

**Construction Company
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2018**

Skopje, May 2019

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 2018, 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 2018, 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 2018. 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 2018.

Skopje, 17 May 2019

Certified Auditor

Antonio Veljanov

Manager and Certified Auditor

Antonio Veljanov

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

	Note	2018 (000) MKD	2017 (000) MKD
Revenues from construction works	8	4,190,590	5,409,531
Other operating income	9	644,003	325,908
Changes in inventories of finished goods and work in progress		18,753	1,315
Raw materials used	10	(1,217,840)	(1,382,190)
Employees expenses	11	(946,947)	(1,003,834)
Depreciation		(231,027)	(419,223)
Expenses for sub-contractors		(1,545,587)	(1,969,797)
Other operating expenses	12	(856,343)	(802,398)
OPERATING PROFIT (LOSS)		55,602	159,312
Financing income	13	48,317	29,322
Financing expenses	14	(25,077)	(34,932)
PROFIT BEFORE TAXATION		78,842	153,702
Income tax expense	17	(3,608)	(15,314)
NET PROFIT FOR THE PERIOD		75,234	138,388
Net profit (loss) for:			
Shareholders of the Parent Company		75,234	138,388
Minority shareholders in the subsidiaries		-	-
		75,234	138,388
Basic earnings per share (In MKD)	15	27	50

Skopje, 31 March 2019

**For the Steering Committee
President**

Straso Milkovski

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

Note	2018 (000) MKD	2017 (000) MKD
Net profit for the period	75,234	138,388
Other comprehensive income:		
PPE revaluation	-	-
Revaluation of investments available for sale to their fair value	146,952	-
Foreign exchange differences from foreign currencies translations	(2,154)	(5,644)
Total other comprehensive income	144,798	(5,644)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	220,032	132,744

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

	Note	2018 (000) MKD	2017 (000) MKD
ASSETS			
Cash and cash equivalents	18	300,884	517,934
Investments for trading at fair value	25	116,831	121,666
Trade receivables	19	1,860,013	1,800,826
Receivables for advances	20	328,300	584,082
Short-term loans	21	23,477	51,108
Other short term assets and prepaid expenses	22	106,733	137,674
Inventories	23	1,418,388	1,450,730
Total current assets		4,154,626	4,664,020
Investments in associates	24	14,042	14,411
Investments available for sale	25	574,184	-
Long-term loans	26	198,896	198,896
Intangible assets	27	19,103	17,318
Property, plant and equipment	28	2,850,279	3,132,728
Total non-current assets		3,656,504	3,363,353
TOTAL ASSETS		7,811,130	8,027,373
LIABILITIES AND EQUITY			
Trade payables	29	1,056,357	1,268,059
Payables for advances and deposits	30	1,101,498	1,261,197
Short-term borrowings	31	63,926	28,912
Current portion of long-term borrowings	32	41,607	3,117
Other short-term liabilities and accrued expenses	33	194,019	227,933
Total current liabilities		2,457,407	2,789,218
Long-term borrowings	34	192,500	-
Provision for litigation claims	35c	37,165	230,566
Total non current liabilities		229,665	230,566
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		2,055,709	1,940,369
Revaluation and other reserves		129,362	(15,436)
Retained earnings		2,102,822	2,246,421
Total		5,124,058	5,007,519
Non-controlling interest		-	70
Total equity		5,124,058	5,007,589
TOTAL LIABILITIES AND EQUITY		7,811,130	8,027,373

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

	Note	2018 (000) MKD	2017 (000) MKD
Cash flows from operating activities			
PROFIT (LOSS) BEFORE TAXATION		78,842	153,702
Adjusted for:			
Depreciation of PPE	28	224,219	408,729
Amortization of intangible assets	27	6,808	10,494
Provision of bad receivables	12	12,444	319
Interest income (expenses), net	13;15	(30,083)	(22,607)
Provision for litigation claims	12	(193,401)	(710)
Other reconciliation		3	(2,618)
Provision on bad inventories		3,556	3,331
Write off interest receivables		(77)	-
Other reconciliation in fixed assets		632	-
Gain from disposal of securities		477	646
Gain from disposal of PPE	9;12	(39,119)	(72,363)
Profit (loss) before changes in current assets		64,301	478,923
Trade receivables		(73,785)	538,759
Receivables for advances		255,782	(403,520)
Other short term assets and prepayments		1,016	(23,853)
Inventories		28,786	(112,152)
Trade payables		(211,702)	(129,989)
Payables for advances		(159,699)	173,110
Other short -term liabilities and accruals		(2,949)	(56,062)
Net cash used in operations		(98,250)	465,215
Interest paid		(14,982)	(4,180)
Income tax paid		(7,711)	(29,249)
Net cash flows from operating activities		(120,943)	431,786
Cash flows from investment activities			
Cash inflows (outflows) from investments, net		(421,951)	(114,891)
Received interest	13	45,065	(507)
Bank deposits, net		-	-
Collected (given) loans	26	27,631	(1)
Acquisition of intangible assets	27	(8,593)	(8,490)
Acquisition of PPE	28	(72,246)	(187,444)
Proceeds from disposed PPE	28	168,486	87,171
Net cash flows from investment activities		(261,608)	(224,162)
Cash flows from financing activities			
Proceeds (repayment) of long-term borrowings	34	230,990	(3,251)
Proceeds (repayment) of short-term borrowings	31	35,014	28,912
Acquired treasury shares		-	-
Dividends paid		(74,400)	(75,735)
Rewards paid		(26,103)	(21,000)
Net cash flows from financing activities		165,501	(71,074)
Net increase (decrease) of cash and cash equivalents		(217,050)	136,550
Cash and cash equivalents at the beginning of the year	18	517,934	381,384
Cash and cash equivalents at the end of the year	18	300,884	517,934

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											
a) Changes in 2017											
Balance as at 01.01.2017	3,071,377	932,367	(301,173)	(148,097)	51,895	1,747,743	62,164	(9,792)	2,344,679	70	4,981,029
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	-	138,388	-	138,388
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	(5,644)	-	-	(5,644)
Total comprehensive income	-	-	-	-	-	-	-	(5,644)	138,388	-	132,744
Transactions with owners:											
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)
Balance as at 31.12.2017	3,071,377	932,367	(301,173)	(148,097)	51,895	1,878,205	62,164	(21,080)	2,387,427	70	5,007,589

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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 2018											
Balance as at 01.01.2018	3,071,377	932,367	(301,173)	(148,097)	51,895	1,878,205	62,164	(15,436)	2,246,421	70	5,007,589
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	-	75,234	-	75,234
Revaluation of investments available for sale to their fair value	-	-	-	-	-	-	-	146,952	-	-	146,952
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	(2,154)	-	-	(2,154)
Total comprehensive income	-	-	-	-	-	-	-	144,798	75,234	-	220,032
Transactions with owners:											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	115,340	-	-	(115,340)	-	-
Distribution for dividends	-	-	-	-	-	-	-	-	(77,566)	-	(77,566)
Distribution for rewards	-	-	-	-	-	-	-	-	(26,000)	-	(26,000)
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	73	(70)	3
Balance as at 31.12.2018	3,071,377	932,367	(301,173)	(148,097)	51,895	1,993,545	62,164	129,362	2,102,822	-	5,124,058

Notes comprise an integral part of the Consolidated Financial Statements

Auditors report is on pages 1 and 2