

МЕРМЕРЕН КОМБИНАТ АД

Бр. 01-1162/2

06.03 20 19 год.
Прилеп

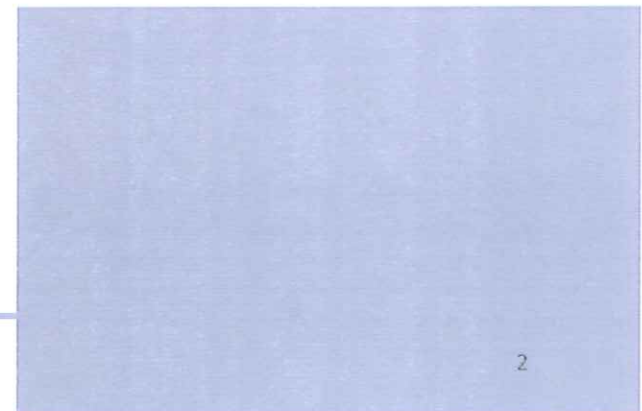
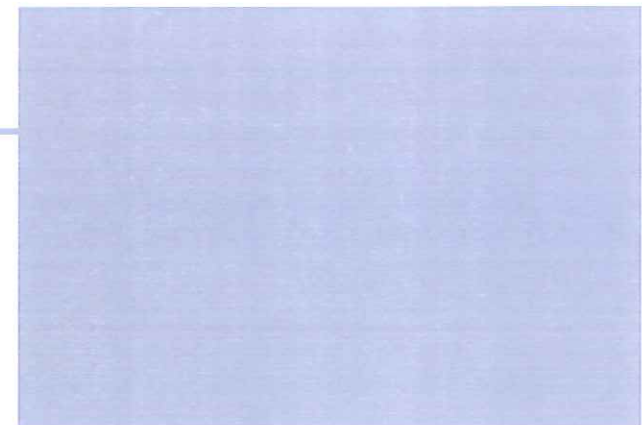
Annual Report on the operation of the Internal Audit 2018

January 2019



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1. Purpose and introduction of the Report

Purpose of the Internal Audit Function and IA Report

- The fundamental role of Internal Audit is to provide non-executive members of BoD, shareholders and senior management with independent assurance on the adequacy, effectiveness and efficiency of the system of internal control and to report major weaknesses together with recommendations for improvement;
- To enable effective outcomes, internal audit provides a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities IA supports the improvement of systems and processes where is necessary;
- Internal Audit is obligation which is required with the Law on Trade Companies;
- In accordance with the Law on Trade Companies, the Internal Audit is responsible for preparing annual and semi-annual report on the operation of the internal audit.

2. Summary of the main activities in 2018

Main Internal Audit Activities in 2018

- During the 2018 Internal Audit Function independent assurance on the adequacy, effectiveness and efficiency of the system of internal control was performed through ISO 9001; ISO 14001 and ISO 45001 Internal Audit Process;
- During this process following internal audits were performed:
 - Audit of Production in Quarry; Audit of Production in Factory; Audit of Administration; Audit of Quality Control; Audit of Maintenance; Audit of Management and Integrated Management System;
- Implementation of measures will improve the efficiency and effectiveness of internal controls and audited business processes.

2.1 Summary of the activities by processes in 2018

Investments

- The Sivec Quarry Machine Park with 6 new machines has been renovated, which has increased the efficiency of a number of processes within the Quarry;
- The Processing Plant Machine Park with 3 new machines has been renovated, which has increased the efficiency of a number of processes within the Processing Plant;
- A significant amount of money for containers and kiosk cabins has been singled out, and in this way space for wardrobes and mini canteens is provided for all employees in the Quarry;
- Realized 63% of the projected budget for 2018 year.

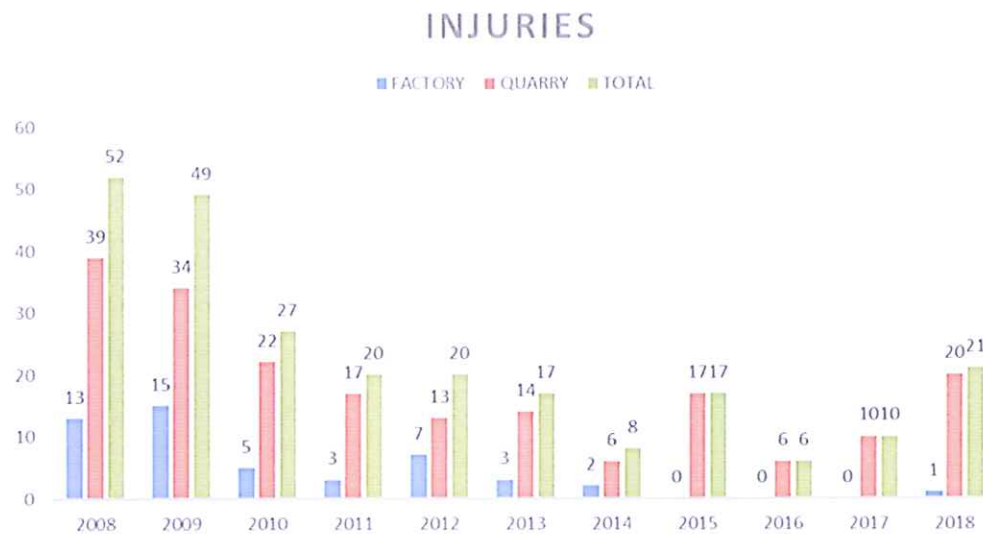
2.1 Summary of the activities by processes in 2018

OHS & ENV

- One (1) regular inspection by the State Inspectorate for Protection and Rescue in the Sivec Quarry - no remarks;
- One (1) regular inspection supervision in Processing Plant - no remarks;
- Organized and conducted training of the Emergency Reaction Forces of Mermeren Kombinat AD Prilep, and within, the Teams for: Fire Protection and Explosion; First Medical Assistance; Mining Accidents and Evacuation;
- In 2018 year, there were 21 work-related injuries and were all of an easier character and for which the Safety Index records are kept, which is submitted after each completed month to the Executive Director.

2.1 Summary of the activities by processes in 2018

OHS & ENV



YEAR	FACTORY	QUARRY	TOTAL
2008	13	39	52
2009	15	34	49
2010	5	22	27
2011	3	17	20
2012	7	13	20
2013	3	14	17
2014	2	6	8
2015	0	17	17
2016	0	6	6
2017	0	10	10
2018	1	20	21

2.1 Summary of the activities by processes in 2018

QMS

- In 2018 it has been provided Internal Audit Training for 9 employees;
- In 2018 it has been provided Integrated Management System Audit by the Quality Austria – Certification Body:
 - ISO 9001:2015 - Recertification audit
 - ISO 14001:2015 - Certification audit
 - ISO 45001:2018 - Certification audit

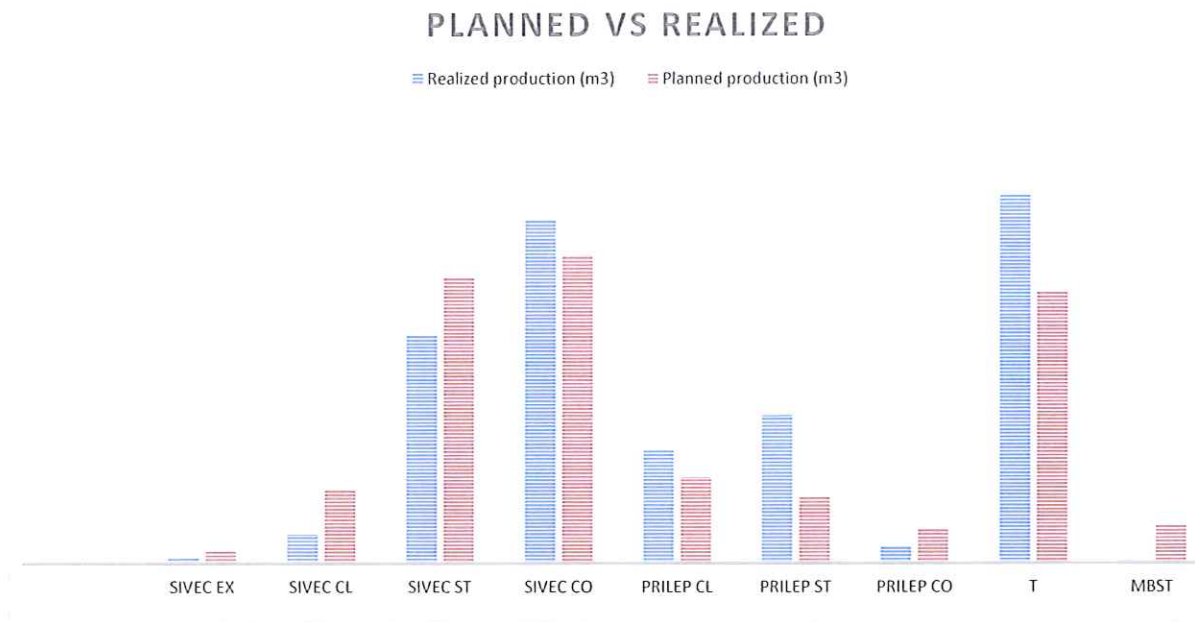
2.1 Summary of the activities by processes in 2018

For the period of 2018, the Geological Department of Mermeren Kombinat AD Prilep had realized the following goals:

- Preparation of Elaborate for categorization and re-categorization of mineral raw material;
- Participation in the preparation of the Main Mining Project for Exploitation of Mineral Resources;
- Participation in development of projects related to infrastructure facilities in the Sivec Quarry;
- Preparation of geological profiles with interpretation of the results obtained from the exploratory drill holes for parts of the Sectors in the Sivec Quarry.

2.1 Summary of the activities by processes in 2018

Planned – Realized production



2.1 Summary of the activities by processes in 2018

Awards

In the category of realized investments in the country in 2017, the award from the Economic Chamber of RM was granted to Mermeren Kombinat AD Prilep.

Mermeren Kombinat from 2010 to 2017, records investments in fixed assets in the amount of 13.700.000 Euros. In 2018 were realized investments of 3.337.000 Euros.



2.1 Summary of the activities by processes in 2018

Knowledge and skills

In 2018 were organized 35 trainings for employees on various topics:

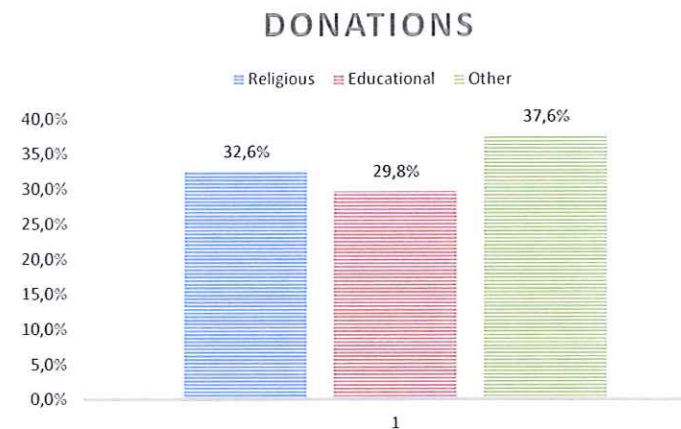
- Increasing the effectiveness and efficiency;
- Upgrading the skills and knowledge;
- Following the changes in the legislation.

2.1 Summary of the activities by processes in 2018

Sponsorship and donations

Sponsorship	
Festivals and annual events	16,50%
Sport	65,00%
Arts	8,90%
Other	9,60%

Donations	
Religious	32,60%
Educational	29,80%
Other	37,60%



2.1 Summary of the activities by processes in 2018

For the period of 2018, customers were generally satisfied with the quality of the products as well as the service and the cooperation of the employees.

With the end of year 2018, Vendome Mall project – Qatar has come to 99% of its realization.

It is one of the bigger projects realized by Mermeren Kombinat AD Prilep.

Year	m2	%
2016	6.317,67	8%
2017	38.060,42	48%
2018	35.039,00	44%
Total	79.417,09	

