



ANNUAL REPORT - 2019 -



GRANIT
BUILDING & CONSTRUCTION

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Dear shareholders,

The year 2019 has been characterized as successful year for GD Granit AD Skopje, with accomplished results that compared with the last year show growth, thus showing that the measures and activities aimed at accomplishment and overpassing of the turbulences from 2018 at economic and political plan showed efficiency and provided success in work for 2019.

The dynamic flows in the field of economy and series of developing projects in Republic of North Macedonia in 2019, have additionally motivated the strategic efforts of the Management Board so GR Granit AD Skopje has once again strengthen the position of leader and front-runner in the field of construction. Correspondingly, the aim in 2020 is, by market power, quality, innovation and effective financial performance, to continue with the trend of increasing of the value of the Company for our shareholders.

The year 2019 was marked by stable economic growth realised through quality performance of a line of projects thus positioning GD Granit AD Skopje as a company that continuously follows the modern construction technologies and makes efforts to keeping respect of the highest standards both in the field of construction and quality control, safety and health protection at work as well as building value-oriented corporate culture.

Our key strategic aim of GD Granit AD Skopje is building of one recognizable corporate culture focused at clients, aimed at accomplishment of the highest quality of works and services and clients' satisfaction. Our focus is aimed at overpassing of the expectances of the clients, partner relations based on mutual long-term cooperation and promotion of modern construction technologies. This will lead to strengthening of the stability of the Company, long-term profitability as well as additional recognition of the brand – GD Granit AD Skopje – at the market

In a world of growing ecologic-social challenges and fast technological changes, in 2019, GD Granit AD Skopje has performed its effort for responsible and sustainable development and stayed synonym for quality. Our basis for success is our policy for corporate leadership and focus on the employees of the Company for the purpose of building bigger quality in the work through development, training and motivation of the employees, based on system for measuring of the results and fair awarding.

The aim for 2020 is as well strengthening of the equity of the Company by encouragement of the development, increase of the profitability and moving of the operational originality at higher level, long-term sustainability and taking acceptable level of risk and decisions on allocation of resources. All this is aimed at accomplishment of higher growth and development of the Company and positive results regarding the satisfaction both of clients, our employees as well as our shareholders for their confidence and support in the process of management and development of the Company.

**Management Board
GD Granit AD Skopje**



ABOUT US

The primary activity of GD Granit AD Skopje is construction activities at civil engineering, building constructions and hydro construction. Apart from its primary activity GD Granit AD Skopje has established Companies in complete ownership at the territory of Republic of North Macedonia and at the foreign markets dealing with trade of construction mechanisation and materials, catering industry and other services.

The main activity of GD Granit AD Skopje is civil engineering.

The quality offered by GD Granit AD Skopje is tradition and direct result of successful leadership and intransigent respect of our values – safety, quality, ethics, integrity and long-term sustainability and development. Correspondingly, GD Granit AD Skopje is always focused on establishment sustainable system of values, innovation and improvement of the quality of living; because the reputation of our company depends on the value it has in the eyes of those for whom we construct.

Following the social changes and conditions at the market resulted in development of capacities of the Company pursuant to the modern needs of the nowadays, and that is why we develop and apply first-class world technology, we seek for and implement the best ideas and we continuously invest in provision of high level of competence and continuous progress of the employees, thus making GD Granit AD Skopje exist today as high professional and technologically equipped company having capacity for realisation of the most complex constructions.

The system for corporate management is based on the legal regulations and the Statute of GD Granit AD Skopje and as such it provides efficient and transparent management of the Company having established double system of management – Supervisory Board and Management Board. The Assembly of shareholders, as the highest body decides on issues regulated by law and required by the Statute of GD Granit AD Skopje. The internal organisational set-up of the Company is based on division of works per organisational units, working units, services and sectors acting within the Company, while part of other activities not belonging to its main business activity, is performed by companies formed in complete ownership of GD Granit AD Skopje.

The work on the foreign markets is realised through companies in complete ownership of GD Granit AD Skopje, formed as companies with limited liability/subsidiaries/business units abroad.

The shares of GD Granit AD Skopje have been at the official market of the Macedonian Stock Exchange since 22.01.2003.



ORGANIZATIONAL STRUCTURE OF GD GRANIT AD SKOPJE

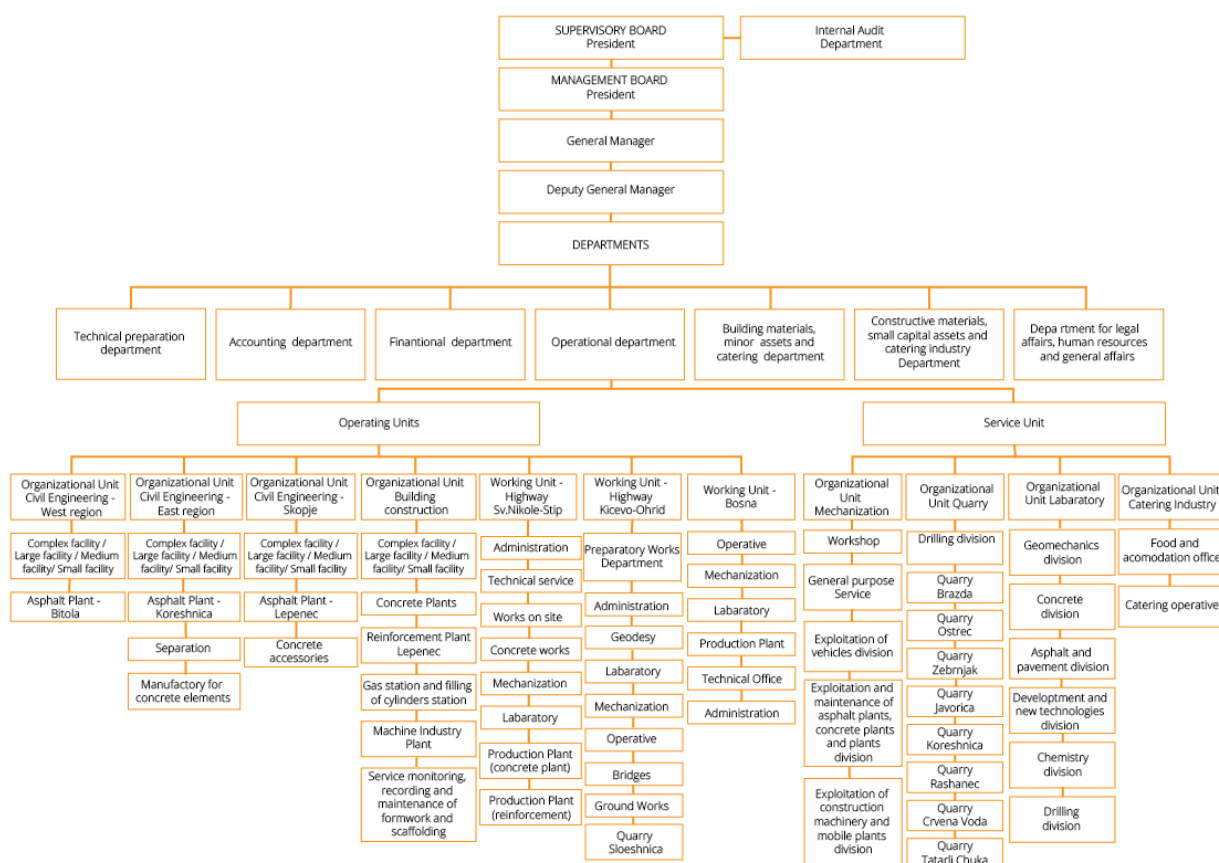
GD Granit AD Skopje is established as joint stock company that pursuant to the Law on Trade Companies and the Statute of the Company has established two-level management system, by the Management Board and Supervisory Board.

Gross amount of 33.823.889,00 MKD has been paid to the management and supervisory authorities as compensations for salaries, rewards and compensation for participation in the management authorities.

The Management Board consists of 5 members. The member of the Management Board – Venko Zafirov is employed in the company Koner Kompjuteri DOO Skopje from where he performs compensations for his working relation in an amount of 595.926,00 MKD.

The Supervisory Board consists of 3 members. The member of the Supervisory Board – Goran Markovski is employed in the company KB Publikum Invest AD Skopje from where he performs compensations for his working relation in gross amount of 3.797.722,00 MKD.

ORGANIZATIONAL STRUCTURE



MANAGEMENT AND IMPLEMENTATION OF DECISIONS

GD Granit AD Skopje owes its existence to proper business-oriented management and following the needs of the Company, and all this by establishment of business management policy, that is primary based on planning, making decisions and implementation of the decisions adopted in accordance with the legal regulations, Statute of the Company, other general acts and the decisions by the Assembly of Shareholders.

In that sense, the Management Board has held 6 sessions and adopted 81 decisions and 13 conclusions, as well as 43 decisions without session where pursuant to the Law on Trade Companies significant decisions were adopted for the management of the Company, starting from decisions for consideration and approval of the annual accounts of the Company, individual and consolidated, as well as the annual accounts of the Companies formed by GD Granit AD Skopje, up to the current works of the organisation, planning and assigning of the procedures and the manner of realisation of the taken constructed works, towards provision of timely and positive completion of the works.

In 2019 the Supervisory Board has followed and controlled the work of the Company and its financial state, management and results at the 5 sessions held. At the sessions as obligatory set for implementation of the control of the work of the Company the annual accounts (individual and consolidated) were considered and confirmed and the current financial results of the Company were monitored.

By its compliance of the work and the management of the Company for corporate management of the shareholders' companies at the Macedonian Stock Exchange GD Granit AD Skopje, as a member of Macedonian Stock Exchange, has harmonised its work with the Code of Corporate Management of the shareholders' companies at the Macedonian Stock Exchange and during 2019 it continues to keep to the prescribed principles of this Code. All the decisions that are obligatory for announcement were properly announced on the website of the Company and delivered to the Macedonian Stock Exchange. In 2019 there were now businesses with interested parties, not big business deals.

The organisational units, the work units, sectors, services and the business units have currently realised the decisions by the management, thus leading to in time completion of the agreed works. The management staff has focused its employees towards realisation of so set aims towards the challenge of performing bigger results than the planned one.

GD GRANIT AD SKOPJE IN THE ECONOMY AND SURROUNDING IN 2019

The economic environment in 2019 in Republic of North Macedonia is characterised by satisfactory growth, low inflation and favourable foreign position. Following the global ambient the construction has shown increase of the rate of growth compared with 2018.

We may say that the last year was year of normalisation of the conditions and return of the construction on the road as one of the main creators and indicators of Gross-domestic product. The given conditions are confirmed and if expressed via statistical data of the State Statistical Office, where pursuant to the volume indexes at gross-domestic product per production methods in 2019, compared with the same in 2018, the construction has been characterised with growth compared with 2018, growth of 5.9% has been marked in the construction.

The nominal value of the total contractual construction works in the territory of Republic of North Macedonia for 2019 is 57.683.733 thousand MKD, while in 2018 it was 48.022.074 thousand MKD or the same marks growth of 20.1 %. In the part of the building constructions there is growth of 18.3% while in the civil engineering 22.6%.

The nominal value of the total performed construction works in 2019 is 28.043.098 thousand MKD, while in the same period 2018 it was 26.440.213 thousand MKD or the same is characterised by growth of 6.06%. The growth at civil engineering and building constructions is about 6%.

Continuation of the investment infrastructural projects as well as newly concluded investments projects have moved the construction that slowly returns in good condition.

In that sense, the management of GD Granit AD Skopje in 2019 has led business policy aimed at achievement of rational balance between the business activity of the Company, its own strategic aims and macroeconomic conditions for the work on the market in Republic of Macedonia.

Having regard to the abovementioned, the activities of GD Granit AD Skopje were imed at complete use of resources, completion of the projects started and active realisation of the current obligations in the contractual terms, at the same time minimising the costs and less intensive investment activities.

ACTIVITIES IN 2019

Following the trend of investment activities, the activities of the Company were strengthened compared with 2018 and as the most significant being realised are as follows:

- Construction of highroad Kichevo – Ohrid, section Kichevo - Podvis;
- Construction of Express Road A2 Shtip – Kochani, section Shtip – Krupishte KM 0+000- KM14+300;
- Construction of works – at Business Object KAM – closed market;
- Construction of gasoline Negotino (Kavadarci) - Bitola;
- Construction of Express Road A2, LOT 2 – Section Kriva Palanka - Dlabochica
- Rehabilitation of the regional roads Lot 4 R 1104 section Kumanovo Nikushtak L-11, Lot 2 P1205 Probishtip Krupishte;
- Projecting and rehabilitation of state roads: LOT 4 road section Strumica – Novo Selo, Kavadarci Rosoman, Furka – Bogdanci – Gevgelija, LOT 3 road section Delchvo – Zvegor, Delchevo – Pehchevo, Berovo – Vinica and Lot 2 Jurumleri – Drachevo, Drachevo – Oreshani – Taor, Bitola – Demir Hisar
- The project 145 sport halls
- Production facility Alkaloid- Skopje

and all that by harmonisation of the work and of other objects performed by GD Granit AD Skopje .

❖ Construction of Highroad Kichevo – Ohrid, section Kichevo - Podvis;

In 2019 the construction of the most complex road section of the Highroad Kichevo – Ohrid, Kichevo – Podvis and the construction of the concrete works on the viaducts continued. The Construction Contract was signed the same year for one more road section Podvis – Preseka. During the year the main accent was put on the concrete works, that is construction of the viaducts, in particular the console viaducts 6+860, 9+105 and 10 +770 as well as the viaduct of km12+660.

Two bridges with console methodology of construction was specific and especially complex construction challenge.



❖ **Construction of Express road A-3 Shtip – Kochani, section Shtip – Krupishte KM 0+000- KM14+300**

The Contract on construction of express road A-3 Shtip – Kochani, section Shtip – Krupishte, is performed by joint work with the construction company DG Beton AD Skopje, as part of the Projects for modernisation and rehabilitation of the Projects important for the infrastructure and development of the economy, by provision of modern and safety connection of Shtip and Skopje.

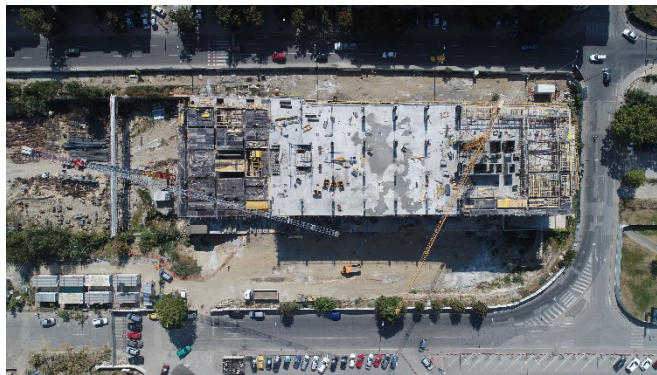


❖ **Construction of sport halls in the territory of Republic of Macedonia;**

The Construction of the Project 145 sport halls in 2019 has followed the need and the plan of the Investor, the Ministry of Education, for the purpose of realisation of this project. In 2019 24 sport halls were in process where 10 sport halls have technical acceptance by the Investor. 14 sport halls from 2019 will be transferred in 2020, and introduction of construction of new 2 sport halls is envisaged as well.

❖ **Object – for performance of construction works – on Business object KAM - Closed market;**

In 2019 the Object for construction of new business complex of KAM has been completed – closed market. The object consists of two dilated lamellas (trade centre and underground garage) and it covers an area of 5.035 m², total height 30 m, 14 m of which are underground – level 0,00 (4 underground floors) and 16 m over the level 0,00 m.



❖ **Object – Construction of gasoline Negotino (Kavadarci) - Bitola**

In 2019, the construction works finished as well for the gasoline Negotino (Kavadarci) – Bitola in 92 km length, pursuant to the Contract with the Investor Joint Stock Company for performing energy business activities Makedonski Resursi Skopje. The construction of the Project is made by joint venture with Rapid Bild DOO Kumanovo. The inclusion in such socially important project once again confirms the effort and confidence in GD Granit AD Skopje to be key holder of the activities and investments aimed at modernisation of the infrastructure, as main driver of the modern investment set-up.

❖ **Object – Construction of Express Road A2, LOT 2 – Section Kriva Palanka - Dlabochica**

In 2019 GD Granit AD Skopje actively performed works on the construction of Express road A2, LOT 2 – Section Kriva Palanka – Dlabochica, with 9 km length, thus presenting important infrastructural project and first road section for construction of modern and modest infrastructural connection of Republic of Macedonia with Republic of Bulgaria. The construction of the Project is joint venture with the construction company DG Beton AD Skopje.



❖ **Contract for performance of construction works on superstructure, extension with reconstruction of existing production plant Alkaloid**

The superstructure, extension with reconstruction of the existing production plant is performed continuously with the plant for production. The superstructure covers 2 floors with floor height of 7m and per 2400 m² in basis. The realisation of this works where the production is not stopped required good plan and strategy as well as big discipline in the construction and delivery terms.

❖ **Projecting and rehabilitation of 12 regional roads**

Within 2019, the resources of the Company were involved in rehabilitation of the regional roads 9 of which Contracts were made by projecting and rehabilitation by the company, while 4 were only construction in the agreed deadlines, and part of them expect to be finished in 2020 pursuant to the established periods for construction.



❖ **Other objects;**

The application of the rules of efficient work in all services organisational units and sectors provided successful monitoring of the needs of the operational organisational units for in time construction of their contractual obligations.

In such conditions, apart from this objects, GD Granit AD Skopje constructed series of roads through the territory of Republic of Macedonia, the need was created for establishment of business policy, in manner for provision the highest level of efficiency and rationality in usage of the available resources and capacities. In time completion of the undertaken construction activities with these policies was base for maintenance high level of liquidity in the conditions of improving of the economy and meant continuous realisation of the legal obligations, obligations towards the suppliers and employees

GD Granit AD Skopje successfully manages with the bellow given for the purpose of realisation of its obligations in the construction of the projects in Macedonia and abroad:

- 9 concrete basis with capacity from 30m³/h to 180m³/h and average annual production of concrete 210.000 m³;
- 7 asphalt bases with capacity from 40 t/h to 160 t/h and average annual production of asphalt 270.000 tones;
- 9 concessions for exploitation (stone pits) and one separation for river material in Republic of Macedonia thus making annual production of construction material of 706 660,00 tones
- 3 reinforcement plants (Skopje, Kichevo and Negotino)

FINANCIES

Introduction

This annual report and financial data cover the work of GD Granit AD Skopje for the fiscal 2014 starting from 1st January 2019 up to 31st December 2019. All the financial reports individual and consolidated are in accordance with the Law on Trade Companies, accounting standards as well as International Standards for Financial Reporting accepted and applicable in Republic of North Macedonia.

Key data

- Realised total incomes 5.405.314.918 MKD
- Realised total expenditures in an amount of 5.188.254.521. MKD
- Gross profit for the period is 217.060.397 MKD
- Total complete profit is 373.012.192 MKD

Structure of the accomplishments compared with 2019

	2018	2019
elements	amount	amount
Total incomes	3.986.221.637	5.405.314.918
Total expenditures	3.828.687.395	5.188.254.521
Gross profit	157.534.242	217.060.397
Tax from profit	1.777.551	25.741.205
Net profit	155.756.691	191.319.192
Net other complete profit	146.952.000	181.693.000
Total complete profit	302.708.691	373.012.192

Structure for the profit in 2019

Profit	2018	2019
Profit for operational work	113.408.242	166.542.397
Profit from financial work	44.126.000	50.518.000
Gross profit	157.534.242	217.060.397
Tax from profit	1.777.551	25.741.205
Net profit = 3-4	155.756.691	191.319.192
Net other complete profit	146.952.000	181.693.000
Total complete profit	302.708.691	373.012.192



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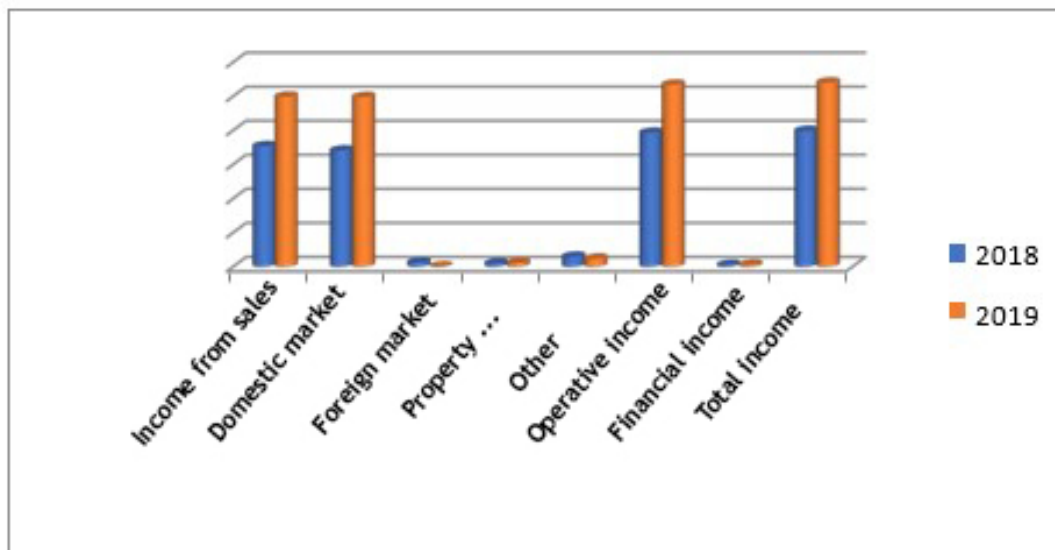
Total income

The realised total incomes are 5.405.314.918 MKD, of which operational 5.344.269.918 MKD and financial incomes 61.045.000 MKD.

The realised operational incomes in 2019 mark growth for 35.91 % compared to the same period in 2018, while the financial incomes have been increased for 13 %.

Structure of the realised incomes

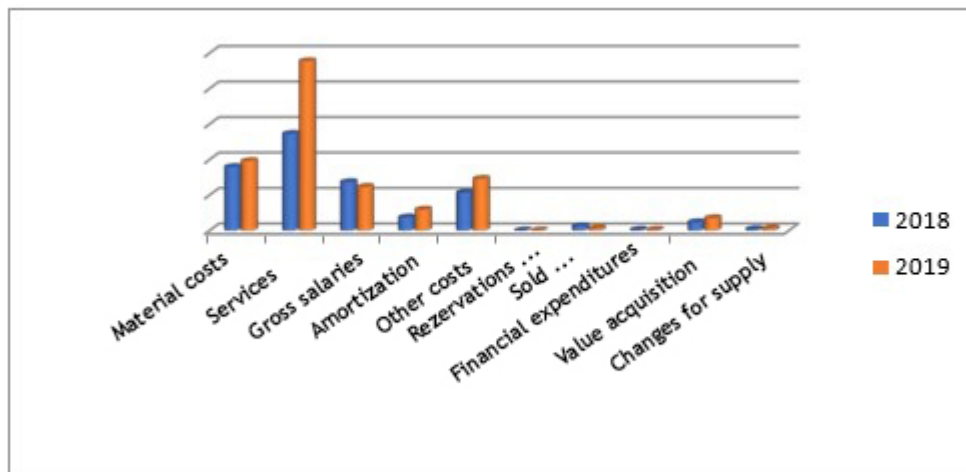
N	Incomes	2018	2019
1	Incomes from sale	3.537.361.999	4.991.499.273
1,1	Incomes from sale at national market	3.411.728.000	4.979.580.000
1,2	Incomes from sale at international market	125.633.999	11.919.273
2	Own production	97.062.150	115.166.164
3	Other operational incomes	297.774.000	237.604.481
4	Operational incomes	3.932.198.149	5.344.269.918
5	Financial incomes	54.023.488	61.045.000
6	Total income	3.986.221.637	5.405.314.918



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Total expenditures

The realised total expenditures for the period 01.01-31.12.2019 follow the trend of the total incomes, are characterised by growth for 35.51% and are 5.188.254.521 MKD. The same participate with 95.98 % in the total income, consists of material costs, gross salaries, amortisations, other costs, financial expenditures and purchase value of the sold stocks reduced for the costs part of the objects for market.



CONSOLIDATED FINANCIAL RESULTS

Consolidated financial results

GD Granit AD Skopje prepares consolidated financial calculation which includes the following related companies:

No	subsidiaries	% of participation
1	Hotel Granit DOOEL Ohrid	100
2	Kar Vash DOOEL Skopje	100
3	Granmak, Austria	100
4	Granmak, Germany	100
5	GD Granit DOO, Banja Luka	100
6	Subsidiary Granit, Banja Luka	100



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Realised indicators from the consolidated annual calculation of GD Granit AD Skopje for the work in 2019

Position	2018	2019
Total incomes	5.055.517.000	5.622.159.000
Total expenditures	4.976.675.000	5.286.759.000
Gross profit	78.842.000	335.400.000
Tax from Profit	3.608.000	31.365.000
Net profit	75.234.000	304.035.000
Net other complete profit	144.798.000	208.155.000
Total complete profit	220.032.000	512.190.000



GRANIT

POLICIES IN THE BUSINESS ACTIVITY

Policy of investment of the Company

The Company continuously invests in material and financial assets as support for the maintenance and success in the work of the Company. In 2019 the Company has invested 385 million MKD or 6.3 million EUR in new primary assets.

Policy of dividends

Gross dividend for 2018 in an amount of 83.106 MKD that is 30 MKD for one share has been set on 19.6. 2019 t the Annual Assembly of shareholders and the same has been paid.

Risk management policy of the Company

The Company enters different transactions deriving from its everyday work, and they refer to the buyers, suppliers and creditors. The main risks the Company is exposed to and the management policies are as follows:

- Market risk;

• Risk from changes of currency exchanges

The Company enters transactions in foreign currencies that drive from sale and purchase on foreign markets, where the same is exposed to everyday changes of the exchange currency. The Company has not special policy for management with this risk but the same is minimal having regard to the main exposure of EUR as relatively stable exchange course.

• Price change risk;

The Company is exposed to risk from changes of prices of the investments available for sale and the same is out of control of the Company and depends on the movement of the market of security values.

• Credit risk;

The Company is exposed to credit risk in case when its buyers will not be able to fulfil its payment obligations. The Company has no significant concentration of credit risk having regard that the buyers are mainly companies in the country and abroad, as well as state institutions.



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- **Liquidity risk;**

The liquidity risk exists when the Company will not be in a condition to regularly pay its obligations by its cash towards its obligees. Such risk is surpassed by constant provision of the necessary cash for servicing of its obligations and the Company has no such problems in its business.

- **Risk from financing**

The Company makes financing of its work by use of short-term and long-term credits for the purpose of providing proper return of investments. The Company continuously follows its indebttness by proper analyses in the Accountancy sector. At the end of 2019 the Company has now obligations towards creditors based on used loans or credits.

Change in accounting policies and correction of mistakes

The accounting policies apply consistently during the entire presented year, equally as in the previous year.



GRANIT

WE DEVELOP, RESEARCH, APPLY, IMPROVE

Aware of the moving power of the innovations GD Granit AD Skopje in 2019 has as well focused part of its activities towards research, development and improvement of its employees, technologies its works with, as well as modernisation of the construction and driving equipment in spite of the reduced volume of the investments in the construction, in particular in the infrastructure.

However, the investment in the employees and the primary assets as the most significant factor for provision of competence and sustainable growth and development is necessary activity in the period of provision economic stability, where the same were optimised through serial of purchased of the necessary primary assets for continuous maintenance, in particular of construction mechanisation, certification of the laboratory, visiting seminars in the field of construction, as well as cooperation with the significant education institution in this field of the economy.

The total investments in primary assets in 2019 are 385.026 thousand MKD:

- material investments 375.906 thousand MKD
- non-material investments 9.120 thousand MKD



CORPORATE SOCIAL RESPONSIBILITY

The development is inevitably connected to scientific-research activity setting the postulated of future news in technological processes of work and new achievements in the construction. In that sense, GD Granit AD Skopje has actively participated with support of several events in the field of construction as follows: The First Macedonian Road Congress, Macedonian Association of Road Engineers.

Recognising its future in the young staff, GD Granit AD Skopje has concluded Contract on realisation of the subject program – Practical training of the study program Construction, first cycle of studies, for the purpose of practical strengthening and improvement of the knowledge of the students, as future moving workforce. In that sense, the Company appeared as supporter of the Student Parliament of Construction 2019.

The aims is to make the real grandiosity and complexity of the construction closer to the students and secondary school students, and the Company as a place where professionals are to be grown and developed in their fields.

Within the frames of the other activities of this character, in 2019 the Company continued with activities of investments in the community and in particular in support of the most vulnerable category of children thus having its contribution and participation in the support of work of the SOS Detsko selo and Children's Embassy of all children in the world.



GRANIT

STRATEGIC AIMS FOR 2020

For the purpose of successful realisation of its strategic aims for 2020, GD Granit AD Skopje has established the following measures and activities:

- Higher rentability in realisation of the works within the business of the Company;
- Continuous monitoring of the quality in the performance of construction works;
- Increase of the level of primary asset equipment;
- Increase of the level of investments in intangible assets;
- Human resource management for provision of higher quality in the work;
- Provision of economic and efficient realisation of works;
- Taking measures for overcoming
- Improvement of software solutions for rational realisation of the tasks and provision control of the work.

The projects the Company prefers are socially important and funded in great measure by the investment policies of state subjects, as the biggest investors in the infrastructure. Therefore, the measures and activities in 2020, in great measure will successively follow the trend of growth of the investments in the infrastructure, for the purpose of provision stable liquidity of the Company. The work will be based on continuous planning, organisation of workforce and construction mechanisations and plants towards achievement of high balance of use of the primary means for work and workforce as well as minimisation of the costs, taking into account the financial crises that is to follow in the period of 2020 for the purpose of overcoming the conditions caused by Covid-10 virus pandemic at world level. The Company will follow the market development within European frames for the purpose of considering the possibilities for using of the capacities as well on world markets.

Management Board
GD Granit AD Skopje 2020



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