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 policies 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 consolidated financial statements present fairly, in all material respects, the financial position of the Construction Company GRANIT AD - Skopje as of 31 December 2015, and of its financial performance and its cash flows for the period then ended in accordance with the accounting standards which are accepted in the Republic of Macedonia.

**Report on Other Legal or Regulatory Requirements**

The management of the Company is also responsible for preparation of the annual business report according to the article 384 from the Law on trade companies. Our responsibility, according to the Audit Law, is to report whether the annual business report is consistent with the consolidated annual accounts and the consolidated financial statements for the year ended 31 December 2015. Our job regarding the annual business report is conducted according to the ISA 720 and is restricted to reporting whether the historical financial information presented in the annual business report are consistent to the annual accounts and the audited consolidated financial statements.

The annual business report is consistent, in all material aspects, with the consolidated annual account and the audited consolidated financial statements of the Construction Company GRANIT AD - Skopje as of 31 December 2015.

Skopje, 11 May 2016

**Certified Auditor**

Goce Hristov

**Manager and Certified Auditor**

Antonio Veljanov

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

	<b>Note</b>	<b>2015 (000) MKD</b>	<b>2014 (000) MKD</b>
Revenues from construction works	8	5,217,971	4,395,560
Other operating income	9	438,839	510,120
Changes in inventories of finished goods and work in progress		27,568	(64,502)
Raw materials used	10	(1,484,082)	(1,266,126)
Employees expenses	11	(893,586)	(753,956)
Depreciation		(401,187)	(314,255)
Expenses for sub-contractors		(1,656,339)	(1,391,893)
Other operating expenses	12	(902,097)	(881,095)
<b>OPERATING PROFIT (LOSS)</b>		<b>347,087</b>	<b>233,852</b>
Financing income	13	99,039	78,406
Financing expenses	14	(21,611)	(41,575)
<b>PROFIT BEFORE TAXATION</b>		<b>424,514</b>	<b>270,684</b>
Income tax expense	17	(53,292)	(39,628)
<b>NET PROFIT FOR THE PERIOD</b>		<b>371,222</b>	<b>231,056</b>
<b>Net profit (loss) for:</b>			
Shareholders of the Parent Company		371,222	231,056
Minority shareholders in the subsidiaries		-	-
		<b>371,222</b>	<b>231,056</b>
<b>Basic earnings per share (In MKD)</b>	15	<b>127</b>	<b>78</b>

Skopje, 10 May 2016

**For the Steering Committee  
President**

**Straso Milkovski**

**Construction Company GRANIT AD - Skopje**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**for the year ended at 31 December**

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<b>Note</b>	<b>2015</b> <b>(000) MKD</b>	<b>2014</b> <b>(000) MKD</b>
<b>Net profit for the period</b>	<b>371,222</b>	<b>231,056</b>
<b>Other comprehensive income:</b>		
PPE revaluation	-	-
Revaluation of investments available for sale to their fair value	-	-
Foreign exchange differences from foreign currencies translations	11,284	6,988
<b>Total other comprehensive income</b>	<b>11,284</b>	<b>6,988</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>382,506</b>	<b>238,044</b>

**Construction Company GRANIT AD - Skopje**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31 December**

	Note	2015 (000) MKD	2014 (000) MKD
<b>ASSETS</b>			
Cash and cash equivalents	18	448,966	458,171
Bank deposits	19	-	814,200
Trade receivables	20	3,467,011	3,572,261
Receivables for advances	21	276,215	56,812
Short-term loans	22	16,058	26,513
Other short term assets and prepaid expenses	23	285,536	165,819
Inventories	24	1,169,491	1,012,719
<b>Total current assets</b>		<b>5,663,277</b>	<b>6,106,495</b>
Investments in associates	25	14,411	14,411
Investments available-for-sale	26	-	-
Long-term loans	27	201,155	201,168
Intangible assets	28	22,258	17,255
Property, plant and equipment	29	3,503,713	3,152,994
<b>Total non-current assets</b>		<b>3,741,537</b>	<b>3,385,828</b>
<b>TOTAL ASSETS</b>		<b>9,404,814</b>	<b>9,492,323</b>
<b>LIABILITIES AND EQUITY</b>			
Trade payables	30	2,404,986	2,589,294
Payables for advances and deposits	31	1,420,221	1,355,506
Short-term borrowings	32	10,000	129,296
Current portion of long-term borrowings	33	16,427	30,226
Other short-term liabilities and accrued expenses	34	556,231	610,042
<b>Total current liabilities</b>		<b>4,407,866</b>	<b>4,714,364</b>
Long-term borrowings	35	5,820	18,873
Provision for litigation claims	36c	185,335	190,723
<b>Total non current liabilities</b>		<b>191,155</b>	<b>209,596</b>
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(62,164)
Share premium		51,895	51,895
Legal reserves		1,672,544	1,543,526
Revaluation and other reserves		26,502	15,218
Retained earnings		2,270,512	2,087,451
<b>Total</b>		<b>4,805,723</b>	<b>4,568,293</b>
Non-controlling interest		70	70
<b>Total equity</b>		<b>4,805,793</b>	<b>4,568,363</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,404,814</b>	<b>9,492,322</b>

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

	Note	2015 (000) MKD	2014 (000) MKD
<b>Cash flows from operating activities</b>			
<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>424,514</b>	<b>270,684</b>
<b>Adjusted for:</b>			
Depreciation of PPE	29	380,364	303,965
Amortization of intangible assets	28	20,822	10,291
Provision of bad receivables	12	47,830	64,097
Interest income (expenses), net	13;15	(24,401)	(2,710)
Provision for litigation claims	12	(5,388)	12,226
Income from write-off payables		-	(21,175)
Other reconciliation		-	1,251
Write off of investment		-	649
Provision on bad inventories		-	21,068
Loss from disposal of subsidiary		-	98,205
Write off interest receivables		1,954	-
Other reconciliation in fixed assets		(18,728)	-
Gain from disposal of securities		3,131	4,700
Gain from disposal of PPE	9;12	(87,009)	(37,850)
<b>Profit (loss) before changes in current assets</b>		<b>743,090</b>	<b>725,400</b>
Trade receivables		68,703	1,385,202
Receivables for advances		(219,403)	1,259
Other short term assets and prepayments		(113,321)	(77,741)
Inventories		(156,773)	(136,544)
Trade payables		(184,308)	(1,032,138)
Payables for advances		64,715	803,894
Other short -term liabilities and accruals		(39,495)	(315,806)
<b>Net cash used in operations</b>		<b>163,209</b>	<b>1,353,526</b>
Interest paid		(11,031)	(43,952)
Income tax paid		(81,968)	(15,306)
<b>Net cash flows from operating activities</b>		<b>70,210</b>	<b>1,294,268</b>
<b>Cash flows from investment activities</b>			
Received interest	13	43,932	40,723
Bank deposits, net		814,200	(814,200)
Collected (given) loans	27	13	13,891
Acquisition of intangible assets	28	(25,825)	(3,135)
Acquisition of PPE	29	(835,886)	(852,262)
Proceeds from disposed PPE	29	207,409	188,824
<b>Net cash flows from investment activities</b>		<b>203,843</b>	<b>(1,426,159)</b>
<b>Cash flows from financing activities</b>			
Proceeds (repayment) of long-term borrowings	35	(26,852)	(55,814)
Proceeds (repayment) of short-term borrowings	32	(119,296)	(58,938)
Acquired treasury shares		(85,933)	-
Dividends paid		(45,728)	(45,196)
Rewards paid		(5,450)	(18,722)
<b>Net cash flows from financing activities</b>		<b>(283,259)</b>	<b>(178,670)</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>(9,205)</b>	<b>(310,562)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>18</b>	<b>458,171</b>	<b>768,733</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>18</b>	<b>448,966</b>	<b>458,171</b>

Notes comprise an integral part of the Consolidated Financial Statements

Auditors report is on pages 1 and 2



Construction Company GRANIT AD - Skopje  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY** for the year ended at 31 December

	Ordinary shares		Treasury shares		Share premium	Reserves (legal and from reinvested income)	Reserves for treasury shares	Revaluation and other reserves	Retained earnings	Non-controlling interest	Total equity
	Number of shares	Amount	Number of shares	Amount							
In (000) MKD											
<b>a) Changes in 2014</b>											
<b>Balance as at 01.01.2014</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(125,037)</b>	<b>(62,164)</b>	<b>51,895</b>	<b>1,481,362</b>	<b>62,164</b>	<b>(31,229)</b>	<b>1,965,875</b>	<b>70</b>	<b>4,400,340</b>
<b>Comprehensive income:</b>											
Profit for the year	-	-	-	-	-	-	-	-	231,056	-	231,056
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	6,988	-	-	6,988
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,988</b>	<b>231,056</b>	<b>-</b>	<b>238,044</b>
<b>Transactions with owners:</b>											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	-	-	-	-	-	-
Distribution for dividends	-	-	-	-	-	-	-	-	(47,141)	-	(47,141)
Distribution for rewards	-	-	-	-	-	-	-	-	(22,222)	-	(22,222)
Adjustments	-	-	-	-	-	-	-	-	(658)	-	(658)
Transfer of reserves from disposed subsidiary	-	-	-	-	-	-	-	39,459	(39,459)	-	-
<b>Balance as at 31.12.2014</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(125,037)</b>	<b>(62,164)</b>	<b>51,895</b>	<b>1,481,362</b>	<b>62,164</b>	<b>22,206</b>	<b>2,318,507</b>	<b>70</b>	<b>4,568,363</b>

(Continued)

**Construction Company GRANIT AD - Skopje**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended at 31 December (Continued)**

	Ordinary shares		Treasury shares		Share premium	Reserves (legal and from reinvested income)	Reserves for treasury shares	Revaluation and other reserves	Retained earnings	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount							
<b>In (000) MKD</b>											
<b>b) Changes in 2015</b>											
<b>Balance as at 01.01.2015</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(125,037)</b>	<b>(62,164)</b>	<b>51,895</b>	<b>1,481,362</b>	<b>62,164</b>	<b>15,218</b>	<b>2,087,451</b>	<b>70</b>	<b>4,568,363</b>
<b>Comprehensive income:</b>											
Profit for the year	-	-	-	-	-	-	-	-	371,222	-	371,222
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	11,284	-	-	11,284
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,284</b>	<b>371,222</b>	<b>-</b>	<b>382,506</b>
<b>Transactions with owners:</b>											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	129,018	-	-	(129,018)	-	-
Distribution for dividends	-	-	-	-	-	-	-	-	(47,143)	-	(47,143)
Distribution for rewards	-	-	-	-	-	-	-	-	(12,000)	-	(12,000)
Acquired treasury shares	-	-	(176,136)	(85,933)	-	-	-	-	-	-	(85,933)
<b>Balance as at 31.12.2015</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,610,380</b>	<b>62,164</b>	<b>26,502</b>	<b>2,270,513</b>	<b>70</b>	<b>4,805,794</b>

Notes comprise an integral part of the Consolidated Financial Statements  
Auditors report is on pages 1 and 2