



**ANNUAL REPORT
OF THE SUPERVISORY BOARD
OF GD GRANIT AD SKOPJE
FOR 2021**

The rectangular seal reads:
Construction Company
GRANIT AD SKOPJE
No. 12-3892/1
20.04.2022

C O N T E N T:

I. WORKING OF THE SUPERVISORY BOARD IN 2021	3
II. SUPERVISION OF THE MANAGEMENT WITH THE COMPANY	4
1. REVIEW OF THE QUARTERLY REPORTS OF THE COMPANY	4
2. CONTROL OF THE ANNUAL STATEMENTS, FINANCIAL STATEMENTS AND ANNUAL REPORT ON THE OPERATION OF GD GRANIT AD SKOPJE	5
3. AUDIT OF THE FINANCIAL REPORTS AND THE ANNUAL STATEMENT FOR 2021	5
4. REVIEW OF TRANSITIONAL TASKS FOR 2022	6
III. WORK OF THE INTERNAL AUDIT SERVICE	6
IV. COOPERATION WITH THE MANAGEMENT BOARD OF GD GRANIT AD SKOPJE	7
V. RECOMMENDATIONS FROM THE SUPERVISORY BOARD TO THE ANNUAL MEETING OF SHAREHOLDERS	7
VI. CONCLUDING CONSIDERATIONS	8

I. WORKING OF THE SUPERVISORY BOARD IN 2021

The Supervisory Board of GD Granit AD Skopje, as an independent and autonomous body, in accordance with the competencies determined by the law, bylaws, the Articles of Association and other acts of the Company, takes care of the implementation of the business policy adopted by the Assembly of the Company.

During 2021, the Supervisory Board exercised regular supervision over the management of the Company within its powers and competencies, and in accordance with the Law on Trade Companies, the Articles of Association of the Company and the Rules of Procedure of the Supervisory Board of the Company, thus ensuring efficient, transparent, responsible and in accordance with the law operation of the Company.

In accordance to the above stated, 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;
- Monitored the compliance of the Company's operations with the positive law of the Republic of North Macedonia;
- In order to comply with the new Corporate Management Codex adopted by the Macedonian Stock Exchange, adopted a new Rules of Procedure for the Supervisory Board and proposed to the Management Board to add an item to the Agenda of the next Annual Assembly of the Shareholders, for amendment of the Articles of Association of the Company;
- Adopted decisions and gave recommendations and consents, within the needs of the Company, and in accordance with its competencies.

The Supervisory Board within its competencies, as a result of the inability to hold meetings with physical presence due to the pandemic caused by the Corona virus, in the period from January to December 2021, held a total of 2 (two) regular meetings, and when the epidemiological situation did not allow, the decisions were adopted without holding a meeting. The meetings were convened in a timely manner by the President of the Supervisory Board and a total of 8 Decisions and 1 Conclusion were adopted at the meetings, and additionally without holding a meeting, the Supervisory Board adopted 12 Decisions, for issues within the competence of the Supervisory Board.

The members of the Supervisory Board in 2021, collectively and individually, worked towards the fulfillment of legal obligations, thus contributing to successful business continuity and stable corporate Management, through:

- Monitoring and reviewing the liquidity, economic and financial condition of the Company and making appropriate decisions for efficient use of funds;
- Providing directions for development and promotion of the Company's operations;
- Providing guidelines for compliance with the changes in the legislation which is within the competence of the Supervisory Board;
- Providing guidelines for compliance with the new Corporate Management Codex adopted by the Macedonian Stock Exchange;
- Reviewing information submitted by the Management Board of the Company.

In 2022, the Supervisory Board will be focused on improving the corporate governance, in accordance with the new Codex of Corporate Management adopted by the Macedonian Stock Exchange, as well as by following the legislation, but also by implementing best international practices, in order to protect the interests of the shareholders, investors, customers, suppliers and employees.

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

II. SUPERVISION OF THE MANAGEMENT WITH THE COMPANY

1. REVIEW OF THE QUARTERLY REPORTS OF THE COMPANY

The periodic reports on the operation of the Organizational and Working Units operating within the Company, as well as the LLC's 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 through the analysis of the above Reports, the Supervisory Board currently adopted Decisions and Conclusions.

The economy in 2021 was still affected by the crisis caused by the pandemic, which only deepened the economic crisis, which led to an enormous increase in the price of the materials and resources.

For the operation of the Company, this meant dealing with difficulties in the timely provision of materials, transportation of the same, but also dealing with reduced human resources. The work of domestic and foreign suppliers, as well as subcontractors, was burdened with the same difficulties.

However, even in conditions of such a crisis, the Company achieved positive results.

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

The control and audit of the Annual Statement and the consolidated annual statement of the Company for 2021, the individual and consolidated financial statements for 2021 and the Annual Report for 2021 confirmed that the information expressed in them are objective and expressed in accordance with legal regulations and financial standards.

Hence, the Supervisory Board justifiably gave consent to the Decision on profit distribution, which in addition to 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 the Shareholders of the Company, the Supervisory Board accepted and approved them.

3. AUDIT OF THE FINANCIAL REPORTS AND THE ANNUAL STATEMENT FOR 2021

Through the review of the financial statements from the performed audit, the Supervisory Board reviews the success of the overall operation and management of the Company, but also identifies the areas where it is necessary to focus business policy and strategic decision making.

The opinion from the audit of the independent auditor "Moore Stephens" Skopje concludes that the separate and individual consolidated financial statements present reliably and objectively, from all material aspects, the consolidated financial condition of the Company as of 31 December 2021, as well as its individual and consolidated financial statements. performance and its individual and consolidated cash flows for the year ending then in accordance with the accounting standards accepted in the Republic of North Macedonia.

Hence, having in mind the findings and the continuous supervision that it exercised for the entire course of the period in question, 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.

The Supervisory Board also recognized the timely activities of the Management Board, which are aimed at timely identification and continuous monitoring of possible operational risks. He concluded that both the Management Board and all relevant services have successfully dealt with all difficulties and circumstances that represent risk management, which especially affect the assessment of credit, market and liquidity risk, changes in prices and interest rate risks and in that direction in a timely manner. acted in order to overcome the possible impacts on the operation and profitability of the Company. Additionally, the Management Board continuously and closely monitored the financial results of all Organizational and Working Units and wherever it recognized the need, gave directions and proposed appropriate measures in order for the Company to achieve positive results in operations.

4. REVIEW OF TRANSITIONAL TASKS FOR 2022

The transitional tasks for 2022 of each of the Organizational and Working Units in the Company, which were reviewed by the Supervisory Board through their Reports and Work Plans, provide for the fulfillment of the plans and economic growth and conditions for future development of the Company. However, given that the crisis due to the pandemic caused by the corona virus does not subside in 2022, it remains to actively monitor economic trends and take the necessary actions and measures to optimize the operation of the Company.

III. WORK OF THE INTERNAL AUDIT SERVICE

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

- Annual Work Plan of the Internal Audit Service in 2021;
- Six-month report on the work of the Internal Audit Service for the period January-June 2021;
- Annual Report on the work of the Internal Audit Service in 2021;

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 effectiveness and efficiency. Additionally, in accordance with the amendments to the Law on Trade Companies, the Service monitored the compliance of the organization and the Company in accordance with the Corporate Management Codex of the Company, where the Service found that the Company is already 90% compliant with the newly adopted Corporate Management Codex, and in future operations the Internal Audit Service will pay special attention and greater commitment in performing inspections as well as whether all principles of corporate management are applied and practiced consistently and continuously.

In this way, the Supervisory Board identified the areas where the organizational process can be improved, as well as the control and management process, 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

The Company has established a corporate management system that is based on both legal regulations and the latest international practices, which is especially evident from the continuous and close cooperation between the Supervisory and the Management Board of the Company.

During 2021, 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 2021 enabled the Supervisory Board to perform control and evaluation on the basis of 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 the Article 480 paragraph 3 of the Law on Trade Companies of Republic of North Macedonia, the Supervisory Board reviewed, approved and proposes to the Assembly of Shareholders of GD Granit AD Skopje, to adopt:

1. Annual Statement and Consolidated Annual Statement of GD GranitAD Skopje for 2021;
2. Separate and Consolidated Financial Statements for the operation of GD Granit AD Skopje for 2021;
3. Annual Report on the operation of GD Granit AD Skopje for 2021;
4. Audit report on the Annual and Consolidated Annual Statement of GD Granit AD Skopje for 2021 and the Financial Statements;
5. Report on the operation of the Supervisory Board for 2021 and audit of the Annual and Consolidated Annual Statement of GD Granit AD Skopje for 2021, 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 2021;
7. Decision on profit distribution of GD Granit AD Skopje realized according to the Annual Statement for 2021;
8. Decision for payment of dividend for 2021;
9. Report on the operation of the Internal Audit Service in GD Granit AD Skopje in 2021;
10. Amendment of the Articles of Association of the Company.

VI. CONCLUDING CONSIDERATIONS

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 Articles of Association of the Company, the Rules of Procedure and other general acts for carrying out the regular business activity of GD Granit AD Skopje, during 2021 actively contributed and participated in decision-making, transparently, through objective, competent and comprehensive analysis.

In 2022, 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 and overcoming the crisis imposed by the coronavirus pandemic worldwide.

Skopje, April 2022

President of the Supervisory Board
of GD Granit AD Skopje

Ivana Milkovska Simeva
/personal signature/

*The round seal reads: Construction
Company * Skopje GRANIT AD*