

**Construction Company  
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT  
AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDING  
31 DECEMBER 2019**

**Skopje, April 2020**

*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 Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Construction Company GRANIT AD - Skopje (The Company), which comprise Statement of Financial Position as at 31 December 2019, 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 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 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 consolidated financial statements present fairly, in all material respects, the financial position of Construction Company GRANIT AD - Skopje as of 31 December 2019, 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 2019. 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 consolidated financial statements of Construction Company GRANIT AD - Skopje as of 31 December 2019.

Skopje, 9 April 2020

**Certified Auditor**

Milena Jovanova Dimoska

**Manager and Certified Auditor**

Antonio Veljanov

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

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	<b>Note</b>	<b>2019</b> <b>(000) MKD</b>	<b>2018</b> <b>(000) MKD</b>
Revenues from construction works	8	4,823,868	4,190,590
Other operating income	9	786,908	644,003
Changes in inventories of finished goods and work in progress		30,372	18,753
Raw materials used	10	(1,015,184)	(1,217,840)
Employees expenses	11	(804,963)	(946,947)
Depreciation		(296,888)	(231,027)
Expenses for sub-contractors		(2,230,091)	(1,545,587)
Other operating expenses	12	<u>(959,449)</u>	<u>(856,343)</u>
<b>OPERATING PROFIT (LOSS)</b>		<b>334,573</b>	<b>55,602</b>
Financing income	13	11,383	48,317
Financing expenses	14	<u>(10,556)</u>	<u>(25,077)</u>
<b>PROFIT BEFORE TAXATION</b>		<b>335,400</b>	<b>78,842</b>
Income tax expense	17	(31,365)	(3,608)
<b>NET PROFIT FOR THE PERIOD</b>		<b><u>304,035</u></b>	<b><u>75,234</u></b>
<b>Net profit (loss) for:</b>			
Shareholders of the Parent Company		304,035	75,234
Minority shareholders in the subsidiaries		-	-
		<b><u>304,035</u></b>	<b><u>75,234</u></b>
<b>Basic earnings per share (In MKD)</b>	15	<b><u>110</u></b>	<b><u>27</u></b>

Skopje, 31 March 2020

**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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	<u>Note</u>	<u>2019</u> <u>(000) MKD</u>	<u>2018</u> <u>(000) MKD</u>
<b>Net profit for the period</b>		<b>304,035</b>	<b>75,234</b>
<b>Other comprehensive income:</b>			
PPE revaluation		-	-
Revaluation of investments available for sale to their fair value		181,692	146,952
Foreign exchange differences from foreign currencies translations		26,462	(2,154)
<b>Total other comprehensive income</b>		<u><b>208,154</b></u>	<u><b>144,798</b></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><b>512,189</b></u>	<u><b>220,032</b></u>

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

	Note	2019 (000) MKD	2018 (000) MKD
<b>ASSETS</b>			
Cash and cash equivalents	18	110,729	300,884
Investments for trading at fair value	25	244,790	116,831
Trade receivables	19	1,506,430	1,860,013
Receivables for advances	20	185,784	328,300
Short-term loans	21	16,006	23,477
Other short term assets and prepaid expenses	22	203,799	106,733
Inventories	23	1,463,330	1,418,388
<b>Total current assets</b>		<b>3,730,868</b>	<b>4,154,626</b>
Investments in associates	24	14,042	14,042
Investments available for sale	25	755,878	574,184
Long-term loans	26	273,394	198,896
Intangible assets	27	20,308	19,103
Property, plant and equipment	28	2,710,951	2,850,279
<b>Total non-current assets</b>		<b>3,774,573</b>	<b>3,656,504</b>
<b>TOTAL ASSETS</b>		<b>7,505,441</b>	<b>7,811,130</b>
<b>LIABILITIES AND EQUITY</b>			
Trade payables	29	857,286	1,056,357
Payables for advances and deposits	30	828,018	1,101,498
Short-term borrowings	31	-	63,926
Current portion of long-term borrowings	32	31	41,607
Other short-term liabilities and accrued expenses	33	282,158	194,019
<b>Total current liabilities</b>		<b>1,967,493</b>	<b>2,457,407</b>
Long-term borrowings	34	-	192,500
Provision for litigation claims	35c	10,808	37,165
<b>Total non current liabilities</b>		<b>10,808</b>	<b>229,665</b>
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		2,185,465	2,055,709
Revaluation and other reserves		339,331	129,362
Retained earnings		2,166,179	2,102,822
<b>Total</b>		<b>5,527,140</b>	<b>5,124,058</b>
Non-controlling interest		-	-
<b>Total equity</b>		<b>5,527,140</b>	<b>5,124,058</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,505,441</b>	<b>7,811,130</b>

Notes comprise an integral part of the Consolidated Financial Statements

Auditors report is on pages 1 and 2

	Note	2019 (000) MKD	2018 (000) MKD
<b>Cash flows from operating activities</b>			
<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>335,400</b>	<b>78,842</b>
<b>Adjusted for:</b>			
Depreciation of PPE	28	288,979	224,219
Amortization of intangible assets	27	7,909	6,808
Provision of bad receivables	12	78,868	12,444
Interest income (expenses), net	13;15	(5,509)	(30,083)
Provision for litigation claims	12	(26,357)	(193,401)
Other reconciliation		-	3
Provision on bad inventories		11,154	3,556
Write off interest receivables		-	(77)
Other reconciliation in fixed assets		-	632
Gain from disposal of securities		587	477
Gain from disposal of PPE	9;12	(37,361)	(39,119)
<b>Profit (loss) before changes in current assets</b>		<b>653,670</b>	<b>64,301</b>
Trade receivables		301,177	(73,785)
Receivables for advances		142,516	255,782
Other short term assets and prepayments		(98,710)	1,016
Inventories		(56,096)	28,786
Trade payables		(199,071)	(211,702)
Payables for advances		(273,480)	(159,699)
Other short -term liabilities and accruals		34,780	(2,949)
<b>Net cash used in operations</b>		<b>504,786</b>	<b>(98,250)</b>
Interest paid		(5,524)	(14,982)
Income tax paid		(6,037)	(7,711)
<b>Net cash flows from operating activities</b>		<b>493,225</b>	<b>(120,943)</b>
<b>Cash flows from investment activities</b>			
Cash inflows (outflows) from investments, net		(127,961)	(421,951)
Received interest	13	11,033	45,065
Bank deposits, net		-	-
Collected (given) loans	26	(67,027)	27,631
Acquisition of intangible assets	27	(9,114)	(8,593)
Acquisition of PPE	28	(376,683)	(72,246)
Proceeds from disposed PPE	28	263,806	168,486
<b>Net cash flows from investment activities</b>		<b>(305,946)</b>	<b>(261,608)</b>
<b>Cash flows from financing activities</b>			
Proceeds (repayment) of long-term borrowings	34	(234,076)	230,990
Proceeds (repayment) of short-term borrowings	31	(63,926)	35,014
Acquired treasury shares		-	-
Dividends paid		(79,432)	(74,400)
Rewards paid		-	(26,103)
<b>Net cash flows from financing activities</b>		<b>(377,434)</b>	<b>165,501</b>
<b>Net increase (decrease) of cash and cash equivalents</b>		<b>(190,155)</b>	<b>(217,050)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>18</b>	<b>300,884</b>	<b>517,934</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>18</b>	<b>110,729</b>	<b>300,884</b>



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							
<b>In (000) MKD</b>											
<b>a) Changes in 2018</b>											
<b>Balance as at 01.01.2018</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>
<b>Comprehensive income:</b>											
Profit for the year	-	-	-	-	-	-	-	-	75,234	-	75,234
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	(2,154)	-	-	(2,154)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,154)</b>	<b>75,234</b>	<b>-</b>	<b>73,080</b>
<b>Transactions with owners:</b>											
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
<b>Balance as at 31.12.2018</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,993,545</b>	<b>62,164</b>	<b>(19,744)</b>	<b>2,177,983</b>	<b>70</b>	<b>4,977,106</b>

(Continued)

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 (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 2019</b>											
<b>Balance as at 01.01.2019</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>1,993,545</b>	<b>62,164</b>	<b>129,362</b>	<b>2,102,822</b>	<b>-</b>	<b>5,124,058</b>
<b>Comprehensive income:</b>											
Profit for the year	-	-	-	-	-	-	-	-	304,035	-	<b>304,035</b>
Revaluation of investments available for sale to their fair value	-	-	-	-	-	-	-	181,692	-	-	<b>181,692</b>
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	28,277	(1,815)	-	<b>26,462</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,969</b>	<b>302,220</b>	<b>-</b>	<b>512,189</b>
<b>Transactions with owners:</b>											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	129,756	-	-	(129,756)	-	-
Distribution for dividends	-	-	-	-	-	-	-	-	(83,106)	-	<b>(83,106)</b>
Distribution for rewards	-	-	-	-	-	-	-	-	(26,001)	-	<b>(26,001)</b>
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31.12.2019</b>	<b>3,071,377</b>	<b>932,367</b>	<b>(301,173)</b>	<b>(148,097)</b>	<b>51,895</b>	<b>2,123,301</b>	<b>62,164</b>	<b>339,331</b>	<b>2,166,179</b>	<b>-</b>	<b>5,527,140</b>

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