

**Construction Company  
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT  
AND  
SEPARATE 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 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 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 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 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 separate 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**  
**INCOME STATEMENT for the year ended at 31 December**

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	<b>Note</b>	<b>2019 (000) MKD</b>	<b>2018 (000) MKD</b>
Revenues from construction works	8	4,727,791	3,127,076
Other operating income	9	666,785	661,497
Changes in inventories of finished goods and work in progress		30,373	18,753
Raw materials used	10	(978,476)	(895,152)
Employees expenses	11	(756,542)	(868,560)
Depreciation		(294,148)	(184,150)
Expenses for subcontractors		(2,203,001)	(1,139,519)
Other operating expenses	12	(975,931)	(568,002)
<b>OPERATING PROFIT (LOSS)</b>		<b>216,851</b>	<b>151,943</b>
Financing income	13	10,737	25,489
Income (loss) from investments	14	-	(77)
Financing expenses	15	(10,528)	(19,820)
<b>PROFIT BEFORE TAXATION</b>		<b>217,060</b>	<b>157,535</b>
Income tax expense	18	(25,741)	(1,778)
<b>NET PROFIT FOR THE PERIOD</b>		<b>191,319</b>	<b>155,757</b>
<b>Basic earnings per share (In MKD)</b>	16	<b>69</b>	<b>56</b>

Skopje, 15 March 2020

**For the Steering Committee  
President**

**Straso Milkovski**

	<b>Note</b>	<b>2019</b> <b>(000) MKD</b>	<b>2018</b> <b>(000) MKD</b>
<b>Net profit for the year</b>		<b>191,319</b>	<b>155,757</b>
<b>Other comprehensive income:</b>			
Revaluation of PPE		-	-
Fair value movement of available-for-sale investments		181,693	146,952
Currency translation differences		-	-
<b>Total other comprehensive income</b>		<b>181,693</b>	<b>146,952</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>373,012</b>	<b>302,709</b>

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

	Note	2019 (000) MKD	2018 (000) MKD
<b>ASSETS</b>			
Cash and cash equivalents	19	63,264	230,571
Investments for trading at fair value	26	244,790	116,831
Trade receivables	20	1,492,482	1,505,432
Receivables for advances	21	185,357	328,044
Short-term loans	22	16,006	18,446
Other short term assets	23	675,356	571,777
Inventories	24	1,455,997	1,391,878
<b>Total current assets</b>		<b>4,133,252</b>	<b>4,162,979</b>
Investments in subsidiaries and associates	25	18,915	18,915
Investments available for sale	26	755,877	574,184
Long-term loans	27	273,393	198,896
Intangible assets	28	20,308	18,403
Property, plant and equipment	29	2,709,201	2,652,273
<b>Total non-current assets</b>		<b>3,777,694</b>	<b>3,462,671</b>
<b>TOTAL ASSETS</b>		<b>7,910,946</b>	<b>7,625,650</b>
<b>LIABILITIES AND EQUITY</b>			
Trade payables	30	1,757,596	1,227,238
Payables for advances	31	827,266	1,020,586
Short-term borrowings	32	-	63,927
Current portion of long-term borrowings	33	31	41,606
Other short-term liabilities and accruals	34	192,027	183,442
<b>Total current liabilities</b>		<b>2,776,920</b>	<b>2,536,799</b>
Long-term borrowings	35	-	192,500
Provision for litigation claims	36c	10,807	37,038
<b>Total non current liabilities</b>		<b>10,807</b>	<b>229,538</b>
<b>Total liabilities</b>		<b>2,787,727</b>	<b>2,766,337</b>
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		2,184,114	2,054,357
Revaluation reserves		341,700	160,007
Retained earnings		1,761,240	1,808,784
<b>TOTAL EQUITY</b>		<b>5,123,219</b>	<b>4,859,313</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>7,910,946</b>	<b>7,625,650</b>

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

	<b>Note</b>	<b>2019 (000) MKD</b>	<b>2018 (000) MKD</b>
<b>Cash flows from operating activities</b>			
<b>PROFIT (LOSS) BEFORE TAXES</b>		<b>217,060</b>	<b>157,535</b>
<b>Adjusted for:</b>			
Depreciation	29	287,483	177,484
Amortization of intangible assets	28	7,215	6,665
Provision on bad receivables	12	101,396	34,049
Provision on bad inventories		11,154	3,556
Write off of interest		-	-
Write off of investment		-	(77)
Interest income (expenses), net	13;15	(2,641)	(12,806)
Dividend income		(223,816)	(88,396)
Provision for litigation claims, net	9;12	(26,231)	(191,391)
Income from write-off payables		-	(11,768)
Other reconciliation in fixed assets		-	-
Gain from disposal of securities		-	(1,913)
Carrying amount of disposed assets		587	477
Gain from disposal of PPE	9	(59,887)	(58,773)
<b>Profit (loss) before changes in current assets</b>		<b>312,320</b>	<b>14,642</b>
Trade receivables		(88,446)	(164,505)
Receivables for advances		142,687	245,168
Other short term assets and prepaid expenses		(113,608)	(7,341)
Inventories		(75,273)	12,837
Trade payables		530,358	(836)
Payables for advances		(193,320)	(178,453)
Other short -term liabilities and accruals		(21,089)	(5)
<b>Net cash used in operations</b>		<b>493,629</b>	<b>(78,493)</b>
Interest paid		(5,523)	(9,820)
Income tax paid		(73)	(5,537)
<b>Net cash flows from operating activities</b>		<b>488,033</b>	<b>(93,850)</b>
<b>Cash flows from investing activities</b>			
Disposal of securities		(127,959)	4,912
Acquisition of investments available for sale		-	(427,232)
Acquired/disposed investments		-	2,366
Received dividends		208,177	43,652
Received interest and loans		(63,893)	55,288
Acquisition of intangible assets	28	(9,120)	(8,637)
Acquisition of PPE	29	(375,905)	(71,081)
Proceeds from disposed PPE	29	90,794	121,636
<b>Net cash flows from investment activities</b>		<b>(277,906)</b>	<b>(279,096)</b>

(Continued)



	<b>Note</b>	<b>2019</b> <b>(000) MKD</b>	<b>2018</b> <b>(000) MKD</b>
<b>Cash flows from financing activities</b>			
Proceeds (repayment) of long-term borrowings	35	(234,075)	230,989
Proceeds (repayment) of short-term borrowings	32	(63,927)	35,015
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>(167,307)</b>	<b>(207,445)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>19</b>	<b>230,571</b>	<b>438,016</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>19</b>	<b>63,264</b>	<b>230,571</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 2018										
Balance as at 01.01.2018	3,071,377	932,367	(301,173)	(148,097)	51,895	1,876,854	62,164	13,055	1,871,932	4,660,170
Comprehensive income:										
Profit for the period	-	-	-	-	-	-	-	-	155,757	155,757
Fair value movement of available-for-sale investments	-	-	-	-	-	-	-	146,952	-	146,952
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	146,952	155,757	302,709
Transactions with owners:										
Share issue	-	-	-	-	-	-	-	-	-	-
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	115,339	-	-	(115,339)	-
Dividends	-	-	-	-	-	-	-	-	(77,566)	(77,566)
Rewards to management	-	-	-	-	-	-	-	-	(26,000)	(26,000)
Balance as at 31.12.2018	3,071,377	932,367	(301,173)	(148,097)	51,895	1,992,193	62,164	160,007	1,808,784	4,859,313

(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	Revaluation reserve	Retained earnings	Total equity
	Number of shares	Amount	Number of shares	Amount						
In (000) MKD										
b) Changes in 2019										
Balance as at 01.01.2019	3,071,377	932,367	(301,173)	(148,097)	51,895	1,992,193	62,164	160,007	1,808,784	4,859,313
<b>Comprehensive income:</b>										
Profit for the period	-	-	-	-	-	-	-	-	191,319	191,319
Fair value movement of available-for-sale investments	-	-	-	-	-	-	-	181,693	-	181,693
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	<b>181,693</b>	<b>191,319</b>	<b>373,012</b>
<b>Transactions with owners:</b>										
Share issue	-	-	-	-	-	-	-	-	-	-
Acquired treasury shares	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	129,757	-	-	(129,757)	-
Dividends	-	-	-	-	-	-	-	-	(83,106)	(83,106)
Rewards to management	-	-	-	-	-	-	-	-	(26,000)	(26,000)
Balance as at 31.12.2019	3,071,377	932,367	(301,173)	(148,097)	51,895	2,121,950	62,164	341,700	1,761,240	5,123,219

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