

# Independent reasonable assurance report

Cementarnica USJE A.D. Skopje,

# Summary

Independent reasonable assurance report	1
Appendix	6

# Independent reasonable assurance report

To the Management of Cementarnica USJE A.D. Skopje

---

**Grant Thornton DOO**  
Sv.Kiril i Metodij 52b-1/20  
1000 Skopje  
North Macedonia  
**T** +389 (0)2 3214 700  
**F** +389 (0)2 3214 710  
**E** Contact@mk.gt.com  
VAT No. 4030003475973

## 1. Scope of the engagement

We have been engaged by the Management of Cementarnica USJE A.D. Skopje (the Company), to perform independent reasonable assurance engagement in the process of Company's shareholders' approving of transactions with its interested party - Sharrcem SH.P.K., Republic of Kosovo (interested party).

On 22 April 2024 the Board of Directors of the Company will adopt Draft Decision for approving transactions with its interested party related to sale / purchase of cement, sharmall and pet coke (refer to Appendix 2), which will be subject to approval by the shareholders of the Company at the upcoming Annual Shareholders' Meeting. The Company's transactions with its interested party are further regulated with the following contracts and related annexes:

- Contract no.03-1200 dated 20.12.2022 for sale / purchase of cement and sharmall;
- Anex 1 no. 03-207 dated 24.02.2023 to the contract for sale / purchase of cement and sharmall;
- Anex 2 dated 31.07.2023 to the contract for sale / purchase of cement and sharmall;
- Contract no.03-1482 dated 13.12.2023 for sale / purchase of cement and sharmall;
- Contract no.03-1219 dated 23.12.2022 for sale / purchase of micronized petrol coke;
- Anex 1 no. 03-230 dated 02.03.2023 to the contract for sale / purchase of micronized petrol coke;
- Anex 2 no. 03-1276 dated 18.10.2023 to the contract for sale / purchase of micronized petrol coke;
- Contract no.03-826 dated 07.07.2023 for sale / purchase of micronized petrol coke; and
- Contract no.03-1481 dated 18.12.2023 for sale / purchase of micronized petrol coke.

## 2. Subject matter and identification of criteria

Our engagement has been undertaken in accordance with the article 460a of the Law on Trade Companies (Official Gazette of RM no.28/2004...99/2022). This regulatory provision requires from the management of the Company to obtain reasonable assurance report prepared by an independent auditor, in case where the value of the transaction or the cumulative value of mutually related transactions realized during the past 12 months from the date of approval of the interested party transaction amounts to 10% or more of the value of the Company's assets determined on the basis of the last audited annual financial statements. According to the audited financial statements of the Company for the year ended 31 December 2023, the total assets of the company are in amount of EUR 104,232 thousand. The cumulative amount of the realized transactions of cement and sharmall according to the contracts as of 31.12.2023 is in amount of EUR 25,084 thousand which is 24.07% from the total assets of the Company, and the cumulative amount of realized transactions of pet coke according the contracts as of 31.12.2023 is in amount of EUR 3,506 thousand which is 3.36% from the total assets.

The independent auditor is required, based on the procedures performed and the evidence obtained, to issue opinion as to whether the transaction with an interested party is in accordance with the applicable regulations in the country, whether the transaction with an interested party is fair, that is, whether the value of the transaction is determined according to market conditions, whether there is a disproportion between the mutual benefits of the parties, whether there are any other facts and circumstances that could constitute a basis for causing damage by recommending to the minority shareholders whether to support the deal with an interested party.

### 3. Management responsibility

The management of the Company is responsible to:

- Establish, agree and perform the transactions with its interested party in accordance with the regulatory provisions of articles 460 and 460a from the Law on Trade Companies (Official Gazette of RM no.28/2004...99/2022),
- For the preparation, fair presentation and accuracy of relevant data and information necessary for assessment and evaluation of the compliance of the interested party transactions with articles 460 and 460a from the Law on Trade Companies (Official Gazette of RM no.28/2004...99/2022), and,
- For designing, implementing and maintaining internal control relevant to the preparation of the above data and information that is free from material misstatement whether due to fraud or error.

### 4. Auditor's responsibility

Our objective was to evaluate the compliance of the Company's transactions with its interested party against the criteria set out in the article 460a from the Law and to issue an independent reasonable assurance conclusion based on the evidence obtained.

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires us to comply with ethical requirements and to plan and perform our reasonable assurance engagement to obtain sufficient appropriate evidence about whether the subject matter defined in Section 2 above is free from material misstatement. We do not accept any responsibility for any reports previously given by us on any financial information used in relation to the subject matter beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Our Firm – Grant Thornton LLC applies International Standard on Quality Control 1 „Quality Control For Firms That Perform Audits And Reviews Of Financial Statements, And Other Assurance And Related Services Engagements” as national standard on quality control and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and ethics requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board For Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior as well as other independence and ethical requirements, applicable to this assurance engagement in our country.

### 5. Summary of work performed

The procedures selected depend on our judgment, including the assessment of the risks of material misstatement in data and information relevant for assessment of the compliance of the Company's transactions with its interested party with regulatory provisions, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the preparation of the such data and information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of internal control.

Our procedures included, in particular:

- Reading the content and obtaining understanding for the nature, scope and terms of transactions set out in the Shareholders' Decision for approving transactions with its interested party related to sale / purchase of cement, sharrmall and pet coke and the relevant contracts and related annexes identified in Section 1 above;
- Interview with the Management, responsible for preparation of the Decision for approval of transaction with interested party as well as related contracts and annexes with its interested party;
- Review and analysis of the Company's audited financial statements for the year ended 31 December 2023 and identifying relevant data and information regarding the Company's transactions with its interested party;

- Review and analysis of the data and information related to the production costs and overheads, relevant to the transactions with its interested party as set out in the Company's financial statements for the year ending 31 December 2023 and interim financial information for the period 01.01.2024 – 31.03.2024;
- Determining of the value of the cumulative transactions with interested party according to established criteria based on the adopted methods;
- Substantive testing on a selective basis of the supporting documentation related to transactions with its interested party as well as other unrelated customers for the period January 2023 – March 2024;
- Calculation of ratios and data relevant to assess and evaluate the compliance with the criteria set out in the related regulatory provisions
- Comparison and analysis of established prices of finished products which are subject of the contracts for purchase and sale and determining whether the prices are fair and relevant on the free market

Following methods are used in evaluation of the regulatory compliance of interested party transactions:

#### *Transactional Net Margin Method (TNMM)*

The TNMM examines the net profit margin realized by an entity in a transaction or transactions with a related entity and compares it with the level of the margin set by the same entity in transactions with independent entities, or the margin set in comparable transactions by independent entities.

The transactional net margin is arrived at by deducting from the gross income earned on the transaction the costs incurred in earning this gross income (including overhead costs, which should be deducted according to the proportion of gross income from a given transaction to total gross income).

The TNMM presents the benefit of emphasizing more on the functions and risks assumed by the tested party and on the same time being the most tolerant method as regards differences that may exist in such functions performed and risks assumed by the tested party and the comparable entities.

In addition, it is the method that is less affected by potential differences in the accounting standards based on which the financial information for potentially comparable entities may have been prepared, thus leading to the most reliable results.

In view of the above, the TNMM was selected as the most appropriate method for testing the arm's length nature of the transaction under review.

#### *Comparable Uncontrolled Prices (CUP) Method*

In order to evaluate the arm's length nature of the transaction of grey cement, sharrmall, and MPC by USJE to Sharrcem, the internal CUP method was utilized, as Usje sold the same products both to related and unrelated parties under comparable terms and conditions during the FY under review.

The application of the said method may take place only as long as one of the following conditions is met:

- Two independent enterprises are involved in the process and sale of the same products as those sold by Usje to Sharrcem, under comparable terms and conditions (external CUP).
- The company Usje AD processes and sells the same products under comparable terms and conditions to Sharrcem and third independent entities (internal CUP).
- The interested party Sharrcem SH.P.K. purchases the same products under comparable terms and conditions from Usje and third independent suppliers (internal CUP).

The application of the abovementioned methods and evaluation of the results reached are further disclosed in Appendix 1.

The Company's audited financial statements for the year ended 31 December 2023 as well as the Company's interim financial information as of 31 March 2024 and the related financial data and information were not subject of our audit within the meaning of International Standards on Auditing. The procedures performed by us do not constitute either an audit or review of this financial information, therefore we are not responsible for issuing or updating any reports or opinions on the Bank's historical financial information.

Our procedures were solely aimed at obtaining evidence that the Company's transactions with its interested party complies with the applicable regulatory requirements, identified above. The purpose of our work was not to assess the sufficiency of the data and information relevant to those transactions, or to assess the correctness and integrity of the information contained therein, in particular as to the amounts disclosed, including, if any, estimates made for prior years, figures, dates, analysis, allocation methods and compliance with the relevant regulations.

Our procedures also included an assessment of whether the subject matter of the engagement is appropriate and the criteria adopted are appropriate to the given circumstances.

## **6. Inherent limitations**

There are inherent limitations that may arise due to the inability to influence and control the business environment, effectiveness of the system of internal controls, including the possibility of human error and the circumvention of controls. For example, because of their nature, controls may not prevent, or detect unauthorized access to systems and information, or failure to comply with internal and external policies or requirements.

## **7. Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined above and should be read in conjunction with these matters.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the transactions of the Company USJE AD Skopje with its interested party Sharrcem SH.P.K. which are based in the adopted shareholders' Decision for approving transactions with its interested party related to sale / purchase of cement, sharrmall and pet coke and the related contracts and annexes identified in the Section 1 above are:

- Performed in accordance with the applicable regulations in the Republic of North Macedonia,
- Transaction with the interested party is fair, that is, the value of the transaction is determined according to market conditions,
- there is no identified disproportion between the mutual benefits of the parties,
- there are no any other facts and circumstances that could constitute a basis for causing damage by recommending to the minority shareholders whether to support the deal with an interested party.

## **8. Recommendation**

Based on the foregoing, we recommend that the minority shareholders of the Company support the interested party transaction at the meeting of the Shareholders' Assembly, a decision of which represents additional condition for the concluding of this transaction and delegation of authority for its implementation to the responsible individuals in the Company.

This recommendation is derived from the information provided above and in connection with the provision of Article 3 of the Regulation amending and supplementing the Regulation on the content and form of the opinion given by the authorized auditor in the procedure for approving a Transaction with an interested party in a publicly traded company (Official Gazette of the Republic of North Macedonia No. 182 dated 21 October 2015).

#### 9. Restriction on use and distribution

Our work has been undertaken to enable us to express a reasonable assurance conclusion on the selected subject matter to the Management of Cementarnica USJE AD Skopje in accordance with the terms of our engagement, and shall not be used for any other purpose. We do not accept or assume liability to any party other than the entity, for our work, for this report, or for the conclusion we have reached.

  


Director  
Marjan Andonov

  

Certified Auditor  
Marjan Andonov

Grant Thornton Doo Skopje  
Skopje, 15 April 2024

# Appendix



## Appendix 1

### – USJE - Summary comparison of realized transactions with interested party and third parties in the period 01.01 - 31.12.2023

	CEM IV/B (V-P) 42.5 N 25KG	CEM IV/B (V-P) 42.5 N 50KG	CEM I 52,5 R bulk	CEM II/B-V 42,5 R bulk	Sharrmal bags	Pet coke
<b>A. Realized transactions with Sharrcem - interested party</b>						
1. Quantity (tons)	185	32,662.00	12,902.00	173,808.00	53,446.00	14,084.84
2. Sales revenues (EUR)	19,607.00	3,333,399.00	1,257,239.00	15,502,841.00	4,971,244.00	3,505,890.00
<b>3. Average sale prices (EUR)</b>	<b>105.75</b>	<b>102.06</b>	<b>97.45</b>	<b>89.20</b>	<b>93.01</b>	<b>248.91</b>
4. Price according Contracts and annexes (EUR/ton)	102.17 - 106.59	98.17 - 102.59	97.03 - 99.1	85.71 - 93.54	88.76 - 93.12	204.27- 313.65
<b>4. Average realized transactional net margin- TNM (%)</b>	<b>50.48</b>	<b>45.22</b>	<b>33.23</b>	<b>46.87</b>	<b>78.76</b>	<b>3.32</b>
<b>5. Reference range of transactional net margin - statistical data (%)</b>	<b>0.71 - 46.66</b>	<b>0.71 - 46.66</b>	<b>0.71 - 46.66</b>	<b>0.71 - 46.66</b>	<b>0.71 - 46.66</b>	<b>0.71 - 46.66</b>
<b>B. Realized transactions with third parties on domestic market</b>						
1. Quantity (tons)	121,620.60	39,596.00	39,464.32	378,061.26	16,084.00	834.00
2. Sales revenues (EUR)	12,541,917.33	4,051,985.82	4,575,008.50	37,472,699.32	1,530,301.11	215,170.15
<b>3. Average sale prices- (EUR/ton)</b>	<b>103.10- 108.68</b>	<b>102.13- 109.36</b>	<b>115.82- 126.33</b>	<b>97.07-101.23</b>	<b>95.14</b>	<b>257.66</b>
<b>C. Conclusion</b>						
1. Realized transactional net margin (TNM) compared to interested party in relation to the referenced TNM range	over upper level of reference TNM	within the TNM range	within the TNM range	over upper level of reference TNM	over upper level of reference TNM	(n/a)*
2. Average sale price towards Sharrcem compared to sales price to third parties on domestic market	within range	(n/a)*	(n/a)*	(n/a)*	(n/a)*	(n/a)*

\*Method is not applicable due to circumstances caused by the competitive prices on the market of Kosovo

## Appendix 2

### – Draft Decision from Board of Directors



© 2024 Grant Thornton DOO. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.