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СКОПЈЕ

ANNUAL REPORT
on the operations of the
INTERNAL AUDIT DEPARTMENT
for 2025

January, 2026

Distribution List of the Report

Supervisory Board of GD Granit AD Skopje

Shareholders' Assembly of GD Granit AD Skopje

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1. Introduction

Based on the Company Law ("Official Gazette of the Republic of North Macedonia" No. 28/2004), Articles 415-a, 415-b and 415-c, as well as the Law Amending and Supplementing the Company Law ("Official Gazette of the Republic of North Macedonia" No. 28/2004, 84/2005, 25/2007, 87/2008, 42/2010, 48/2010, 24/2011, 166/2012, 70/2013, 119/2013, 120/2013, 187/2013, 38/2014, 41/2014, 138/2014, 88/2015, 192/2015, 6/2016, 30/2016, 61/2016, 64/2018, 120/2018 and 290/2020), the Rules of Procedure of the Internal Audit Department of GD "Granit" AD Skopje, as well as the adopted Internal Audit Plan for 2025, the Internal Audit Department submits to the Supervisory Board of GD "Granit" AD Skopje the Annual Report on its operations for 2025.

The Annual Report covers the key activities of the Internal Audit Department, namely:

- a description of the conducted regular and extraordinary audits in the Company and its organizational units, in accordance with the Internal Audit Plan for 2025;
- an overview of other activities of the Internal Audit Department, the achievement of set objectives, identified findings and issued recommendations for overcoming identified weaknesses, as well as the level of implementation of recommendations;
- monitoring the compliance of the Company' s organization and operations with the Corporate Governance Code, in accordance with the Company Law and the Conclusion of the Supervisory Board No. 12-13206 dated 10.12.2020;
- assessment of the adequacy and effectiveness of internal control systems, including opinions, conclusions, and recommendations for improvement.

2. Conducted Regular and Extraordinary Audits

During 2025, the Internal Audit Department carried out multiple audit activities and controls focused on processes with a direct impact on operational efficiency, financial discipline, and transparency of the Company. When determining priorities, the focus was placed on sectors and organizational units where increased risk levels were identified.

In accordance with the Annual Work Plan for 2025, audits were planned for projects executed within the Operations Sector. In this context, a financial audit was conducted on one completed project related to the “Express Road – Lot 2, section Kriva Palanka – Dlabocica” .

The audit focused on the implementation and execution of contracts concluded with external service providers, i.e., subcontractors directly involved in the project. No significant remarks were identified regarding the fulfillment of contractual obligations.

The project analyzed had a long implementation period, with multiple deadline extensions. Therefore, the audit was conducted with increased attention and detail, covering several factors assessed as potential risk areas. Particular focus was placed on:

- verification of the accuracy and justification of construction statements submitted to the investor (Public Enterprise for State Roads of the Republic of North Macedonia);
- compliance of executed positions and formed prices with the provisions of the main contract and its annexes;
- verification of price formation and adjustments over a longer period, including the application of relevant indices such as cost of living, industrial production (domestic and foreign), fuel price indices, etc., with data compared against official publications from the State Statistical Office.

A total of 42 construction statements and 21 variations under contract annexes were reviewed. Despite the project’ s complexity, no deviations or errors were identified.

An opportunity for improvement was identified in strengthening controls related to worker accommodation contracts and provision of meals, particularly in accurate record-keeping and cost calculation.

Additionally, the Internal Audit Department analyzed the operations of the Company’ s reinforcement plants, with particular focus on the facility in Kichevo. An audit report with an opinion was prepared and submitted to the Supervisory Board.

The Department also regularly prepared reports on the use of fixed assets owned by GD “Granit” AD Skopje, including analyses of costs related to the use of passenger vehicles. Certain remarks were identified, and recommendations were issued for more economical use and strengthened controls.

Furthermore, an analysis of fuel consumption for assets within the Transport Department (Mechanization Unit) was conducted, aiming to assess efficiency, cost-effectiveness, and compliance with internal cost-control rules.

The Department also monitored activities related to general-purpose assets within the Mechanization Unit, focusing on:

- monitoring asset and machinery usage;
- analyzing fuel consumption and transport costs;
- verifying compliance with cost-control procedures.

A qualitative analysis of purchased truck tires for the period 2020 – September 2025 indicated that focusing on higher-quality tires is justified in terms of sustainability, safety, and long-term fleet efficiency.

All audit reports were prepared in accordance with internal procedures and auditing standards, based on relevant information from the Company' s sectors and organizational units. Identified remarks were accompanied by appropriate recommendations and implementation timelines.

3. Other Activities of the Internal Audit Department

Within the scope of activities related to the audits conducted in 2025, the Internal Audit Department monitored the level of implementation of the issued recommendations, as well as provided insights aimed at overcoming the identified observations and improving established practices.

During the year, the Department provided advisory support on certain professional and operational matters by offering opinions, advice, and guidance to employees and management, with the aim of ensuring more efficient execution of work processes and improving internal coordination.

In this context, recommendations were issued aimed at enhancing and further refining specific work processes and practices, in order to ensure their more efficient functioning, better organization, and reduction of potential operational risks.

The Internal Audit Department made continuous efforts to monitor developments and support the implementation process of the recommendations through participation in working meetings, provision of expert opinions, and ongoing communication with responsible persons within the organizational units and sectors of the Company.

In order to ensure more successful implementation of the planned activities and audits, additional measures are being undertaken to improve the approach to operations, while established professional standards are consistently applied, alongside continuous professional development and training of the Department's staff.

4. Findings and Recommendations

During the implementation of the Annual Plan for 2025, the Internal Audit focused on the timely and efficient execution of the planned audit activities, within the available time and allocated human resources. Throughout 2025, the majority of the activities envisaged in the submitted and approved Annual Plan of the Department were carried out.

The Internal Audit Department continuously performed controls related to the overall operations of the Company, covering key segments and business processes identified as priorities.

As a result of monitoring the implementation of the issued recommendations, the Department notes that, to a large extent, the observations are being respected and implemented, while certain activities require a longer period for their full realization.

5. Monitoring of the Corporate Governance Code

During 2025, the Internal Audit Department continuously monitored the Company's compliance and operations in line with the principles of corporate governance. The main principles monitored include:

- safeguarding the rights and interests of shareholders
- transparency in operations
- supervision and auditing of business processes

- prevention of corruption
- protection of personal data
- public disclosure of information

The application of these principles enables the Company to operate in a transparent, responsible, and ethical manner, with a clear allocation of responsibilities and improved control over processes. During 2025, the Company regularly disclosed relevant information, ensuring transparency and proper information for all stakeholders.

At the same time, attention was devoted to the protection of privacy and personal data through investments in technology and employee training to ensure full compliance with obligations in this area.

As a result of the performed reviews, it was concluded that the Company fully applies and adheres to the principles of the Corporate Governance Code, with continuous orientation toward monitoring the latest practices and implementing them in its operations.

6. Assessment of the Adequacy of the Internal Control System and Opinion

In order to achieve more successful performance in meeting the set annual objectives, the Internal Audit Department operates and adapts in accordance with the applicable legal regulations, from which arises the very need to audit specific processes within the Company' s operations.

The findings and recommendations resulting from the conducted controls indicate the existence of certain observations in operations, pointing to the need for additional attention and continuous improvement in the future period. In this regard, the Internal Audit Department, through its regular activities and communication, contributes to the timely identification and gradual resolution of the identified issues.

The Internal Audit Department assesses that, through the conducted controls, the identification of potential risks related to the Company' s ongoing operations is largely ensured, providing an appropriate basis for their further management.

Based on the audits carried out during 2025, as presented in the submitted reports and analyses, appropriate measures and recommendations have been proposed for the identified observations, with the aim of improving operational processes and practices.

At the same time, continuous monitoring of the status and activities related to the implementation of the proposed measures was conducted, in order to ensure continuity and support in their execution.

This established approach contributes to creating a solid foundation for risk management and to improving the quality, cost-effectiveness, and efficiency of the operations of GD Granit AD Skopje.

The Internal Audit Department, in cooperation with the management structures and bodies of the Company, will continue in the forthcoming period to focus on identifying potential operational risks and proposing appropriate activities for their timely recognition and addressing across all organizational units of the Company.



Skopje, 22.01.2026

Director of Internal Audit Department
Filip Goshev