

**Construction Company  
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT  
AND  
SEPARATE 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 OF  
Construction Company  
GRANIT AD - Skopje**

**Report on the Separate Financial Statements**

We have audited the accompanying separate financial statements of Construction Company GRANIT AD - Skopje (The Company), which comprise Statement of Financial Position as at 31 December 2017, and the Income Statement, Statement of Comprehensive Income, 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 Separate 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 Audit Law and 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 judgment, 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 OF  
Construction Company  
GRANIT AD - Skopje**

*Opinion*

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of 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 annual accounts and the 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 financial statements.

The annual business report is consistent, in all material aspects, with the annual account and the audited separate financial statements of 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**  
**INCOME STATEMENT 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>
Revenues from construction works	8	3,964,156	3,728,713
Other operating income	9	640,652	842,772
Changes in inventories of finished goods and work in progress		1,315	(42,956)
Raw materials used	10	(985,138)	(955,555)
Employees expenses	11	(926,227)	(892,577)
Depreciation		(340,883)	(334,734)
Expenses for subcontractors		(1,496,419)	(1,302,510)
Other operating expenses	12	<u>(628,894)</u>	<u>(867,685)</u>
<b>OPERATING PROFIT (LOSS)</b>		<b>228,562</b>	<b>175,468</b>
Financing income	13	22,514	55,043
Income (loss) from investments	14	-	30,772
Financing expenses	15	<u>(32,171)</u>	<u>(22,745)</u>
<b>PROFIT BEFORE TAXATION</b>		<b>218,905</b>	<b>238,538</b>
Income tax expense	18	-	(4,510)
<b>NET PROFIT FOR THE PERIOD</b>		<u><b>218,905</b></u>	<u><b>234,028</b></u>
<b>Basic earnings per share (In MKD)</b>	16	<u><b>79</b></u>	<u><b>84</b></u>

Skopje, 15 March 2018

**For the Steering Committee  
President**

Straso Milkovski

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

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	<b>Note</b>	<b>2017 (000) MKD</b>	<b>2016 (000) MKD</b>
<b>Net profit for the year</b>		<b>218,905</b>	<b>234,028</b>
<b>Other comprehensive income:</b>			
Revaluation of PPE		-	-
Fair value movement of available-for-sale investments		-	-
Currency translation differences		-	-
<b>Total other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>218,905</b>	<b>234,028</b>

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

	Note	2017 (000) MKD	2016 (000) MKD
<b>ASSETS</b>			
Cash and cash equivalents	19	438,016	282,960
Investments for trading at fair value	26	121,666	6,775
Trade receivables	20	1,374,976	1,787,840
Receivables for advances	21	573,212	180,562
Short-term loans	22	51,108	23,813
Other short term assets	23	539,563	398,525
Inventories	24	1,408,271	1,290,687
<b>Total current assets</b>		<b>4,506,812</b>	<b>3,971,162</b>
Investments in subsidiaries and associates	25	29,619	25,930
Long-term loans	27	198,896	198,896
Intangible assets	28	16,431	13,673
Property, plant and equipment	29	2,822,016	2,952,432
<b>Total non-current assets</b>		<b>3,066,962</b>	<b>3,190,931</b>
<b>TOTAL ASSETS</b>		<b>7,573,774</b>	<b>7,162,093</b>
<b>LIABILITIES AND EQUITY</b>			
Trade payables	30	1,239,842	1,269,549
Payables for advances	31	1,199,039	888,888
Short-term borrowings	32	28,912	-
Current portion of long-term borrowings	33	3,117	6,368
Other short-term liabilities and accruals	34	214,265	221,442
<b>Total current liabilities</b>		<b>2,685,175</b>	<b>2,386,247</b>
Long-term borrowings	35	-	-
Provision for litigation claims	36c	228,429	228,426
<b>Total non current liabilities</b>		<b>228,429</b>	<b>228,426</b>
<b>Total liabilities</b>		<b>2,913,604</b>	<b>2,614,673</b>
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		1,939,018	1,808,555
Revaluation reserves		13,055	13,055
Retained earnings		1,871,932	1,889,645
<b>TOTAL EQUITY</b>		<b>4,660,170</b>	<b>4,547,420</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,573,774</b>	<b>7,162,093</b>

**Construction Company GRANIT AD - Skopje**  
**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 TAXES</b>		<b>218,905</b>	<b>238,538</b>
<b>Adjusted for:</b>			
Depreciation	29	335,130	330,237
Amortization of intangible assets	28	5,753	4,497
Provision on bad receivables	12	67,988	216,341
Provision on bad inventories		3,331	(4,754)
Write off of interest		1,831	1,900
Write off of investment		-	(75)
Interest income (expenses), net	13;15	(19,152)	(32,243)
Provision for litigation claims	9;12	3	49,133
Income from write-off payables		(3,275)	-
Other reconciliation in fixed assets		(154)	1,627
Gain from disposal of securities		-	(30,847)
Carrying amount of disposed assets		646	2,006
Gain from disposal of PPE	9	(23,384)	(8,007)
<b>Profit (loss) before changes in current assets</b>		<b>587,622</b>	<b>768,353</b>
Trade receivables		426,226	(241,331)
Receivables for advances		(392,650)	93,794
Other short term assets and prepaid expenses		(109,235)	(70,022)
Inventories		(120,915)	(198,857)
Trade payables		(26,432)	184,388
Payables for advances		310,151	(140,646)
Other short -term liabilities and accruals		(31,833)	28,694
<b>Net cash used in operations</b>		<b>642,934</b>	<b>424,373</b>
Interest paid		(1,467)	(14,225)
Income tax paid		(16,567)	(11,706)
<b>Net cash flows from operating activities</b>		<b>624,900</b>	<b>398,442</b>
<b>Cash flows from investing activities</b>			
Disposal of securities		(114,891)	(6,700)
Disposal of investemnts in subsidiaries		-	30,847
Bank deposits, net		-	-
Received dividends		(85,039)	866
Received interest	13	(8,507)	36,813
Collected (given) loans	27	-	2,259
Acquisition of intangible assets	28	(8,511)	(8,474)
Acquisition of PPE	29	(220,168)	(356,843)
Proceeds from deposed PPE	29	38,346	49,761
<b>Net cash flows from investment activities</b>		<b>(398,770)</b>	<b>(251,471)</b>

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

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	<b>Note</b>	<b>2017</b> <b>(000) MKD</b>	<b>2016</b> <b>(000) MKD</b>
<b>Cash flows from financing activities</b>			
Proceeds (repayment) of long-term borrowings	35	(3,251)	(15,879)
Proceeds (repayment) of short-term borrowings	32	28,912	(10,000)
Acquired treasury shares		-	-
Dividends paid		(75,735)	(59,782)
Rewards paid		(21,000)	(26,325)
<b>Net cash flows from financing activities</b>		<b>(71,074)</b>	<b>(111,986)</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>155,056</b>	<b>34,985</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>19</b>	<b>282,960</b>	<b>247,975</b>
<b>Cash and cash equivalents from merging of subsidiary</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>438,016</b>	<b>282,960</b>

Construction Company GRANIT AD - Skopje  
**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	Revaluati on reserve	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount						
In (000) MKD										
a) Changes in 2016										
Balance as at 01.01.2016	3,071,377	932,367	(301,173)	(148,097)	51,895	1,609,029	62,164	13,055	1,875,532	4,395,945
<b>Comprehensive income:</b>										
Profit for the period	-	-	-	-	-	-	-	-	234,028	234,028
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	<b>234,028</b>	<b>234,028</b>
<b>Transactions with owners:</b>										
Share issue	-	-	-	-	-	-	-	-	-	-
Merging of subsidiary Gamatroniks DOOEL	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	137,362	-	-	(137,362)	-
Dividends	-	-	-	-	-	-	-	-	(61,553)	(61,553)
Rewards to management	-	-	-	-	-	-	-	-	(21,000)	(21,000)
Balance as at 31.12.2016	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,746,391</b>	<b>62,164</b>	<b>13,055</b>	<b>1,889,645</b>	<b>4,547,420</b>

(Continued)

Construction Company GRANIT AD - Skopje

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	Revaluati on reserve	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount						
In (000) MKD										
b) Changes in 2017										
Balance as at 01.01.2017	3,071,377	932,367	(301,173)	(148,097)	51,895	1,746,391	62,164	13,055	1,889,645	4,547,420
<b>Comprehensive income:</b>										
Profit for the period	-	-	-	-	-	-	-	-	218,905	218,905
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	<b>218,905</b>	<b>218,905</b>
<b>Transactions with owners:</b>										
Share issue	-	-	-	-	-	-	-	-	-	-
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	(2,589)	(2,589)
Distribution for reserves	-	-	-	-	-	130,463	-	-	(130,463)	-
Dividends	-	-	-	-	-	-	-	-	(77,566)	(77,566)
Rewards to management	-	-	-	-	-	-	-	-	(26,000)	(26,000)
Balance as at 31.12.2017	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,876,854</b>	<b>62,164</b>	<b>13,055</b>	<b>1,871,932</b>	<b>4,660,170</b>

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