

A large white Granit AD Skopje roller is shown paving a road in a quarry. The roller is positioned on the left side of the frame, moving towards the right. It has a large front wheel and a smaller rear wheel. The background shows a quarry with hills and a cloudy sky. A yellow diagonal band runs across the right side of the image, containing the text.

**Annual Report
for 2022
GD Granit AD Skopje
Management Board**



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Letter to the Shareholders

Dear Shareholders,

This past year has brought major economic challenges, confronting the world with a serious economic and energy crisis, as well as high inflation that has not been seen in recent history. Since the beginning of the pandemic, the world economy has been constantly faced with uncertainty. Yet to recover from the pandemic, the economy faced a new challenge - the military conflict between Ukraine and Russia, which particularly affects the European market and price pressures.

The construction sector has failed to remain immune to the consequences of the many crises that followed one another, which was reflected at the national level by a significant reduction in the number of employees in the sector, falling below 50,000 for the first time in recent years.

Despite the many challenges, GD Granit AD Skopje ended the year 2022 successfully, continuously adapting to the new circumstances.

The engagement of the management and management team in these circumstances of action showed particular stability, care and attention in the selection of appropriate measures and activities to overcome the challenges, which led to positive results.

The year 2022, in fact, challenged all economy stakeholders to leave the comfort zones of action and introduce a more flexible way of working and adapting work to the emerging conditions across the globe, caused by the pandemic. In particular, we faced limited work resources, rising prices, and a large fluctuation in the workforce, but the planning approach towards the undertaken obligations and the care of the employees ensured the fulfillment of the goals. In this manner, the Company showed an excellent ability to promptly adapt and adjust to the new situation. The main feat was to protect the employees and their jobs, while ensuring complete fulfillment of obligations to investors, with a final positive result for the shareholders as well.

In 2022, we mostly worked on the already signed contracts due to the fact that the construction sector affected by the health-economic crisis faced a reduced intensity of construction activities and no larger investments were made. In this business climate, we remained focused on streamlining and increasing operational effectiveness.

With such performance, we aim to maintain the position of a highly listed Company on the Macedonian Stock Exchange in 2023, which will justify the trust of the shareholders. In addition, we will do our best to maintain our image as a good employer, which attracts special professionals who want to be part of our team and who are attracted by the complexity of the construction projects conducted by the Company. In this regard, we will continue to build our path to a safe and secure workplace for every worker, and having the future and our successors in mind, we will continue our efforts to maintain and improve healthy environmental practices, with a commitment to the regulations and the recommendations for its maintenance at construction sites.

Considering the current developments, this year we also expect big challenges on the path of achieving our goals. In this regard, several key segments have been identified that will need to be reorganized for their development and growth. The economic crisis and the significant increase in prices will inevitably affect the results, but guided by our enthusiasm and goal to implement the plan, as well as the dedication to work as a driver for achieving better results, we believe that the Company will overcome the challenges brought by the year 2023.

Granit will continue to aim to remain a synonym for success in construction and a leader in the realization of the most complex developer projects, directing its growth towards investments in staff, digitalization, and modern fixed assets that will contribute to the achievement thereof.

The annual report represents the annual activities of the Company by the management, based on the requirements of the Company Law, and constitutes an assessment of the information on the stated positions and the performance in the financial statements.

Management Board

About Us

GD Granit AD Skopje is the largest construction company in the Republic of North Macedonia with a long tradition and experience in the construction industry. For more than 70 years, Granit has been a synonym for quality and responsibility in the Republic of North Macedonia, building its image both on the domestic and foreign markets.

The main activity of GD Granit AD Skopje is construction activities in civil engineering, building construction, and hydraulic engineering. In addition to its core activity, GD Granit AD Skopje has created companies which are wholly owned by the Company on the territory of R. North Macedonia and in foreign markets, dealing with purchase and sale of construction machinery and building materials, hospitality, and other services.

The predominant activity of GD Granit AD Skopje is civil engineering construction.

The quality offered by GD Granit AD Skopje is a tradition and a direct result of the successful leadership and uncompromising respect for our values - safety, quality, ethics, integrity, and long-term sustainability and development. Therefore, GD Granit AD Skopje constantly strives to establish a sustainable system of values, innovation and improvement of the quality of life, because the reputation of our Company depends on the value it has in the eyes of those for whom we build.

Following social changes and market conditions resulted in the development of the Company's capacities according to the modern requirements of this age, which is why we develop and use first-class world technology, we search for and implement the best ideas, and we continuously invest in ensuring a high level of competence and continuous progress of employees, which is why GD Granit AD Skopje exists today as a highly professional and technologically equipped construction company with the ability to complete even the most complex construction projects.

Activities in foreign markets are carried out by companies that are wholly owned by GD Granit AD Skopje, and established as limited liability companies/subsidiaries/business units abroad.

GD Granit AD Skopje has been listed on the official Macedonian Stock Exchange since 22.01.2003.



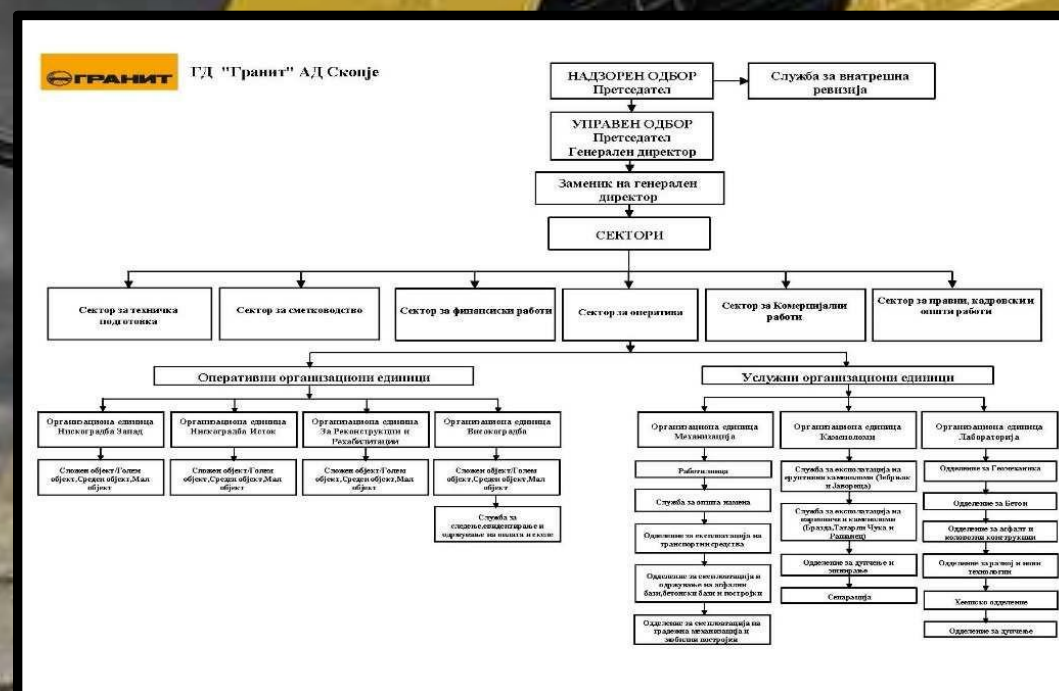
Company Structure

The corporate governance system is based on the legal regulations and the Statute of GD Granit AD Skopje and as such ensures efficient and transparent management of the Company through an established two-tier management system - Supervisory Board and Management Board.

The General Meeting, as the highest body, decides on issues regulated by law and specified by the Statute of GD Granit AD Skopje.

The internal organizational structure of the Company is based on the division of work into organizational units, work units, services, and sectors that operate within the Company, while some of the other activities that are not part of its core business are carried out through companies that are wholly owned by GD Granit AD Skopje.

Organizational Structure



Corporate Governance and Decision Implementation

The business governance and decision implementation policy is based on the application of Good Governance Practices. Decision-making is based on the analysis of current economic market indicators, opportunities, and available resources, as well as the analysis of global price-sensitive information of importance to the company's operations with appropriate planning of activities, decision-making, and overseeing the implementation of decisions, in accordance with the powers provided by the Law and the Company Statute.

In the course of 2022, the Supervisory Board continuously monitored and controlled the activity of the Company and its financial position, governance, and performance. Between January and December 2022, it held a total of 5 (five) regular meetings. The meetings were convened in a timely manner by the Chairwoman of the Supervisory Board with all members present at all meetings, at which a total of 23 Decisions were made, with 2 additional Decisions made without holding a meeting on issues within the competence of the Supervisory Board. In 2022, the Supervisory Board adopted a succession plan, which is attached to this Report.

The Supervisory Board is composed of two women and one man, each of whom is an exceptional professional in his/her field. The Chairman of the Supervisory Board, Ms. Ivana Milkovska Simeva, is an architect, and the other members, Mr. Goran Markovski and Violeta Bozhinoska are an economist and a lawyer, respectively, thereby covering all areas important for proper functioning, control and understanding of every aspect of Company operations. Regular auditing has been carried out by the Internal Audit Office, with timely reports submitted to the Supervisory Board, and given the commitment and professional knowledge of the members of the Supervisory Board, it was determined that there is no need to create any additional special committees.

The member of the Supervisory Board Mr. Goran Markovski is an independent member of the Supervisory Board of **Diners Club International Mak AD Skopje**.
The Corporate Secretary of the Supervisory Board is Marina Atanasova, Master of Law.

The Management Board is composed of 5 members, combining the experience and energy of the young driving force, with various professional degrees, namely the Chairman of the Management Board, Mr. Strasho Milkovski, with many years of experience as an architectural engineer, Mr. Zoran Milkovski - Master of Science, Mathematics and Computer Sciences, Mrs. Katerina Gjerdovska - economist, Mr. Andrea Serafimovski - civil engineer, and the external member Mr. Venko Zafirov - electrical engineer. The Chairwoman of the Supervisory Board, Ivana Milkovska-Simeva, has attended all meetings of the Management Board. In 2022, 6 regular meetings were held at which decisions and conclusions were made in accordance with the deliberations at the meetings, while for some of the current activities, decisions were made without holding a meeting in order to ensure effective management. The Company deliberated on the decisions for reviewing and approving the annual statements of the Company, both individual and consolidated, as well as the annual statements of the Companies created by GD Granit AD Skopje, regarding the current activities in the organization, planning and directing of the procedures, the manner of execution of the undertaken construction work in circumstances of a global crisis, and the proper allocation of the Company's resources and their rational use.

The Member of the Management Board Mr. Zoran Milkovski is a member of the Supervisory Board in **Euroins Osiguruvanje AD Skopje**.

Secretary of the Management Board is Marija Šekeroska, with a degree in law.

Corporate Governance and Decision Implementation

The Company continuously works on training the management staff, with the goal of developing managerial skills, especially among female employees, for the purpose of establishing and developing gender equality. The Company successfully implements this objective in the Supervisory Board, with the further goal of establishing the same gender equality in the Management Board of the Company.

The meetings of the Supervisory and Management Board are chaired and monitored by the two female Corporate Secretaries with law degrees for each board separately, in order to properly monitor and apply the Good Corporate Practices.

In 2022, the management and supervision bodies were paid a gross amount of MKD 65,667,305 as salaries, remunerations, and compensation for participation in the management bodies.

No stakeholder or major deals have been made in 2022.

The member of the Management Board - Venko Zafirov is employed with Koner Kompjuteri DOO Skopje, earning a gross employment income of MKD 756,296.

The member of the Supervisory Board - Goran Markovski is employed with KB Publikum Invest AD Skopje, earning a gross employment income of MKD 4,679,980.



Code of Corporate Governance

As a company listed on the Macedonian Stock Exchange, GD Granit AD Skopje has adopted, within the framework of its operations, its own Code of Corporate Governance. GD Granit AD Skopje adequately answered the Questionnaire and provided information about its corporate management respecting the principles of operational transparency.

In 2022, the Supervisory Board adopted several policies that ensured implementation of the Best International Practices of corporate governance where applicable in the Company, which provide the basis for building a good corporate structure. In that regard, the Supervisory Board adopted a Remuneration Policy, and a Succession Plan (attached to this Annual Report), and the Management Board carries out constant control through the Departments, each in its own area, of the application of the Code of Corporate Governance. The Company has modified and amended the existing Code of Corporate Governance.

The Code is publicly available physically in the administrative building and headquarters of the Company at 8 Dimitrie Chupovski, and can also be viewed on the Company's website by all interested investors and shareholders.

The Company continues its ongoing application of good business practices, by duly publishing all decisions that are relating to price-sensitive information and are important for the Company's operations on the Company website and submitting them to the Macedonian Stock Exchange.

Thus, the Company has identified the correct values and steps towards ensuring a corporate governance that will contribute to good corporate practices and positive Company performance. In 2022, the Management Board adopted a Stakeholder Relations Policy on Relations which determines the basic mechanisms for identifying, and the basic principles for cooperating with stakeholders. The Company has implemented this Policy by acting at joint meetings, publishing Information, conducting quarterly control of the work of the Organizational Units, Work Units and Sectors, while the Management Board has issued reports to the Supervisory Board about the activities undertaken.



GD GRANIT AD SKOPJE IN THE ECONOMY AND THE ENVIRONMENT IN 2022

The consequences of the global economic crisis had a significant impact on the Gross Domestic Product, and thus on the Construction sector. The unpleasant state of construction sector is also affirmed by the statistical data on the Gross Domestic Product. According to the GDP volume indices as per the production method, the construction sector has seen a significant decline annually, which was most pronounced in the first quarter at 17.2%. The negative trend continued in the second quarter with a 1% drop, followed by a 9.1% drop and by an 8.1% drop in the third and in the fourth quarters, respectively. This was followed by a continuous rise in the prices of basic resources and materials resulting in inflation which saw a significant spike.

The average inflation rate measured at the end of the year for 2022/2021 was 18.7%.

The number of employees in this sector has dropped below 50,000 for the first time in recent years.

The cost of living and retail prices in 2022, compared to 2021, saw an increase of 14.2% and 12.6%, respectively.

The cost of completed construction work in nominal value amounted to 31.2 billion denars, which is a 7% increase compared to 2021 %. Building construction has experienced 18.8% growth, while civil construction has seen a decrease of 1.1%.

The activities of GD Granit AD Skopje were aimed at full utilization of resources by actively fulfilling current obligations within the agreed deadlines, while minimizing costs. In that sense, several contracts have been signed in key sectors that are experiencing unpredictable changes, by agreeing fixed prices for resources such as the supply of electricity, and by starting procedures to assess the possibilities for the Company to invest in electric panels for independent production. In these economic circumstances, the Management of GD Granit AD Skopje in 2022 conducted a business policy aimed at achieving a reasonable balance between the Company's business activity and the macroeconomic operating conditions on the market in the Republic of North Macedonia, which have been characterized by rapid price growth.

ACTIVITIES IN 2022

Activities in 2022 consisted of working on ongoing projects, and due to the global crisis, there were no new major investment projects compared to 2021, despite the aspirations for larger business ventures.

The more significant projects carried out during 2021 were as follows:

- Construction of the Kichevo - Ohrid highway, section Kichevo - Podvis;
- Construction of A2 Expressway, LOT 2 – Section Kriva Palanka – Dlabocica
- A4 Highway BCP Blace - Skopje
- Reconstruction and rehabilitation of state road A2, section Kriva Palanka - Deve Bair
- Construction of the A4 highway, section BCP Blace - Skopje (Stenkovec interchange), Subsection 1 - widening of the existing A4 road from BCP Blace to the village of Blace to highway proportions and construction of a portion of the highway with an interchange for connection with a local road to the village of Blace
- Construction of an Antenna System for Radio Frequency Control and Monitoring on the territory of RN Macedonia, at a location near Skopje, on Mount Vodno
- Tender 1-Construction work for the improvement of the infrastructure of local roads in selected municipalities in accordance with the prepared detailed designs LRCP-9034-MK-RFB-A.2.1.1 –T1 – Part 3
- Construction of Karposh Bridge

- Construction of Kichevo - Ohrid Highway, section Kichevo - Podvis - Preseka;

Construction of Kichevo - Ohrid Highway, section Kichevo - Podvis - Preseka;

In 2022, the construction of the Kichevo Ohrid highway Section 1 and Section 2 marked the completion of almost all viaducts on both sections, with the exception of the Viaduct at km 11+395 and Viaduct at 11+705 where the girders are yet to be installed. Percentagewise, 70% of the cuts were completed in 2022, on a 380 m long asphalt section, and the works for the construction of the superstructure were actively started.



Projects 2022

- **Project build—Highway A4 BCP Blace—Skopje;**

In 2022 construction activities for this Project were actively carried out, and the construction activities for the completion of the Project will result in a modern infrastructural connection between the Republic of North Macedonia and Kosovo, which should provide an easy and efficient flow of vehicles, thus developing a simple approach for easier development of international exchanges.



- **Project build—Construction of Expressway A2, LOT2 –Section Kriva Palanka –Dlabochica**

In 2022, GD Granit AD Skopje fully took over the activities as the sole contractor for the construction of Expressway A2, LOT 2 - Section Kriva Palanka - Dlabochica with a length of 9 km, which represents an important infrastructure project, and the first section for the construction of a modern and contemporary infrastructural connection between RN Macedonia and R. Bulgaria.



Projects 2022

Project build – Reconstruction and rehabilitation of national road A2, section Kriva Palanka –Deve Bair

In 2022, Granit put into use two sections of the contract for Rehabilitation and Upgrade of national road A2, section Kriva Palanka - Deve Bair in total length of 7.89 km. Yet to be constructed is a 5.3 km long section where, according to the contract, it is necessary to finish the additional third lane, reconstruct the viaducts and bridges, and build new bridges with resurfacing of the river bed. By completing the work in this key infrastructure project for the connection of our Republic with the Republic of Bulgaria, this part of the country will get a modern, contemporary and efficient road network.



• Project build - Karposh Bridge on r. Vardar;

The project is part of a new boulevard design on Ljubljanska Street. The construction work for the lower structure portion have progressed actively during 2022. The bridge is a so-called "extradosed bridge", which is a combination of both a prestressed box girder bridge and a cable-stayed bridge. As such, this bridge will be the first of its kind in Macedonia and will be the most representative structure along the newly planned Ljubljanska Boulevard, which connects Karposh with the settlements of Bardovci and Zlokucani.



Projects 2022

- Construction of an Antenna System for Radio Frequency Control and Monitoring on the territory of the Republic of Macedonia, located near Skopje, on Mount Vodno

The construction activities for the project titled "Antenna System for Radio Frequency Control and Monitoring on the territory of the Republic of Macedonia " continued in 2022. The year saw the completion of the main construction of Platforms 1, 2 and 3, and the completion of 95% of the most specific elements "the horns". All other phases have been commenced (roofing, facade work, insulation, mechanical engineering, electricity and plumbing, and sewage) in the ground floor, and on platforms 1, 2 and 3, while the installation of Platform 4, which is most different and specific in terms of construction in relation to the others, started towards the end of the year.

- Other projects;

The application of the rules for efficient operation in all service organizational units and sectors ensured successful monitoring of the needs of the operational organizational units for the timely performance of their contractual obligations.

In these conditions where, in addition to these projects, GD Granit AD Skopje also led the construction of a number of roads throughout the territory of the Republic of Macedonia, a need arose to regulate the business policy, in such a way as to ensure the greatest degree of efficiency and rationality in the use of the available resources and facilities. The timely completion of the undertaken construction activities with these policies was the basis for maintaining a high level of liquidity in conditions of economic recovery and resulted in the smooth performance of legal requirements and the obligations to suppliers and employees.

For the fulfillment of its obligations in the execution of projects in the RN Macedonia and abroad, GD Granit AD Skopje successfully manages:

9 batch plants with capacity of 30m³/h - 180m³/h and annual average concrete production of 210.000 m³;
7 asphalt plants with capacity of 40 t/h - 160 t/h and annual average asphalt production of 270.000 tons;
9 concessions for exploitation (quarries) and one separation for river material throughout the entire territory of RM
2 reinforcement plants (Kicevo and Mozhdvijnjak)



Financial Data

This annual report and financial data cover the operations of GD Granit AD Skopje for the fiscal year 2022 starting with January 1, 2022 until December 31, 2022. All individual and consolidated financial statements are in accordance with the Company Law, the accounting standards, and the International Financial Reporting Standards which are accepted in the Republic of North Macedonia and published in Official Gazette.

Key data

Total revenue generated - MKD 5,025,625,271

Total expenses - MKD 4,892,737,506

Gross income for the period - MKD 132,887,765

Total comprehensive income - MKD 144,257,765

The performance structure compared to 2021 is as follows :

	2021	2022
Items	amount	amount
Total revenues	4,961,306,756	5,025,625,271
Total expenses	4,779,973,173	4,892,737,506
Gross income	181,333,583	132,887,765
Income tax	2,420,929	0
Net income	178,912,654	132,887,765
Net other comprehensive income	489,023,700	11,370,000
Total comprehensive income	667,936,354	144,257,765

Financial Data

The income structure for 2022 is as follows:

	2021	2022
Operating income	107,922,000	65,197,765
Financial income	73,412,000	67,690,000
Gross income	181,333,583	132,887,765
Income tax	2,420,929	0
Net income	178,912,583	132,887,765
Net other comprehensive income	489,023,700	11,370,000
Total comprehensive income	667,936,354	144,257,765

Total revenues

Total revenue generated was MKD 4,605,995,027 of which MKD 4,947,427,271 was operating revenue and MKD 78,198,000 was financial revenue. The operating revenue generated in 2022 increased by 1.30% while the financial revenue increased by 0.79% compared to 2021.

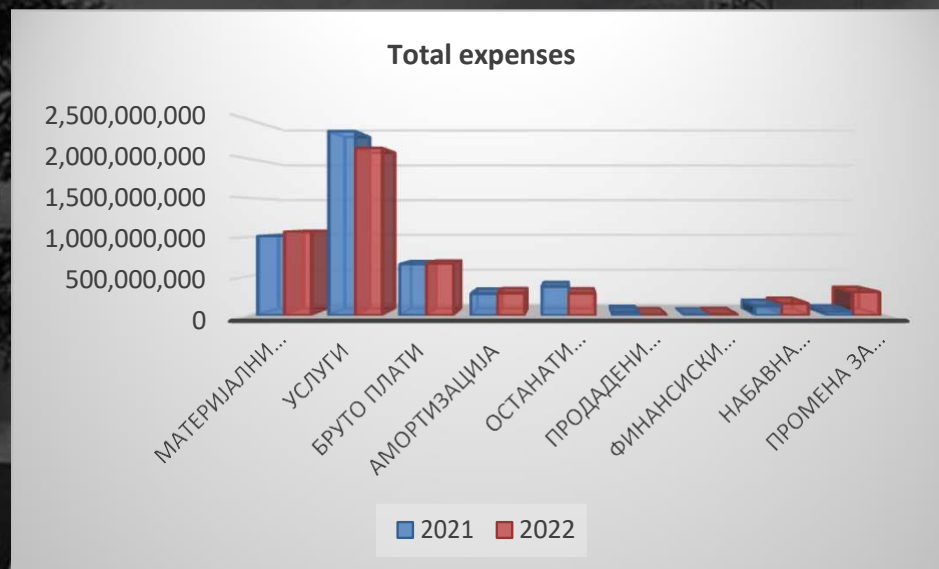
The revenue structure is as follows:

No.	Revenues	2021	2022
1	Sales	4,655,977,756	4,605,995,027
1.1	Domestic market sales	4,652,722,756	4,598,015,000
1.2	Foreign market sales	3,255,000	7,980,000
2	Own production	90,427,000	168,466,244
3	Other operating revenue	137,320,000	172,966,000
4	Operating revenue=1+2+3	4,883,724,756	4,947,427,271
5	Financial revenue	77,582,000	78,198,000
6	Total revenues =4+5	4,961,306,756	5,025,625,271

Financial Data

Total expenses

Total expenses generated for the period 01.01-31.12.2022 follow the trend of total revenues, having increased by 2.36% to an amount of MKD 4,892,737,506. They account for 97.36% of the total revenues, and consist of material costs, gross wages, depreciation, other costs, financial expenses and purchase value of sold goods, less the costs contained in market facilities.



Consolidated Financial Results

GD Granit AD Skopje prepares a consolidated financial statement that includes the following subsidiaries:

No.	Subsidiaries	% of share
1	Hotel Granit DOOEL Ohrid	100
2	Car Wash DOOEL Skopje	100
3	Granmak, Austria	100
4	Granmak, Germany	100
5	GD Granit DOO, Banja Luka	100
6	Subsidiary Granit, Banja Luka	100

The indicators achieved in the consolidated annual statements of GD Granit AD Skopje for the activities in 2022 are as follows:

In MKD 000

Elements	2021	2022
Total revenues	4,973,730	5,026,631
Total expenses	4,832,116	4,980,382
Gross income	141,614	46,249
Income tax	5,807	263
Net income	135,807	45,986
Net other comprehensive income	488,664	10,634
Total comprehensive income	624,471	56,620

Capital Structure

Company's Sources of Funding

The capital structure of the Company is as follows:

Shareholders 31.12.2022	Number of shares	%	Number of shareholders
Domestic individuals	2,154,440	70.1457	3,813
Domestic companies	354,854	11.5536	53
Foreign individuals	49,4577	1.6103	149
Foreign companies	200,276	6.5207	6
Foreign entities (aggregate account)	1,357	0.0442	-
Unidentified individual shareholders	9,820	0.3197	-
Own shares	301,173	9.8058	1
Total	3,071,377	100	4,022

In the course of 2022, the Company has not acquired any new own shares.

The Company's sources of funding are its own capital in the amount of MKD 5,784,568,658 accounting for 73% of the Company's total assets, while the other 27% consist of obligations to creditors (23%) and to banks (4%).

There are no assets of the Company whose value is not reflected in the balance sheet.

Business Policies

Investment policy of the Company

The Company continuously invests in material and financial assets that support the maintenance and success of the Company's operations. In 2022, the Company has invested 214 million denars or 3.5 million euros in new fixed assets.

Dividend policy

The Company has a history of dividend payment in each of the previous years and it depends on the financial results achieved in the previous year, as well as the financial stability and liquidity of the Company. On May 23, 2022, at the Annual General Meeting, a gross dividend for 2021 in the amount of MKD 99,727 thousand, i.e. MKD 36 gross per share, was determined and paid. The dividend for 2022 will be determined by a decision at the 2023 General Meeting.

Risk management policy of the Company

The company enters into various transactions arising from its day-to-day operations, which relate to buyers, suppliers and creditors.

The main risks which the Company is exposed to, and the policies for management of such risks are as follows:

- Foreign Exchange Risk

The Company enters into foreign currency transactions, resulting from sales and purchases in foreign markets, whereby it is exposed to daily changes in the foreign currency exchange rates. The foreign exchange exposure as at 31.12.2022 is as follows:

	Elements	Foreign exchange exposure in MKD			
		Total	EUR	USD	other
1	Accounts and cash in banks	1,469,892	921,290	548,602	0
2	Accounts receivable	432,895,031	76,936,365	355,958,666	
3	Paid advances	332,177,284	332,177,284	0	0
	Total	766,542,207	410,034,939	356,507,268	0
4	Accounts payable	336,422,713	336,442,713	0	0
5	Received advances	0	0	0	0
6	Loans and leasing	103,324,427	103,324,427	0	0
	Total	439,747,140	439,747,140	0	0
	Net exposure	326,795,067	-29,712,201	356,507,268	
	% of asset exposure	4%	0.3%	4.4%	

Business Policies

- **Price Risk**

The Company is exposed to the risk of changes in prices of available-for-sale investments and it is beyond the control of the Company. The risk exposure to changes in the prices of investments in shares is represented by the ownership of GD Granit AD in:

	Elements	31.12.2021	31.12.2022	index
1	Shares in KB	1,318,920,000	1,330,290,000	101
2	Shares in KB monetary fund	28,598,150	60,561,141	212
3	Shares in KB balanced fund	7,067,722	6,245,079	88
	Total	1,354,587,893	1,397,218,273	103
	Total assets	8,089,569,000	7,969,684,643	
	% of asset exposure	17%	17%	

- **Credit risk**

The Company is exposed to credit risk in cases where its customers are unable to meet their payment obligations. The credit risk exposure, i.e. accounts receivable falling due on 31.12.2022 is as follows:

	Elements		Maturity		
		Total	Not due	Due in 2022	Due before 2022
1	Payment certificate receivables	700,091,395	585,926,483	105,329,867	8,835,045
2	Invoice receivables	232,897,595	117,607,719	60,138,862	55,151,015
3	Fixed asset receivables	13,768,846	3,801,163	2,885,754	7,099,929
4	Foreign receivables	3,144,525	0	241,555	2,902,970
	Total	949,902,361	707,335,365	168,596,038	73,988,959
	% of total receivable exposure		75%	18%	7%

- **Liquidity risk;**

Liquidity risk occurs when the Company is unable to regularly meet its obligations to its creditors from its available cash. This risk is managed by constantly providing the necessary cash to service the obligations and the Company has no such problems in its operations. In the course of 2022, GD Granit AD Skopje regularly serviced its obligations depending on the inflow of funds from investors.

Business Policies

- **Financial risk**

The Company finances its operations by using short-term and long-term loans in order to ensure adequate return on investments. The Company continuously monitors its indebtedness through appropriate analysis in the Finance Department. The financial risk exposure, i.e. the status and maturity of obligations towards banks and leasing companies as of 31.12.2022 is as follows:

No.	Elements	According to maturity		
		Total	Due by 31.12.2023	Due after 2023
1	Loan from Komercijalna Banka	7,000,000	7,000,000	0
2	Loan from Komercijalna Banka	113,333,334	39,999,996	73,333,338
3	Loan from Sparkasse Bank	40,448,879	32,258,097	8,190,782
4	Loan from Halkbank	58,253,056	21,251,056	37,002,000
5	Leasing from S-Leasing	11,625,118	9,718,744	1,906,374
6	Revolving credit Sparkasse	91,699,309	91,699,309	0
	Total	322,359,696	201,927,202	120,432,494
	Total capital		5,784,568,657	
	% of total capital exposure	5.5%	3.3%	2.2%

- **Changes in accounting policies and error corrections**

Accounting policies are applied consistently throughout the present year, same as for the previous year.

All of the above policies have been controlled and determined by the external auditor Moore Stevens DOO Skopje for the year 2022, exclusively hired for the purpose of performing an external audit.

WE RESEARCH, DEVELOP, APPLY, IMPROVE

In 2022, GD Granit AD Skopje focused on the modernization and update of construction machinery and means of transport, which are the basis for maintaining growth and development. In conditions of competitiveness, following the trends in construction was made possible through the presence of the Bauma Fair, where the employees got acquainted with the latest technology that should ensure operational efficiency and rationality.

In addition, employees in different areas were instructed to receive additional professional training, because Granit knows that its employees are the driving force.

The need for updating the construction machinery and means of transport this year was one of the key investment plans that was implemented with the aim of ensuring competitiveness and sustainable growth and development. Realizing the plans from last year, in 2022 investments in construction machinery and means of transport amounted to MKD 200,585 thousand. In the coming year, we will continue our investments in fixed assets as well as employees in order to get familiar with, and put the new technology into operation.

Total investments in fixed assets in 2022 amounted to MKD 213,722 thousand:

- | | |
|--------------------------|----------------------|
| ➤ Tangible investments | MKD 200,585 thousand |
| ➤ Intangible investments | MKD 13,137 thousand |



CORPORATE SOCIAL RESPONSIBILITY

Transparent and ethical behavior in accordance with national laws and international norms, contributes to sustainable development and care for the expectations of stakeholders, and is fully integrated in all segments of the Company's operations. Above all, social responsibility is integrated into the Company's business policy and as such is accepted as an extremely important corporate value. By practicing corporate social responsibility, the Company is fully committed and focused on the positive impact on all aspects of society, including economic, social and environmental.

The successfully implemented and maintained ISO Integrated Standards Management System is an indicator of the Company's commitment, above all, to ensuring the safety of employees and stakeholders through the implemented occupational health and safety standard ISO 45001, continuous monitoring and the realization of the requirements of the environmental management standard ISO 14001 relating to the social aspects during project implementation, such as improving the quality of services and products through continuous monitoring of ISO 9001.

Donating, as a vital part of social responsibility, continued during 2022 through the implementation of significant program contents and activities. The Company continuously strives to meet the demands of employees and the broader social community, and thus maintain its reputation and improve its reputation.

In the course of 2022, GD Granit continued, as a corporate donor, to support the mission of SOS Children's Village, by donating funds for the needs of their project activities throughout the year, as well as organizing a summer vacation for the children in SOS Children's Village and their mentors as well as for children from Children's Embassy from all the children of the world.

The Company also supported R&D activities, by participating in and contributing to the research work of the Geotechnics Association of Macedonia and the Building Constructors Association of Macedonia.

There is continued implementation of mechanisms for handling complaints and grievances involving stakeholders and employees, in order to take into consideration the concerns and expectations of all participants, whose everyday life may depend on the activities of the Company. Through this system, close interaction with the local community is maintained, and mechanisms for improving performance from a social aspect are successfully implemented and monitored.

За најголеми донатори за донации
во добра 2022

STRATEGIC GOALS FOR 2023

In order to successfully achieve its strategic goals for 2023, GD Granit AD Skopje has determined the following measures and activities:

- ✓ Higher profitability in performing the work within the Company's business activity;
- ✓ Constant monitoring of the quality in the performance of construction work;
- ✓ Increasing the amount of fixed assets available;
- ✓ Increasing the level of investments in tangible assets;
- ✓ HR management that ensures higher quality of work;
- ✓ Ensuring economical and efficient performance of work;
- ✓ Taking measures to deal with the economic crisis and inflation in the coming period
- ✓ Improvement of software solutions for rational performance of tasks and ensuring control over operations.

The projects that the Company plans to carry out are socially significant and are financed to a large extent by the investment policies of state entities, as the largest investors in infrastructure. Thus, the measures and activities in 2023 will largely successively follow the upward trend of investing in infrastructure, with the aim of ensuring stable liquidity of the Company.

Activities will be based on continuous planning, and organization of the workforce and construction machinery, means of transport and plants, to achieve a high balance of utilization of the basic means of work and labor and minimizing costs, taking into account the financial crisis that will occur in 2023 in order to overcome and recover the economy from social developments worldwide.

The Company will monitor the development of the markets in Europe in order to detect opportunities to use its capacities in the foreign markets as well.



SUPERVISORY BOARD SUCCESSION PLAN of GD Granit AD Skopje

- Issue I –
November, 2022

INTRODUCTION

As a joint-stock company, GD Granit AD Skopje has formed a two-tier management system, consisting of a Supervisory Board and a Management Board.

The Supervisory Board of the Company exercises the competences determined by law, the by-laws, the Statute, and other acts of the Company.

Accordingly, members of the Supervisory Board play critical roles in supervising the management of the Company, appointing and dismissing members of the Management Board, approving the strategy, business plan and budget of the Company, organizing the Internal Audit Office, appointing and dismissing its members, and approving the policies and procedures for performing internal audit, as well as other matters in accordance with the laws and by-laws, the Statute and other acts of the Company.

Members of the Supervisory Board are elected to 6 (six) years terms.

This Plan is intended to support the existing criteria for engagement and performance of the members of the Supervisory Board, in case of the election of new members, in order to enable smooth operation of the Company.

SUPERVISORY BOARD SUCCESSION PLAN of GD Granit AD Skopje

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1. SUCCESSION PLAN OBJECTIVES

This Plan aims to ensure the continuity of the Supervisory Board, through the identification and selection of potential candidates in the event of permanent, programmed or unforeseen exit of any of its members, and to:

- Define guidelines to ensure preparedness for replacement of any of the members of the Supervision Board, thereby underscoring good governance;
- Ensure that appropriate and pro-active processes are in place to recruit and elect suitable candidates who are in accordance with the laws, the bylaws, the Statute, and other acts of the Company;
- Ensure that a framework is in place to identify the required knowledge, skills and experience that will contribute to the collective knowledge, skills and experience necessary for the Supervisory Board to meet its obligations arising from the laws, the by-laws, the Company's Statute, the Rules of Procedure of the Supervisory Board, and other acts of the Company;
- Achieve continuity through a smooth succession of any of the members of the Supervisory Board that balances fresh perspective and independence with experience and institutional memory of the Board;
- Satisfy best practice within the legal and regulatory framework in particular, the Company Law, the Company's Statute, the Code of Corporate Governance of the Company, and the Rules of Procedure of the Supervisory Board.

SUPERVISORY BOARD SUCCESSION PLAN of GD Granit AD Skopje

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2. GOVERNANCE FRAMEWORK & RESPONSIBILITIES

Members of the Supervisory Board are elected and dismissed by the General Meeting. Members of the Supervisory Board are elected by the Meeting. During the election, it is specified which member is elected as an independent member. The Meeting elects the members of the Supervisory Board by public vote. An elected member of the Supervisory Board may be any individual who is able to work and has not been penalized, or barred from holding office, which partially or fully falls under the scope of the Company's operations, while that ban lasts. Members of the Supervisory Board are elected to six-year terms. Members of the Supervisory Board may be re-elected. A proposal list for the election of members of the Supervisory Board may be submitted by shareholders holding at least 20% of the total number of voting shares. The proposal list must specify which member is proposed as an independent member. The proposal is submitted in writing no later than 10 days before the Meeting and must be signed by the proposers. The proposal is submitted to the body that convenes the Meeting. For all proposed candidates, the body convening the Meeting publishes, in writing, details regarding the age, gender, education and other professional qualifications and skills, work experience and how it was acquired, in which companies they are or have been a member of a management body, i.e. of the Supervisory Board, and other important duties they have performed, their social status, the number of shares they own in the Company and in other companies, as well as the borrowings and other obligations they have towards the Company. Such details must be made available to the shareholders 7 (seven) days before the Meeting commences the election.

SUPERVISORY BOARD SUCCESSION PLAN of GD Granit AD Skopje

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Voting is carried out by a Secret Ballot Committee, elected from among the shareholders at the Meeting. The Committee submits a report on the results of the voting to the Meeting. Candidates on the list that have received more than half of the votes cast are elected as members of the Supervisory Board. If no proposal list for members of the Supervisory Board has received the required majority of votes, the voting shall be repeated. During the re-voting, the list that received the most votes is considered elected.

In proposing and voting for new members of the Supervisory Board, particular consideration is given, among other things, to the following criteria:

- Competencies that a member of the Supervisory Board must possess, according to the dynamics and challenges of the Company's operations that the member may face during his work,
- Independence and impartiality as defined and required by the law, by-laws, the Company's Statute and the Rules of Procedure of the Supervisory Board, as well as in other acts of the Company;
- Possession of analytical skills, ability to make decisions, knowledge of construction engineering and financial operations, as well as the applicable regulations and good corporate practices.

SUPERVISORY BOARD SUCCESSION PLAN of GD Granit AD Skopje

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3. GUIDING PRINCIPLES

1. An appropriate university education degree, in order to determine that the member of the Supervisory Board possesses the necessary skills and knowledge to perform the duties attached to such position. In addition, a member of the Supervisory Board is expected to have a sufficient level of expertise in the field, which will contribute to a better and more effective operation of the Board.
2. In addition to everything already stated, the goal of the Supervisory Board is also to ensure diversity where a balanced gender representation would be possible in the direction of providing expert professionals, regardless of their ethnicity, race, religion, sexual orientation, political views or other determinations.

SUPERVISORY BOARD SUCCESSION PLAN of GD Granit AD Skopje

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4. UPDATING THE PLAN

The Supervisory Board will revise and update this Plan, whenever and as often as necessary.

5. PUBLICATION AND ENTERING INTO FORCE

This Succession Plan for the members of the Supervisory Board of the Company is published on the website of the Company, in order to be available for viewing to all interested parties.

The provisions of this Plan shall enter into force on the day of the passing of the Resolution to adopt the Plan by the Supervisory Board of GD Granit AD Skopje.

Chairwoman of the Supervisory Board
Ivana Milkovska Simeva