

**Construction Company  
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2017**

**Skopje, May 2018**

*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 2017, 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 and published in the Official gazette of the Republic of Macedonia (79/2010). 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 2017, 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 2017. 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 2017.

Skopje, 21 May 2018

**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>2017 (000) MKD</b>	<b>2016 (000) MKD</b>
Revenues from construction works	8	5,409,531	5,996,823
Other operating income	9	325,908	471,307
Changes in inventories of finished goods and work in progress		1,315	(42,956)
Raw materials used	10	(1,382,190)	(1,572,412)
Employees expenses	11	(1,003,834)	(1,178,344)
Depreciation		(419,223)	(422,662)
Expenses for sub-contractors		(1,969,797)	(1,983,032)
Other operating expenses	12	(802,398)	(989,995)
<b>OPERATING PROFIT (LOSS)</b>		<b>159,312</b>	<b>278,730</b>
Financing income	13	29,322	58,276
Financing expenses	14	(34,932)	(23,306)
<b>PROFIT BEFORE TAXATION</b>		<b>153,702</b>	<b>313,699</b>
Income tax expense	17	(15,314)	(19,584)
<b>NET PROFIT FOR THE PERIOD</b>		<b>138,388</b>	<b>294,115</b>
<b>Net profit (loss) for:</b>			
Shareholders of the Parent Company		138,388	294,115
Minority shareholders in the subsidiaries		-	-
		<b>138,388</b>	<b>294,115</b>
<b>Basic earnings per share (In MKD)</b>	15	<b>50</b>	<b>106</b>

Skopje, 31 March 2018

**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>2017</b> <b>(000) MKD</b>	<b>2016</b> <b>(000) MKD</b>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Net profit for the period</b>		<b>138,388</b>	<b>294,115</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		(5,644)	(36,294)
<b>Total other comprehensive income</b>		<u><b>(5,644)</b></u>	<u><b>(36,294)</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>132,744</b></u>	<u><b>257,821</b></u>

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

	Note	2017 (000) MKD	2016 (000) MKD
<b>ASSETS</b>			
Cash and cash equivalents	18	517,934	381,384
Investments for trading at fair value	25	121,666	6,775
Trade receivables	19	1,800,826	2,345,548
Receivables for advances	20	584,082	180,562
Short-term loans	21	51,108	23,814
Other short term assets and prepaid expenses	22	137,674	82,018
Inventories	23	1,450,730	1,341,909
<b>Total current assets</b>		<b>4,664,020</b>	<b>4,362,010</b>
Investments in associates	24	14,411	14,411
Long-term loans	26	198,896	198,895
Intangible assets	27	17,318	19,322
Property, plant and equipment	28	3,132,728	3,369,467
<b>Total non-current assets</b>		<b>3,363,353</b>	<b>3,602,095</b>
<b>TOTAL ASSETS</b>		<b>8,027,373</b>	<b>7,964,105</b>
<b>LIABILITIES AND EQUITY</b>			
Trade payables	29	1,268,059	1,398,048
Payables for advances and deposits	30	1,261,197	1,088,087
Short-term borrowings	31	28,912	-
Current portion of long-term borrowings	32	3,117	6,368
Other short-term liabilities and accrued expenses	33	227,933	259,296
<b>Total current liabilities</b>		<b>2,789,218</b>	<b>2,751,800</b>
Long-term borrowings	34	-	-
Provision for litigation claims	35c	230,566	231,276
<b>Total non current liabilities</b>		<b>230,566</b>	<b>231,276</b>
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		1,940,369	1,809,907
Revaluation and other reserves		(15,436)	(9,792)
Retained earnings		2,246,421	2,344,679
<b>Total</b>		<b>5,007,519</b>	<b>4,980,959</b>
Non-controlling interest		70	70
<b>Total equity</b>		<b>5,007,589</b>	<b>4,981,029</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,027,373</b>	<b>7,964,105</b>

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

	Note	2017 (000) MKD	2016 (000) MKD
<b>Cash flows from operating activities</b>			
<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>153,702</b>	<b>313,699</b>
<b>Adjusted for:</b>			
Depreciation of PPE	28	408,729	411,256
Amortization of intangible assets	27	10,494	11,407
Provision of bad receivables	12	319	115,931
Interest income (expenses), net	13;15	(22,607)	(32,158)
Provision for litigation claims	12	(710)	45,942
Other reconciliation		(2,618)	(33)
Provision on bad inventories		3,331	102
Write off interest receivables		-	1,902
Other reconciliation in fixed assets		-	1,662
Gain from disposal of securities		646	8,860
Gain from disposal of PPE	9;12	(72,363)	(91,136)
<b>Profit (loss) before changes in current assets</b>		<b>478,923</b>	<b>787,433</b>
Trade receivables		538,759	969,237
Receivables for advances		(403,520)	95,653
Other short term assets and prepayments		(23,853)	219,445
Inventories		(112,152)	(172,519)
Trade payables		(129,989)	(1,006,937)
Payables for advances		173,110	(332,134)
Other short -term liabilities and accruals		(56,062)	(303,316)
<b>Net cash used in operations</b>		<b>465,215</b>	<b>256,862</b>
Interest paid		(4,180)	(14,360)
Income tax paid		(29,249)	(25,576)
<b>Net cash flows from operating activities</b>		<b>431,786</b>	<b>216,925</b>
<b>Cash flows from investment activities</b>			
Cash inflows (outflows) from investments, net		(114,891)	(6,775)
Received interest	13	(507)	36,861
Bank deposits, net		-	-
Collected (given) loans	26	(1)	2,260
Acquisition of intangible assets	27	(8,490)	(8,471)
Acquisition of PPE	28	(187,444)	(392,289)
Proceeds from disposed PPE	28	87,171	195,894
<b>Net cash flows from investment activities</b>		<b>(224,162)</b>	<b>(172,521)</b>
<b>Cash flows from financing activities</b>			
Proceeds (repayment) of long-term borrowings	34	(3,251)	(15,879)
Proceeds (repayment) of short-term borrowings	31	28,912	(10,000)
Acquired treasury shares		-	-
Dividends paid		(75,735)	(59,783)
Rewards paid		(21,000)	(26,325)
<b>Net cash flows from financing activities</b>		<b>(71,074)</b>	<b>(111,987)</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>136,550</b>	<b>(67,582)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>18</b>	<b>381,384</b>	<b>448,966</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>18</b>	<b>517,934</b>	<b>381,384</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 2016</b>											
<b>Balance as at 01.01.2016</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>
<b>Comprehensive income:</b>											
Profit for the year	-	-	-	-	-	-	-	-	294,115	-	294,115
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	(36,294)	-	-	(36,294)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36,294)</b>	<b>294,115</b>	<b>-</b>	<b>257,821</b>
<b>Transactions with owners:</b>											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	137,363	-	-	(137,363)	-	-
Distribution for dividends	-	-	-	-	-	-	-	-	(61,554)	-	(61,554)
Distribution for rewards	-	-	-	-	-	-	-	-	(21,000)	-	(21,000)
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	(33)	-	(33)
<b>Balance as at 31.12.2016</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,747,743</b>	<b>62,164</b>	<b>(46,086)</b>	<b>2,638,827</b>	<b>70</b>	<b>4,981,029</b>

(Continued)

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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 (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							
In (000) MKD											
b) Changes in 2017											
<b>Balance as at 01.01.2017</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,747,743</b>	<b>62,164</b>	<b>(9,792)</b>	<b>2,344,679</b>	<b>70</b>	<b>4,981,029</b>
<b>Comprehensive income:</b>											
Profit for the year	-	-	-	-	-	-	-	-	138,388	-	138,388
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	(5,644)	-	-	(5,644)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,644)</b>	<b>138,388</b>	<b>-</b>	<b>132,744</b>
<b>Transactions with owners:</b>											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	130,462	-	-	(130,462)	-	-
Distribution for dividends	-	-	-	-	-	-	-	-	(77,566)	-	(77,566)
Distribution for rewards	-	-	-	-	-	-	-	-	(26,000)	-	(26,000)
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	(2,618)	-	(2,618)
<b>Balance as at 31.12.2017</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,878,205</b>	<b>62,164</b>	<b>(15,436)</b>	<b>2,246,421</b>	<b>70</b>	<b>5,007,589</b>

Notes comprise an integral part of the Consolidated Financial Statements

Auditors report is on pages 1 and 2