

**Construction Company
GRANIT AD Skopje**

**INDEPENDENT AUDITOR'S REPORT
AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDING
31 DECEMBER 2020**

Skopje, April 2021

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 2020, 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 North 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 North 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 2020, 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 North 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 2020. 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 2020.

Skopje, 20 April 2021

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	2020 (000) MKD	2019 (000) MKD
Revenues from construction works	8	4,005,615	4,823,868
Other operating income	9	373,859	739,395
Changes in inventories of finished goods and work in progress		52,625	30,372
Raw materials used	10	(952,946)	(1,015,184)
Employees expenses	11	(831,303)	(804,963)
Depreciation		(292,806)	(296,888)
Expenses for sub-contractors		(1,800,954)	(2,230,091)
Other operating expenses	12	(558,057)	(959,449)
OPERATING PROFIT (LOSS)		(3,967)	287,060
Financing income	13	14,746	8,569
Income (loss) from investments	13a	64,821	50,327
Financing expenses	14	(12,546)	(10,556)
PROFIT BEFORE TAXATION		63,054	335,400
Income tax expense	17	(6,127)	(31,365)
NET PROFIT FOR THE PERIOD		56,927	304,035
Net profit (loss) for:			
Shareholders of the Parent Company		56,927	304,035
Minority shareholders in the subsidiaries		-	-
		56,927	304,035
Basic earnings per share (In MKD)	15	21	110

Skopje, 31 March 2021

For the Steering Committee
President

Straso Milkovski

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

	<u>Note</u>	<u>2020</u> <u>(000) MKD</u>	<u>2019</u> <u>(000) MKD</u>
Net profit for the period		56,927	304,035
Other comprehensive income:			
PPE revaluation		-	-
Revaluation of investments available for sale to their fair value		74,019	181,692
Foreign exchange differences from foreign currencies translations		4,477	26,462
Total other comprehensive income		78,496	208,154
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		135,423	512,189

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

	Note	2020 (000) MKD	2019 (000) MKD
ASSETS			
Cash and cash equivalents	18	77,918	110,729
Investments for trading at fair value	25	136,623	244,790
Trade receivables	19	1,583,544	1,506,430
Receivables for advances	20	174,993	185,784
Short-term loans	21	11,880	16,006
Other short term assets and prepayments	22	69,567	203,799
Inventories	23	1,503,946	1,463,330
Total current assets		3,558,471	3,730,868
Investments in associates	24	14,042	14,042
Investments available for sale	25	829,896	755,878
Long-term loans	26	273,393	273,394
Intangible assets	27	21,549	20,308
Property, plant and equipment	28	2,464,855	2,710,951
Total non-current assets		3,603,735	3,774,573
TOTAL ASSETS		7,162,206	7,505,441
LIABILITIES AND EQUITY			
Trade payables	29	779,783	857,286
Payables for advances and deposits	30	555,524	828,018
Short-term borrowings	31	-	-
Current portion of long-term borrowings	32	31	31
Other short-term liabilities and accrued expenses	33	280,477	282,158
Total current liabilities		1,615,815	1,967,493
Long-term borrowings	34	-	-
Provision for litigation claims	35c	-	10,808
Total non current liabilities		-	10,808
Shareholders capital		932,367	932,367
Treasury shares		(148,097)	(148,097)
Share premium		51,895	51,895
Legal reserves		1,422,693	2,185,465
Revaluation and other reserves		417,827	339,331
Retained earnings		2,869,706	2,166,179
Total		5,546,391	5,527,140
Non-controlling interest		-	-
Total equity		5,546,391	5,527,140
TOTAL LIABILITIES AND EQUITY		7,162,206	7,505,441

Notes comprise an integral part of the Consolidated Financial Statements

Auditors report is on pages 1 and 2

Construction Company GRANIT AD - Skopje

CONSOLIDATED CASH FLOW STATEMENT for the year ended at 31 December

	Note	2020 (000) MKD	2019 (000) MKD
Cash flows from operating activities			
PROFIT (LOSS) BEFORE TAXATION		63,054	335,400
Adjusted for:			
Depreciation of PPE	28	284,512	288,979
Amortization of intangible assets	27	8,294	7,909
Provision of bad receivables	12	22,096	78,868
Interest income (expenses), net	13;15	(10,920)	(5,509)
Dividend income		(62,535)	(47,754)
Relief of provision for litigation claims	12	(10,808)	(26,357)
Provision on bad inventories		4,245	11,154
Income from write-off payables	9	(100,313)	-
Gain from disposal of securities	28	535	587
Gain/loss from disposal of PPE	9;12	24,207	(37,361)
Profit (loss) before changes in current assets		222,367	605,916
Trade receivables		(94,733)	301,177
Receivables for advances		10,791	142,516
Other short term assets and prepayments		136,203	(98,710)
Inventories		(44,861)	(56,096)
Trade payables		22,810	(199,071)
Payables for advances		(272,494)	(273,480)
Other short -term liabilities and accruals		10,565	34,780
Net cash used in operations		(9,352)	457,032
Interest paid		(3,583)	(5,524)
Income tax paid		(21,649)	(6,037)
Net cash flows from operating activities		(34,584)	445,471
Cash flows from investment activities			
Cash inflows (outflows) from investements, net	25	108,168	(127,961)
Received interest	13	14,503	11,033
Received dividends	13a	62,535	47,754
Collected (given) loans	26	4,127	(67,027)
Acquisition of intangible assets	27	(9,535)	(9,114)
Acquisition of PPE	28	(134,256)	(376,683)
Proceeds from disposed PPE	28	71,098	263,806
Net cash flows from investment activities		116,640	(258,192)
Cash flows from financing activities			
Proceeds (repayment) of long-term borrowings		-	(234,076)
Proceeds (repayment) of short-term borrowings		-	(63,926)
Dividends paid		(88,869)	(79,432)
Rewards paid		(25,998)	-
Net cash flows from financing activities		(114,867)	(377,434)
Net increase (decrease) of cash and cash equivalents		(32,811)	(190,155)
Cash and cash equivalents at the beginning of the year	18	110,729	300,884
Cash and cash equivalents at the end of the year	18	77,918	110,729

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

(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							
In (000) MKD											
b) Changes in 2020											
Balance as at 01.01.2020	3,071,377	932,367	(301,173)	(148,097)	51,895	2,123,301	62,164	339,331	2,166,179	-	5,527,140
Comprehensive income:											
Profit for the year	-	-	-	-	-	-	-	-	56,927	-	56,927
Revaluation of investments available for sale to their fair value	-	-	-	-	-	-	-	74,019	-	-	74,019
Foreign exchange differences from foreign currencies translations	-	-	-	-	-	-	-	4,477	-	-	4,477
Total comprehensive income	-	-	-	-	-	-	-	78,496	56,927	-	135,423
Transactions with owners:											
Shares issued	-	-	-	-	-	-	-	-	-	-	-
Distribution for reserves	-	-	-	-	-	161,319	-	-	(161,319)	-	-
Distribution for dividends	-	-	-	-	-	-	-	-	(92,331)	-	(92,331)
Distribution for rewards	-	-	-	-	-	-	-	-	(30,000)	-	(30,000)
Transfer of reinvested earnings to accumulated earnings and other	-	-	-	-	-	(924,091)	-	-	930,250	-	6,159
Balance as at 31.12.2020	3,071,377	932,367	(301,173)	(148,097)	51,895	1,360,529	62,164	417,827	2,869,706	-	5,546,391

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