

The background of the cover is a photograph of a construction site. In the foreground, a large yellow BOMAG roller is visible on the left, and a white truck with a yellow front loader is on the right. The ground is dark asphalt. In the background, there are hills and a cloudy sky. A large, semi-transparent yellow rectangle is overlaid on the center of the image, containing the title text.

ANNUAL REPORT OF THE SUPERVISORY BOARD OF GD GRANIT AD SKOPJE FOR 2020

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I. OPERATIONS OF THE SUPERVISORY BOARD DURING 2020

The Supervisory Board of GD Granit AD Skopje, as an independent and autonomous body, in accordance with the competence determined by law, bylaws, the statute and other assets of the Company, implements the business policy adopted by the Assembly of the Company.

During 2020, the Supervisory Board took care to ensure efficient, transparent and responsible operation of the Company by performing regular supervision over the management of the Company within its powers and competencies in accordance with the Law on Trade Companies, the Statute of the Company and the Rules of Procedure of the Supervisory Board.

According to the above, the Supervisory Board of GD Granit AD Skopje:

- Inspected and checked the books of the Company;
- Assessed the accuracy and consistency of information and financial statements;
- Supervised the implementation of the strategic policies of the Company;
- Supervised the operation and the acts adopted by the Management Board of GD Granit AD Skopje; and
- Adopted decisions and gave recommendations and consents, within the needs of the Company, and in accordance with its competencies.

During 2020, the Supervisory Board, within its competencies, exercised its powers by holding regular meetings and in the period from January to December 2020, held a total of 5 (five) regular meetings. The meetings were convened in a timely manner by the President of the Supervisory Board and a total of 22 Decisions and 3 conclusions were adopted on issues within his competence.

Pursuant to Article 374, paragraph 3 of the Law on Trade Companies, Articles 53 and 80 of the Statute of GD Granit AD Skopje and Articles 7 and 13 of the Rules of Procedure of the Supervisory Board of GD Granit AD Skopje, the Supervisory Board adopted a Decision on election of members of the Management Board of the Company, namely: Strasho Milkovski, Zoran Milkovski, Andrea Serafimovski, Katerina Gjerdovska and Venko Zafirov, with a mandate of 6 (six years). With the same Decision, the Supervisory Board re-appointed the current President, Strasho Milkovski, as a President of the Management Board.

The Supervisory Board held its constitutive meeting, at which in accordance with Article 379 paragraph 1 of the Law on Trade Companies, adopted the Decision on appointing the Chairman of the Supervisory Board and appointed Ivana Milkovska Simeva, who has been acting as a Chairman of the Supervisory Board so far.

The members of the Supervisory Board in 2020, collectively and individually, worked towards the fulfillment of the legal obligations, which contributed to successful business continuity and stable corporate management, through:

- Monitoring and reviewing the liquidity, economic and financial condition of the Company and adopting appropriate decisions for efficient use of the monies;
- Providing directions for development, promotion and development of the Company's operations;
- Providing guidelines for compliance with the changes in the legislation which is within the competence of the Supervisory Board;
- Reviewing information submitted by the Management Board of the Company.

In 2021, the Supervisory Board will be focused on improving of the corporate management, following the legislation, but also through the implementation of international best practices, in order to protect the interests of shareholders, investors, customers, suppliers and employees.

The Supervisory Board also remains committed to the continuous upgrading of the Company's strategic priorities.

II. SUPERVISION OF COMPANY MANAGEMENT

1. REVIEW OF QUARTERLY OPERATIONAL REPORTS OF THE COMPANY

The periodic reports on the operation of the Organizational and Working Units operating within the Company, as well as the LLCs established by the Company, are the basis for continuous inspection, analysis and control of the Supervisory Board on the management by the Management Board. Depending on the identified needs recognized through the analysis of the above Reports, the Supervisory Board currently adopted Decisions and Conclusions.

2020 was a year marked by the global pandemic caused by the corona virus and a year that posed major challenges to the economy in many ways. Namely, given that the whole world has faced with a situation that it has never been faced before, the difficulties in working without regard to the timely provision of materials and human resources. As a result of the restrictive measures, introduced by the Government of R. North Macedonia, and in order to protect and prevent the spread of the virus, the Company faced reduced human resources for the release of employees who are parents of children up to 10 years old, employees who became infected with the virus or were in contact with people infected with the virus, restrictions in transport, which required a complete reorganization of the work process, multi-day quarantines and police hours throughout the territory of the Republic of North Macedonia. The same difficulties were faced by the suppliers, both domestic and foreign, as well as the subcontractors, which reflected on the overall realization and financial results from the operation of the Company.

Although the Company achieved positive results from its operations, they were lower than the planned and expected results, and all this was due to the crisis that caused the pandemic and which inevitably affected the entire economy, both in the country and globally.

2. CONTROL OF THE ANNUAL ACCOUNTS, THE FINANCIAL REPORTS AND THE ANNUAL REPORT ON THE OPERATION OF GD GRANIT AD SKOPJE

The control and audit of the Annual Account and the consolidated annual account of the Company for 2020, the individual and consolidated financial statements for 2020 and the Annual Report for 2020 confirmed that the information expressed in them is objective and expressed in accordance with the legal regulations and financial standards.

Hence, the Supervisory Board justifiably gave its consent to the Decision on profit distribution, which beside the factual financial justification, is also legally established, i.e. prepared in accordance with the criteria set out in the Law on Trade Companies and other positive legal regulations. Regarding the proposed materials and Decisions for adoption by the Annual Meeting of Shareholders of the Company, the Supervisory Board accepted and approved them.

3. AUDIT OF THE FINANCIAL STATEMENTS AND THE ANNUAL ACCOUNT FOR 2020

The opinion from the audit of the independent auditor "Moore Stephens" Skopje ascertains the material aspects of the Company's operations, financial data and economic situation, the Cash Flow Statement and the Statement of Changes in Equity are presented objectively, transparently and reliably, in accordance with positive legal regulations and international accounting standards. Therefore, having in mind the findings and the continuous supervision that it exercised for the entire course of the period, the Supervisory Board determined that the results correspond to the data presented in the financial statements, which is why it assessed that the audit was successful and comprehensive, in accordance with accounting records for the Company.

Additionally, the Supervisory Board once again ascertains the timely activities and efforts of the Management Board of GD Granit AD Skopje and the competent services in order to timely identify and continuously monitor the possible risks in the operation and assess that they have successfully dealt with all conditions and circumstances that mean risk management, which especially refer to the assessment of credit, market and liquidity risk, changes in prices and interest rate risks and in that direction acted in a timely manner in order to overcome the possible impacts on the operation and profitability of the Company. The Management Board currently monitored the financial results of all Organizational and Working Units and where necessary, gave directions and proposed measures in order to achieve positive results of the operations.

4. REVIEW OF TRANSITIONAL TASKS FOR WORK IN 2021

The transitional tasks for 2021 of each of the Organizational and Working Units in the Company, which the Supervisory Board reviewed through the Reports and Plans for their work, provide fulfillment of the plans and economic growth and conditions for future development of the Company, if in 2021 continue the investment trends and economic recovery in R. North Macedonia. However, given that the crisis due to the pandemic caused by the corona virus does not subside in 2021, and only deepens, it remains to actively monitor economic trends and take the necessary actions and measures to optimize the operations of the Company.

III. WORK OF THE INTERNAL AUDIT SERVICE

Based on the legal obligations arising from the Law on Trade Companies of R. North Macedonia, in accordance with Articles 415-a, 415-b and 415-c, and in that regard the Supervisory Board approved and adopted:

- Annual work plan of the Internal Audit Service in 2020;
- Six-month report on the work of the Internal Audit Service for the period January-June 2020;
- Annual report on the work of the Internal Audit Service in 2020;

The inspection of the above documents confirmed that the Service performs a systematic review and assessment of risk management in the current operation of the Company and regularly prepares a review of measures and recommendations addressed to the Departments, Organizational and Working Units in order to implement them and increase their effectiveness. Thus, the Supervisory Board identified the areas where the organizational process can be improved, as well as the process of control and management, on the basis of which it made appropriate decisions and proposed taking appropriate measures and activities for their implementation.

The Supervisory Board of GD Granit AD Skopje estimates that the Internal Audit Service continuously achieves successful cooperation with the Departments, Services, Organizational and Working Units that operate within GD Granit AD Skopje.

IV. COOPERATION WITH THE MANAGEMENT BOARD OF GD GRANIT AD SKOPJE

During 2020, the Management Board regularly and timely informed the Supervisory Board about the achieved results of the Company's operations, as well as about all circumstances and situations that may be relevant for its decision. All necessary documents and acts were submitted to the Supervisory Board, in accordance with the positive legal regulations and the currently determined needs of the Company.

V. RECOMMENDATIONS FROM THE SUPERVISORY BOARD TO THE ANNUAL MEETING OF SHAREHOLDERS

The continuous inspection and supervision over the operation of the Company in 2020 enabled the Supervisory Board to perform control and evaluation and based on the same, the Supervisory Board concludes that the given indications, decisions, recommendations and conclusions were timely implemented in the operation of the Company by the Management Board of GD Granit AD Skopje.

Hence, in accordance with Article 480 paragraph 3 of the Law on Trade Companies of R. North Macedonia, the Supervisory Board reviewed, approved and proposes to the Assembly of Shareholders of GD GranitAD Skopje, to adopt:

1. Annual statement and consolidated annual statement of GD Granit AD Skopje for 2020;
2. Separate and consolidated financial statements for the operation of GD Granit AD Skopje for 2020;
3. Annual Report on the operation of GD Granit AD Skopje for 2020;
4. Audit report for annual and consolidated annual statement of GD Granit AD Skopje for 2020 and financial statements;
5. Report on the operation of the Supervisory Board for 2020 and audit of the Annual and consolidated annual statement of GD Granit AD Skopje for 2020, the financial statements and the audit reports;
6. Decision on approval of the work of the members of the Management Board and the work of the members of the Supervisory Board of GD Granit AD Skopje in 2020;
7. Decision on profit distribution of GD Granit AD Skopje realized according to the Annual Statement for 2020;
8. Decision on payment of dividend for 2020;
9. Report on the operation of the Internal Audit Service in GD Granit AD Skopje in 2020.

VI. CONCLUDING OBSERVATIONS

The members of the Supervisory Board of GD Granit AD Skopje, within the determined competencies arising from the provisions of the Law on Trade Companies, the Statute of the Company, the Rules of Procedure and other general acts for carrying out the regular business activity of GD Granit AD Skopje, during in 2020 actively contributed and participated in decision-making, transparently, through objective, competent and comprehensive analysis.

In 2021, the Supervisory Board of GD Granit AD Skopje remains committed to the strategic priorities and business development policy to be determined by the Management Board of GD Granit AD Skopje, as well as other plans for further economic growth, successful implementation of projects undertaken in 2021 year and overcoming the crisis imposed by the coronavirus-caused pandemic worldwide.

Skopje, April 2021

President of the Supervisory Board
of GD Granit AD Skopje

Ivana Milkovska Simeva