Grant Thornton

Project's Financial Statements and Independent Auditor's Report

Ministry of Finance of the Republic of North Macedonia

"Public Sector Energy Efficiency Project"

International Bank for Reconstruction and Development

Loan number 9038-MK

For the period from 01 January 2025 through 31 December 2025

International Bank for Reconstruction and Development and International Development Association acting as lead financial institution of the Western Balkans Investment Framework

Grant number TF-C8007

For the period from 01 August 2025 through 31 December 2025

Contents

Management Responsibility

The accompanying financial statements comprising of Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statements of Withdrawals, Designated Account Statements and related disclosure Notes (further referred as to "Project's Financial Statements"), of the Ministry of Finance of the Republic of North Macedonia (further referred as to "MoF"), "Public Sector Energy Efficiency Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development Loan (IBRD) numbered 9038-MK and Additional financing for the Public Sector Energy Efficiency Project, financed under International Bank for Reconstruction and Development and International Development Association, acting as lead financial institution of the Western Balkans Investment Framework (WBIF)- Grant Agreement no. TF-C8007, for the period 01 January 2025 to 31 December 2025 on pages 4 to 18, are the responsibility of, and have been approved by the Project's management.

The accompanying Project's financial statements have been compiled by the Project's management, for the purposes of reporting to the MoF and the International Bank for Reconstruction and Development, in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 9038-MK dated 27 April 2021 and Grant Agreement numbered TF-C8007 dated 01 August 2025.

Project's management, in furtherance of the integrity and objectivity of the Project's financial statements, has developed and maintained an internal control structure, including the appropriate control environment, accounting systems and control procedures. Project's management believes that internal controls provide assurance that financial records are reliable and form a proper basis for the preparation of financial statements, and that assets are properly accounted for and safeguarded. There are, however, inherent limitations that should be recognized in considering the assurances provided by the internal control structure. The internal control process also includes management's communication to employees of policies, which govern ethical business conduct.

Grant Thornton doo Skopje, Independent Auditor, have been engaged to audit these Project's financial statements in accordance with International Standards on Auditing (ISAs)[1]. Their report is included on pages 2 and 3.

Jasmina Vukicevic
Special advisor to the Minister of finance
08 June 2026

Република Северна Македонија / Republika e Maqedonisë së Veriut
Министерство за финансии - Скопје / Ministria e Financave - Shkup
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[1] International Standards on Auditing ("ISAs") translated and published in the Official Gazette of the Republic of Macedonia No. 273 of 2024, which entered into force on 1 January 2025.

Grant Thornton

Independent Auditor's Report

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To the Minister of Finance

Opinion

We have audited the Project's financial statements of the Ministry of Finance of the Republic of North Macedonia ("the Ministry" or "MoF"), "Public Sector Energy Efficiency Project" (further referred to as "the Project"), financed under International Bank for Reconstruction and Development, Loan numbered 9038-MK and Additional financing for the Public Sector Energy Efficiency Project, financed under International Bank for Reconstruction and Development and International Development Association, acting as lead financial institution of the Western Balkans Investment Framework(WBIF) - Grant Agreement no. TF-C8007, comprising the Statement of Sources and Uses of Funds, Statement of Uses of Funds by Project Activity, Statement of Unit of Output by Project Activity, Statement of Withdrawals, Designated Account Statements as at and for the year ended 31 December 2025, and notes to the financial statements (further referred as to "the Project's Financial Statements") including a summary of significant accounting policies.

In our opinion, the accompanying Project's financial statements of the Ministry of Finance of the Republic of North Macedonia, "Public Sector Energy Efficiency Project", financed under International Bank for Reconstruction and Development, Loan numbered 9038-MK and Grant Agreement no. TF-C8007present fairly, in all material respects, the Project's financial position as at 31 December 2025 and the movement of the Statement of Uses of Funds, Statements of Uses of Funds by Project Activity, Statement of Withdrawals and Designated Accounts' Statements as at and for the period from 01 January 2025 to 31 December 2025 in conformity with the accounting policies described in Note 3, the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 9038-MK dated 27 April 2021 and Grant Agreement no. TF-C8007 dated 01 August 2025.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing[1]. Our responsibilities under these standards are further described in the Auditor's Responsibility for the Audit of the Project's financial statements section of this report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Republic of North Macedonia, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 3 to the Project's financial statements, which describes the basis of accounting. The Project's financial statements are prepared to assist the Project in complying with the financial reporting provisions of the Agreement referred to above. As a result, Project's financial statements may not be suitable for another purpose. Our report is intended solely for the Project Management, the Ministry of Finance of the Republic of North Macedonia and the International Bank for Reconstruction and Development and should not be distributed to or used by parties other than the Ministry and the IBRD. Our opinion is not modified in respect of this matter.

Responsibility of management and those charged with governance for the financial statements

Project's management is responsible for the preparation and fair presentation of the Project's financial statements in accordance with the cash receipts and disbursement basis in conformity with the related requirements of the World Bank's financial reporting guidelines and in compliance with the relevant provisions set out in the Loan Agreement numbered 9038-MK dated 27 April 2021 and Grant Agreement no. TF-C8007 dated 01 August 2025 and for such internal control as management determines is necessary to enable the preparation of Project's financial statements that are free from material misstatement, whether due to fraud or error.

[1] International Standards on Auditing ("ISA") translated and published in the Official Gazette of the Republic of North Macedonia No. 273 of 2024, effective from 1 January 2025.

In preparing the Project's financial statements, Project's management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Project or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Project's financial reporting process.

Auditor's Responsibility for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the Project's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these Project's financial statements.

As part of the audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Project's financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Project to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Suzana Stavrikj
Director
Grant Thornton DOO, Skopje

Друштво за ревизија ГРАНТ ТОРНТОН ДОО Скопје

Suzana Stavrikj
Certified Auditor

Skopje, 19 June 2026

Statement of Sources and Uses of Funds – Loan number 9038-MK and Grant no. TF-C8007

(Amounts in EUR)
For the period from 01 January 2025 through 31 December 2025

	Actual		Budget		Variance	
	Current period	Cumulative	Current period*	Cumulative	Current period	Cumulative
Sources of funds						
IBRD Loan 9038-MK	4,888,189	4,10,229,980	4,888,189	25,000,000	-	(14,770,020)
WBIF funds	-	-	-	2,140,000	-	(2,140,000)
Interest earned	-	-	-	-	-	-
Total sources of funds	**4,888,189**	**10,229,980**	**4,888,189**	**27,140,000**	**-**	**(16,910,020)**
Uses of funds						
Financed by IBRD						
Component 1. Energy efficiency investments in the public sector	3,054,497	7,024,861	3,054,497	20,140,000	-	(13,115,139)
WBIF funds	-	-	-	2,140,000	-	2,140,000)
Component 2. Technical assistance and implementation support	239,232	1,243,158	239,232	1,937,500	-	(694,342)
Component 3. Initial capital for the proposed EE Fund	-	-	-	5,000,000	-	(5,000,000)
Subtotal - Financed by IBRD	**3,293,729**	**8,268,019**	**3,293,729**	**27,077,500**	**-**	**(18,809,481)**
Front-end fee	-	62,500	-	62,500	-	-
Total uses of funds	**3,293,729**	**8,330,519**	**3,293,729**	**27,140,000**	**-**	**(18,809,481)**
Balance	**1,594,461**	**1,899,461**				
Net increase/ (decrease) in cash flow	**1,594,461**	**1,899,461**				1,899,461
Bank balances beginning of period	304,999	-				
Bank balance end of period	**1,899,461**	**1,899,461**				

*The budgeted amounts for the current period are projected amounts by the Project Implementation Unit.

The Project's Financial Statements have been approved by the MoF on 08 June 2026 and signed on its behalf by:

Jasmina Vukicevic
Special advisor to the Minister of finance

Simona Novotni
Financial Management Specialist

Statement of Uses of Funds by Project Activity - Loan number 9038-MK and Grant no. TF-C8007

(Amounts in EUR)
For the period from 01 January through 31 December 2025

	Actual		Budget		Variance	
	Current period	Cumulative	Current period	Life of project	Current period	Cumulative
Component 1: Energy efficiency investments in the public sector	**3,054,497**	**7,024,861**	**3,054,497**	**20,140,000**	**-**	**(13,115,139)**
Component 1a. EE Investments in municipal sector	**133,520**	**675,869**	**133,520**	***8,200,000***	**-**	***(7,524,131)***
Probishtip	-	376,238	-	376,238	-	-
Probishtip	-	376,238	-	376,238	-	-
Rankovce	**-**	**153,382**		**153,382**	**-**	**-**
Rankovce	-	153,382		153,382	-	-
Lozovo	**133,520**	**146,249**	**133,520**	**146,249**	**-**	**-**
Lozovo	133,520	146,249	133,520	146,249	-	-
Centar	-	-	-	**167,914**	-	**167,914**
Centar	-	-	-	167,914	-	167,914
Mogila	-	-	-	**404,593**	-	**404,593**
Mogila	-	-	-	404,593	-	404,593
Kisela Voda	-	-	-	**131,092**	-	**131,092**
Kisela Voda	-	-	-	131,092	-	131,092
Pehcevo	-	-	-	**50,226**	-	**50,226**
Pehcevo	-	-	-	50,226	-	50,226
Valandovo	-	-	-	**376,629**	-	**376,629**
Valandovo	-	-	-	376,629	-	376,629
Other sub-loans	**-**	**-**	**-**	**6,393,677**	**-**	***(6,393,677)***
Other sub-loans	-	-	-	*6,393,677*	-	***(6,393,677)***
Component 1b. EE Investments in Central Government Buildings	**2,237,403**	**4,497,203**	**2,237,403**	***9,210,000***	-	***(4,712,797)***
University Clinic of Psychiatry	**-**	**485,067**	**-**	**485,067**	-	**-**
University Clinic of Psychiatry	-	485,067	-	485,067	-	-
Fabrika Karposh AD Skopje	**746,139**	**1,597,333**	**746,139**	**1,597,333**	**-**	**-**
Reconstruction of 6 healthcare buildings	746,139	1,597,333	746,139	1,597,333	-	-
Stenton Gradba	**1,491,264**	**2,414,803**	**1,491,264**	**2,414,803**	**-**	**-**
Reconstruction of 6 healthcare buildings	1,491,264	2,414,803	1,491,264	2,414,803	-	-
Other contracts	-	-	-	**2,572,797**	-	***(2,572,797)***
Other contracts	-	-	-	*2,572,797*	-	(2,572,797)
WBIF funds				*2,140,000*		(2,140,000)
WBIF funds				*2,140,000*		(2,140,000)
Component 1c. Technical studies to support investments	***683,574***	***1,851,789***	***683,575***	***2,730,000***	**-**	***(878,211)***
IZZIS	-	**234,572**	-	**234,572**	-	-
IZZIS-seizmic screening	-	*234,572*	-	*234,572*	-	-
Prima Inzenering	**-**	**156,335**	-	**156,335**	**-**	-
Prima Inzenering- LOT 3	-	*156,335*	-	*156,335*	-	-
Geing DOO	**-**	**129,411**	**-**	**129,411**	**-**	-
Geing DOO- LOT 2	-	*129,411*	-	*129,411*	-	-
Prima Inzenering -LOT1	**-**	**67,440**	**-**	**67,440**	**-**	**-**
Prima Inzenering-LOT 1	-	*67,440*	-	*67,440*	-	-
Kvadar	-	**5,459**	-	**5,459**	-	-
Kvadar	-	*5,459*	-	*5,459*	-	-
GIM	-	**79,884**	-	**79,884**	-	-
Gradezen Institut Makedonija- GIM	-	79,884	-	79,884	-	-
Investing-Probishtip	-	**20,704**	-	**20,704**	-	-
Investing-Probishtip	-	20,704	-	20,704	-	-
Investing-Psychiatry	-	**19,439**	-	**19,439**	-	-
Investing-Clinic of Pshychiatry	-	19,439	-	19,439	-	-
Inkom Inzenering	**471,116**	**786,793**	**471,116**	**786,793**	-	**-**
Inkom Inzenering	471,116	786,793	471,116	786,793	-	-
Gradezen Institut Makedonija	**37,457**	**59,932**	**37,457**	**59,932**	-	**--**
Supervision of street lighting projects	37,457	59,932	37,457	59,932	-	--

Statement of Uses of Funds by Project Activity - Loan number 9038-MK and Grant no.TF-C8007 (continued)

(Amounts in EUR)
For the period from 01 January through
31 December 2025

	Actual Current period	Budget Cumulative	Variance Current period*	Life of project	Current period	Cumulative
Studio Atrium	**175,002**	**291,820**	**175,002**	**291,820**	**-**	**-**
Supervision of 14 healthcare buildings	175,002	291,820	175,002	291,820	-	-
Other contracts	**-**	**-**	**-**	**878,211**	**-**	**(878-211)**
Other contracts	-	-	-	*878,211*	-	*(878-211)*
Sub-total Component 1 for EE:	***3,054,498***	***7,024,861***	***3,054,498***	***20,140,000***	**-**	***(13,115,139)***
Component 2: Technical assistance and implementation support	**239,232**	**1,243,159**	**239,232**	**1,937,500**	**-**	**(694,341)**
Support to develop the EE Fund	-	**323,309**	-	**323,309**	-	-
KP Consultancy Services	-	293,900	-	293,900	-	-
Energy Efficiency Associate	-	29,409	-	29,409	-	-
TA for additional secondary EE legislation	**-**	**-**	**-**	**138.000**	-	**(138.000)**
Contract 1	-	-	-	*138.000*	-	*(138.000)*
Training of market actors	**-**	**-**	**-**	**221,328**	-	**(221,328)**
Contract 1	-	-	-	*221,328*	-	*(221,328)*
Project Implementation Support	**225,541**	**860,103**	**225,543**	**976,706**	**-**	**(116,603)**
Lead Project Coordinator	707	66,485	707	66,485	-	-
FM Specialist	23,662	81940	23,662	95,040	-	(13,100)
Procurement and Legal Coordinator	-	19,322	-	19,322	-	-
Procurement Assistant	-	4,397	-	4,397	-	-
Technical Coordinator/Construction Engineer JT	19,823	69,698	19,823	77,760	-	(8,062)
Construction Engineer RP	-	*6,320*	-	*6,320*	-	-
Construction Engineer JZB	-	*5,716*	-	*5,716*	-	-
Construction Engineer ZD	-	*5,720*	-	*5,720*	-	-
Construction Engineer GT	-	*3,264*	-	*3,264*	-	-
Construction Engineer FM	*19,823*	*69,497*	*19,823*	*77,760*	-	*(9,263)*
Construction Engineer RL/ Construction Coordinator	*25,108*	*82,102*	*25,108*	*95,040*	-	*(12,938)*
Environmental Specialist	*20,423*	*70,600*	*20,423*	*80,784*	-	*(10,184)*
Mechanical Engineer	*19,823*	*82,703*	*19,823*	*89,312*	-	*(6,609)*
Electrical Engineer	*19,823*	*72,790*	*19,823*	*87,566*	-	*(14,776)*
Office Manager/ Translator	*15,863*	*54,641*	*15,863*	*59,976*	-	*(5,335)*
Administrative/Operative Assistant	-	*11,942*	-	*11,942*	-	-
Economy and Procurement Associate	-	*3,198*	-	*3,198*	-	-
Communication Analyst	*11,064*	*37,842*	*11,064*	*49,896*	-	*(12,054)*
Procurement and Legal Coordinator-TV	*23,662*	*60,692*	*23,662*	*72,065*	-	*(11,373)*
Administrative/Operative Assistant-BM	*14,664*	*34,007*	*14,664*	*40,040*	-	*(6,033)*
Lead Project Cooridnator- NB	*11,098*	*11,098*	*11,098*	*17,975*		*(6,877)*
Aleksandar Najdovski- Procurement advisor	-	*7,128*	-	*7,128*	-	-
Project Audit	***6,703***	***20,148***	***6,703***	**40,652**	-	**(20,504)**
Project Audit	*6,703*	*20,148*	*6,703*	*40,652*	-	*(20,504)*
Operating costs	**6,564**	**29,408**	**6,564**	**187,505**	**-**	**(158097)**
Operating costs	6,564	29,408	6,564	187,505	-	(158,097)
Equipment for PIU	**422**	**10,191**	**422**	**50,000**	**-**	**(39,809)**
Equipment for PIU	*422*	*10,191*	422	50,000	-	(39,809)
Sub-total Component 2 for EE:	***239,232***	***1,243,158***	***239,232***	***1,937,500***	**-**	***(694,341)***
Component 3: Initial capital for the proposed EE Fund	-	-	-	**5,000,000**	-	**(5,000,000)**
Other contracts	-	**-**	-	**5,000,000**	-	**(5,000,000)**
Other contracts	-	-	-	*5,000,000*	-	*(5,000,000)*
Sub-total Component 3 for EE:	**-**	**-**	**-**	***5,000,000***	**-**	***(5,000,000)***
FRONT-END FEE-Original Loan		**62,500**	-	**62,500**	-	-
FRONT-END FEE-Additional Financing	-	-	-	-	-	-
Total Project Expenditure	3,293,729	8,330,520	3,293,729	27,140,000	-	(18,809,480)

* The budgeted amounts for the current period are projected amounts by the Project Implementation Unit

Statement of Unit of Output by Project Activity - Loan number 9038-MK and Grant number TF-C8007

Project Activities	Procurement plan amount Euro	Contracted in Euro equivalent	Paid Amount in Euro Equivalent	Procurement Method*	Contract Amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A	*B*	*C*	*D*	*E*	*F*	*G*	*H*	*I*	*J*
Component 1: Energy efficiency investments in the public sec	**20,140,000**	**8,155,315**	**7,024,861**	-	-	-	**499,458,005**	**430,160,740**	-
Component 1a. EE Investments in municipal sector	**8,200,000**	-	**675,869**	-	-	-	-	**41,396,788**	-
Probishtip	***376,238***	***376,238***	***376,238***	-	-	-	***23,032,497***	***23,032,497***	-
Probishtip	*376,238*	*376,238*	*376,238*	*RFB*	*23,032,497 MKD*	*23,032,497 MKD*	*23,032,497*	*23,032,497*	-
Rankovce	***153,382***	***153,382***	***153,382***				***9,392,799***	***9,392,799***	-
Rankovce	*153,382*	*153,382*	*153,382*	*RFB*	*9,392,799 MKD*	*9,392,799 MKD*	*9,392,799*	*9,392,799*	-
Lozovo	***146,249***	***146,249***	***146,249***				***8,971,492***	***8,971,492***	-
Lozovo	***146,249***	***146,249***	***146,249***	***146,249***	*8,971,492 MKD*	*8,971,492 MKD*	*8,971,492*	*8,971,492*	-
Centar	***167,914***	***167,914***							
Centar	*167,914*	*167,914*			*10,293,140 MKD*		*10,293,140*		*10,293,140*
Mogila	***404,593***	***404,593***							
Mogila	*404,593*	*404,593*			*24,801,528 MKD*		*24,801,528*		*24,801,528*
Kisela Voda	***131,092***	***131,092***							
Kisela Voda	*131,092*	*131,092*			*8,035,926 MKD*		*8,035,926*		*8,035,926*
Pehcevo	***50,226***	***50,226***							
Pehcevo	*50,226*	*50,226*			3,078,851 MKD		3,078,851		3,078,851
Valandovo	***376,629***	***376,629***							
Valandovo	*376,629*	*376,629*			23,087,339 MKD				23,087,339
Other sub-loans	***6,393,677***	-	-	-	-	-	-	-	-
Other sub-loans	*6,393,677*	-	-	-	-	-	-	-	-
	9,210,000	-	**4,497,203**	-	-	-	-	**275,386,472**	-

Statement of Unit of Output by Project Activity-Loan number 9038-MK (continued)

Project Activities	Procurement plan amount Euro	Contracted in Euro equivalent	Paid Amount in Euro Equivalent	Procurement Method*	Contract Amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A	*B*	*C*	*D*	*E*	*F*	*G*	*H*	*I*	*J*
Component 1b. EE Investments in Central Government Buildings									
University Clinic of Psychiatry	**485,067**	**485,067**	**485,067**	-	-		29,680,916	29,680,916	-
University Clinic of Psychiatry	485,067	485,067	485,067	RFB	29,680,916 MKD	29,680,916 MKD	29,680,916	29,680,916	-
Fabrika Karprosh AD Skopje	**1,597,333**	**1,597,333**	**1,597,333**				**97,852,604**	**97,852,604**	
Reconstruction of 6 healthcare buildings	1,597333	1,597,333	1,597,333	RFB	97,852,604 MKD	97,852,604 MKD	97,852,604	97,852,604	-
Stenton Gradba	**2,414,803**	**2,414,803**	**2,414,803**				**147,852,952**	**147,852,952**	
Reconstruction of 8 healthcare buildings	**2,414,803**	**2,414,803**	**2,414,803**	RFB	147,852,952 MKD	147,852,952 MKD	147,852,952	147,852,952	-
Other contracts	**2,572,797**	-	-	-	-	-	-	-	-
Other contracts	*2,572,797*	-	-	-	-	-	-	-	-
WBIF funds	***2,140,000***	-	-	-	-	-	-	-	-
WBIF funds	*2,140,000*	-	-	-	-	-	-	-	-
Component 1c. Technical studies to support investments	**2,730,000**	-	**1,851,789**	-	-	-	-	**113,377,480**	-
IZZIS	***234,572***	***234,572***	***234,572***	-	-	-	***14,370,885***	***14,370,885***	-
IZZIS-seizmic screening	*234,572*	*234,572*	*234,572*	*CS-DS*	*234,572 EUR*	*234,572 EUR*	*14,370,885*	*14,370,885*	-
Prima Inzenering	***156,335***	***156,335***	***156,335***	-	-	-	***9,571,970***	***9.571.970***	-
Prima Inzenering- LOT 3	*156,335*	*156,335*	*156,335*	*CQS*	*156,335 EUR*	*156,335 EUR*	*9,571,970*	*9.571.970*	-
Geing DOO	***129,411***	***129,411***	***129,411***	-	-	-	***7,931,208***	***7,931,208***	-
Geing DOO- LOT 2	*129,411*	*129,411*	*129,411*	*CQS*	*129,411 EUR*	*129,411 EUR*	*7,931,208*	*7,931,208*	-
Prima Inzenering -LOT1	***67,440***	***67,440***	***67,440***	-	-	-	**4,128,879**	**4,128,879**	-
Prima Inzenering-LOT 1	*67,440*	*67,440*	*67,440*	*CQS*	*67,440 EUR*	*67,440 EUR -*	4,128,879	4,128,879	-
Kvadar	***5,459***	***5,459***	***5,459***	-	-	-	***335,120***	***335,120***	-
Kvadar	*5,459*	*5,459*	*5,459*	*CS-DS*	*335,120 MKD*	*335,120 MKD*	*335,120*	*335,120*	-
GIM	***79,884***	***79,884***	***79,884***	-	-	-	**4,887,882**	**4,887,882**	-
Gradezen Institut Makedonija- GIM	*79,884*	*79,884*	*79,884*	*CQS*	*79,884 EUR*	-	4,887,882	4,887,882	-
Investing-Probishtip	***20,704***	***20,704***	***20,704***				*1,266,900*	*1,266,900*	-
Investing-Probishtip	*20,704*	*20,704*	*20,704*	*CQS*	*1,266,900 MKD*	*1,266,900 MKD*	*1,266,900*	*1,266,900*	-
Investing-Psychiatry	***19,439***	***19,439***	***19,439***	-			*1,189,440*	*1,189,440*	-
Investing- Clinic of Psychiatry	*19,439*	*19,439*	*19,439*	*CQS*	*1,189,440 MKD*	*1,189,440 MKD*	*1,189,440*	*1,189,440*	-
Inkom Inzenering	***786,793***	***786,793***	***786,793***				*48,141,939*	*48,141,939*	-
Inkom Inzenering	*786,793*	*786,793*	*786,793*	*QCBS*	*786,793 EUR*	*786,793 EUR*	*48,141,939*	*48,141,939*	-

Project's Financial Statements
01 January 2025 through 31 December 2025

Statement of Unit of Output by Project Activity-Loan number 9038-MK and Grant no. TF-C8007 (continued)

Project Activities	Procurement plan amount Euro	Contracted in Euro equivalent	Paid Amount in Euro Equivalent	Procurement Method*	Contract Amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A	*B*	*C*	*D*	*E*	*F*	*G*	*H*	*I*	*J*
Gradezen Institut Makedonija	***59,932***	***59,932***	***59,932***				***3,673,832***	***3,673,832***	
Supervision of street lighting projects	*59,932*	*59,932*	*59,932*	*CQS*	*59,932 EUR*	*22,476 EUR*	*3,673,832*	*3,673,832*	-
Studio Atrium	***291,820***	***291,820***	***291,820***				***17,879,906***	***17,879,906***	
Supervision of 14 healthcare buildings	*291,820*	*291,820*	*291,820*	*CQS*	*17,879,906 MKD*	*17,879,906 MKD*	*17,879,906*	*17,879,906*	-
Other contracts	***878,211***	-	-	-	-	-	-	-	-
Other contracts	*878,211*	-	-	-	-	-	-	-	-
Sub-total Component 1:	***20,140,000***	***8,155,315***	***7,024,861***				***499,458,005***	***430,160,740***	
Component 2: Technical assistance and implementation support	**1,937,500**	**1,320,099**	**1,243,159**	-	-	-	**80,998,260**	**76,259,875**	-
Support to develop the EE Fund	***323,309***	***323,309***	***323,309***	-	-	-	***19,904,258***	***19,904,258***	-
KP Consultancy Services	*293,900*	*293,900*	*293,900*	*CQS*	*293,900 EUR*	*293,900 EUR*	*18,102,682*	*18,102,682*	
Energy Efficiency Associate	*29,409*	*29,409*	*29,409*	*SIC*	*29,409 EUR*	*29,409-EUR*	*1,801,576*	*1,801,576*	
TA for additional secondary EE legistation	***138,000***	-	-	-	-	-	-	-	-
Contract 1	*138,000*	-	-	-	-	-	-	-	-
Training of market actors	***221,328***	-	-	-	-	-	-	-	-
Contract 1	*221,328*	-	-	-	-	-	-	-	-
Project Implementation Support	***976,706***	***936,962***	***860,103***	-	-	-	***57,432,692***	***52,694,307***	-
Lead Project Coordinator	*66,485*	*66,485*	*66,485*	*SIC*	*66,485EUR*	*66,485EUR*	*4,072,211*	*4,072,211*	-
FM Specialist	*95,040*	*89,460*	*81,940*	*SIC*	*89,460 EUR*	*81,940 EUR*	*5,483,898*	*5,019,923*	*7,520 EUR*
Procurement and Legal Coordinator	*19,322*	*19,322*	*19,322*	*SIC*	*19,322 EUR*	*19,322 EUR*	*1,185,018*	*1,185,018*	-
Procurement Assistant	*4,397*	*4,397*	*4,397*	*SIC*	*4,397 EUR*	*4,397 EUR*	*269,536*	*269,547*	-
Technical Coordinator/Construction Engineer JT	*77,760*	*76,308*	*69,698*	*SIC*	*76,308 EUR*	*69,698 EUR*	*4,677,681*	*4,269,987*	*6,610 EUR*
Construction Engineer RP	*6,320*	*6,320*	*6,320*	*SIC*	*6,320 EUR*	*6,320 EUR*	*387,416*	*387,412*	-
Construction Engineer JZB	*5,716*	*5,716*	*5,716*	*SIC*	*5,716 EUR*	*5,716 EUR*	*350,415*	*350,415*	-
Construction Engineer ZD	*5,720*	*5,720*	*5,720*	*SIC*	*5,720 EUR*	*5,720 EUR*	*350,634*	*350,634*	-
Construction Engineer GT	*3,264*	*3,264*	*3,264*	*SIC*	*3,264 EUR*	*3,264 EUR*	*200,146*	*200,146*	-
Construction Engineer FM	*77,760*	*74,952*	*68,497*	*SIC*	*74,952 EUR*	*68,497 EUR*	*4,594,558*	*4,196,365*	*6,455 EUR*
Construction Engineer RL/ Construction Coordinator	*95,040*	*89,460*	*82,102*	*SIC*	*89,460 EUR*	*82,102 EUR*	*5,483,898*	*5,029,905*	*7,358 EUR*
Environmental Specialist	*80,784*	*77,508*	*70,600*	*SIC*	*77,508 EUR*	*70,600 EUR*	*4,751,241*	*4,325,229*	*6,908 EUR*
Mechanical Engineer	*89,312*	*89,400*	*82,703*	*SIC*	*89,400 EUR*	*82,703 EUR*	*5,480,220*	*5,067,533*	*6,697 EUR*

Statement of Unit of Output by Project Activity-Loan number 9038-MK and Grant no. TF-C8007 (continued)

Project Activities	Procurement plan amount Euro	Contracted in Euro equivalent	Paid Amount in Euro Equivalent	Procurement Method*	Contract Amount original currency	Paid original currency	Contract amount local currency	Paid amount local currency	Commitment in contract currency (F-G)
A	*B*	*C*	*D*	*E*	*F*	*G*	*H*	*I*	*J*
Electrical Engineer	*87,566*	*79,490*	*72,790*	*SIC*	*79,490 EUR*	*72,790 EUR*	*4,872,737*	*4,459,342*	*6,700 EUR*
Office Manager/ Translator	*59,976*	*59,976*	*54,641*	*SIC*	*59,976 EUR*	*54,641 EUR*	*3,676,529*	*3,347,511*	*5,335 EUR*
Administrative/Operative Assistant	*11,942*	*11,942*	*11,942*	*SIC*	*11,942 EUR*	*11,942 EUR*	*732,382*	*732,382*	-
Economy and Procurement Associate	*3,198*	*3,198*	*3,198*	*SIC*	*3,198 EUR*	*3,198 EUR*	*196,034*	*196,034*	-
Communication Analyst	*49,896*	*41,542*	*37,842*	*SIC*	*41,542 EUR*	*37,842 EUR*	*2,546,525*	*2,318,338*	*3,700 EUR*
Procurement and Legal Coordinator-TV	*72,065*	*68,492*	*60,692*	*SIC*	*68,492 EUR*	*60,692 EUR*	*4,198,560*	*3,717,082*	*7,800 EUR*
Procurement advisor	*7,128*	*7,128*	*7,128*	*SIC*	*7,128 EUR*	*7,128 EUR*	*436,197*	*436,197*	-
Administrative/Operative Assistant-BM	*40,040*	*38,907*	*34,007*	*SIC*	*38,907 EUR*	*34,006 EUR*	*2,384,999*	*2,082,941*	*4,900 EUR*
Lead Project Cooridnator-NB	*17,975*	*17,975*	*11,098*	*SIC*	*1,101,852 MKD*	*680,155 MKD*	*1,101,852*	*680,155*	*421,697 MKD*
Project Audit	***40,652***	***20,148***	***20,148***	-	-	-	1,233,999	1,233,999	-
Project Audit	*40,652*	*20,148*	*20,148*	*LCBS*	*1,233,999 MKD*	1,233,999 MKD	1,233,999	1,233,999	-
Operating costs	***187,505***	***29,408***	***29,408***	-	-	-	*1,801,812*	*1,801,812*	-
Operating costs	*187,505*	*29,408*	*29,408*	*NA*	*1,801,812 MKD*	*1,801,812-MKD*	*1,801,812*	*1,801,812*	-
Equipment for PIU	***50,000***	***10,272***	***10,191***	-	-	-	***625,499***	***625,499***	-
Equipment for PIU	*50,000*	*10,272*	*10,191*	*NA*	*625,499 MKD*	*625,499-MKD*	*625,499*	*625,499*	-
Sub-total Component 2:	***1,937,500***	***1,320,099***	***1,243,159***				***80,998,260***	***76,259,875***	-
Component 3: Iniitial capital for the proposed EE Fund	**5,000,000**	-	-	-	-	-	-	-	-
Other contracts	***5,000,000***	-	-	-	-	-	-	-	-
Other contracts	*5,000,000*	-	-	-	-	-	-	-	-
Sub-total Component 3:	***5,000,000***	-	-				-	-	-
FRONT-END FEE Original Loan	***62,500***	***62,500***	***62,500***	-	-	-	-	-	-
FRONT-END FEE Additional financing	-	-	-	-	-	-	-	-	-
Total Project Expenditure	**27,170,000**	**9,537,914**	**8,330,520**				**580,456,264**	**506,420,615**	-

*Abbreviations:
RFB – Request for Bids
CQS- Consultant's qualifications-based selection
QCBS - Consultants Quality and Cost-based Selection.
SIC-Selection of individual consultants
LCBS - Least Cost Based Selection
CS-DS – Consultancy Services – Direct Selection

Statement of Withdrawals – Designated Accounts

(Amounts in EUR)
01 January through
31 December 2025

Application # and date	Total Requested	Total Received	Difference
PSEEP 9038-MK			
#8/ 29 January 2025	952,729	952,629	**100**
#9/ 20 March 2025	1,586,833	1,586,733	**100**
#10/ 21 October 2025	970,360	970,260	**100**
#11/ 30 December 2025	1,378,267	1,378,167	**100**
	4,888,189	**4,887,789**	**400**

The difference between "Total Requested" and "Total Received" funds presented in the table above, represents costs for bank fee i.e. the retained amount from the intermediate bank.

(Amounts in EUR)
01 January through
31 December 2024

Application # and date	Total Requested	Total Received	Difference
PSEEP 9038-MK			
#6/ 24 April 2024	830,455	830,355	**100**
#7/ 22 July 2024	1,516,214	1,516,114	**100**
	2,346,669	**2,346,469**	**200**

Statement of Designated Accounts – EUR

Account number	00-701-0001844.4
Depository Bank	National Bank of the Republic of North Macedonia
Address	Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia
Loan Number	9038-MK
Currency	EUR

(Amounts in EUR)

	01 January through 31 December 2025	For the period from 01 January through 31 December 2024
At 01 January	**304,963**	**654,769**
Add: Inflows		
Replenishment during the period	4,888,189	2,346,669
	4,888,189	**2,346,669**
Deduct: Outflows		
Transfer to treasury account (Mirror designated account) - MKD	(3,293,317)	(2,696,274)
Intermediate Bank fee	(400)	(200)
	(3,293,717)	**(2,696,474)**
At 31 December	**1,899,435**	**304,963**

Statement of Treasury Accounts (Mirror Designated Accounts) – MKD

Account number	090010016778609
Depository Bank	National Bank of the Republic of North Macedonia
Address	Blvd Kuzman Josifovski Pitu 1, 1000 Skopje, Republic of North Macedonia
Loan Number	9038-MK
Currency	Macedonian Denars ("MKD")

(Amounts in EUR)

	01 January through 31 December 2025	For the period from 01 January through 31 December 2024
At 01 January	**7,097**	**-**
	7,097	**-**
Add: Inflows		
Transfer from designated account – EUR	3,293,317	2,696,274
Interest received from loan granted to municipality	8,525	22,772
	3,301,842	**2,719,046**
Deduct: Outflows		
Amount of eligible expenses paid during the period	(3,293,072)	(2,696,029)
Transfer to petty cash	(245)	(245)
Interest from loan granted to municipality transferred to Ministry of Finance	(15,622)	(15,675)
	(3,308,939)	**(2,711,949)**
At 31 December	**-**	**7,097**

Statement of Petty Cash in Denar Account

Loan Number	9038-MK
Currency	Macedonian Denars ("MKD")

		(Amounts in EUR)
	01 January through 31 December 2025	For the period from 01 January through 31 December 2024
At 01 January	35	198
Add: Inflows		
Transfer from Mirror Designated Account – MKD	245	245
	245	**245**
Deduct: Outflows		
Amount of eligible expenses paid during the period	(255)	(408)
	(255)	**(408)**
At 31 December	**25**	35

Notes to Project's financial statements

1 General

On 27 April 2021 the Ministry of Finance of the Republic of Macedonia (MoF), entered into the Loan Agreement 9038-MK with the International Bank for Reconstruction and Development ("IBRD") for financing the "Public Sector Energy Efficiency Project" in an amount not to exceed EUR 25,000,000. The Closing Date of the Project is 30 September 2025.

Project restructuring became effective on 01 August 2025 and this included: Incorporation of the WBIF grant in the amount of about €2.14 million into the Project, Reallocation of IBRD loan proceeds in the amount of €2.3 million from Category 2 to Category 1; Extension of the Project Closing Date up to 31 January 2027.

On 01 August 2025 the Ministry of Finance of the Republic of Macedonia (MoF), entered into the Western Balkans Investment Framework (WBIF) Grant Agreement no. TF-C8007 with the International Bank for Reconstruction and Development and International Development Association acting as lead financial institution of the Western Balkans Investment Framework for Additional financing of the "Public Sector Energy Efficiency Project" in an amount not to exceed EUR 2,140,000 to assist in financing Part 1.2 of the Project. The closing date of the Grant Agreement is 31 January 2027.

The following table underlines the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan No. 9038-MK ("Category") and Grant agreement No. TF-C8007, the allocation of the amounts of the Loan and Grant to each Category, and the percentage of expenditures to be financed for the Eligible Expenditures in each Category:

Category	Amount of the **Loan allocated** (expressed in Euro)	Percentage of the Expenditures to be financed
Goods, works, non-consulting services, consultants' services, Training, Operating Costs under Parts 1.2, 1.3 and 2 of the Project	11,737,500	100%
Sub-loans and Grants under Part 1.1 of the Project	8,200,000	100% of the amount disbursed under each Sub-Loan and Grant
Goods, works, non-consulting services, consultants' services, Training, Operating Costs under Parts 3 of the Project	5,000,000	100%
Front-end Fee	62,500	0.25%
Interest Rate Cap or Interest Rate Collar premium	-	Amount due to pursuant Section 4.05 © of the General Conditions
Total	**25,000,000**	

Category	Amount of the **Grant allocated** (expressed in Euro)	Percentage of the Expenditures to be financed
(1) Works under Parts 1.2 of the Project	2,140,000	100%

2 Project Objectives, Activities and Institutional Arrangements

Project Objectives and Activities

The Project Development Objectives are to: (i) reduce energy consumption in the public sector; and (ii) support the development and implementation of a sustainable financing mechanism for energy efficiency in the public sector. The Project consists of the following components:

Component 1. Energy efficiency investments in the public sector (€20.14 million IBRD). Under this Component, EE and some renewable energy (RE) investments ("subprojects") are undertaken in public facilities (covering municipal buildings, central government buildings and public lighting,). It is expected that these subprojects will generate demonstrable energy cost savings and social co-benefits, which would be the basis for developing a sustainable mechanism under the proposed EE Fund. This component is supporting preparation of the energy audits and technical designs, technical audits, construction supervision, final commissioning/energy performance certificates, as well as renovation works for municipal buildings and renovation of central government buildings (health buildings).

a) *Component 1(a) EE Investments in Municipal Sector (Est. cost €8.20 million).* Municipalities applied for financing on a rolling basis with proposals for the renovation of building under their management and public lighting systems. Financing is provided through sub-loan agreements in the form of long-term domestic borrowing with 80% and a 20% grant portion. Sub-loans would generally be repaid over a 7-12 year period. Eligible municipalities must have sufficient debt capacity to borrow for the proposed subproject. The Project seeks to ensure minimum technical performance of the renovated buildings (i.e., country's Class C energy performance certificates or higher) and should include a minimum savings of 20%, an investment cost of at least €50,000 but not more than €750,000.

b) *Component 1b. EE Investments in Central Government Buildings (€9.21 million, **IBRD €7.07 million; WBIF grant €2.14 million**). Some of the public buildings that provide public services at the local level are managed by the central government, and this includes health centers and regional hospitals. Under this Component, energy efficiency and renewable energy investments are undertaken in public buildings managed by the central government focusing on the health sector. The Project is supporting preparation of energy audits, technical design, renovation works, construction supervision and all services and works will be procured directly by the PIU. It was agreed the component will focus on primary healthcare clinics (outpatient) with prioritization on those that are older, more dilapidated and have higher energy use.*

c) *Component 1c. Technical studies to support investments (€2.73 million). This subcomponent supports subproject screening, detailed energy audits, technical designs and technical specifications, and construction supervision for investments undertaken in Components 1a and 1b.*

Component 2. Technical assistance and implementation support (€1.94 million IBRD). The Energy Efficiency Law, which includes a provision for the establishment of the proposed EE Fund, was adopted by the Parliament on 18.02.2020. This, along with various transposed EU directives and other secondary legislation and regulations provide a strong basis for EE in the public sector. However, additional efforts will be required to develop the supporting bylaws, additional strategies and plans, and the necessary bylaws or regulation to establish the proposed EE Fund and amendment of the Law of the Development Bank of North Macedonia. Specific proposed activities would include:

a) *Support to develop the EE Fund.* Work under this activity would include: (i) the drafting of amendments to the legal framework required for the establishment of the EE Fund including the governance structure; (ii) develop the financing modalities (e.g., loans, energy service agreements, budget capture, debt financing, guarantees, partial grants, etc.), services to be provided, target markets, financial projections and fee structure of the Fund to ensure its sustainability; (iii) develop the detailed organizational structure, management and staffing plans; (iv) development of financing agreements and other legal documents/templates to support the EE Fund's operation; (v) development of the administrative and operational procedures; (vi) develop a 3-5-year business plan; and (vi) a staffing recruitment plan including TORs for key positions.

b) *TA for additional secondary EE legislation.* Provisions of TA will also be provided to MOE to support broader EE secondary legislation and support to further EE market development (to be determined once the EE Law has been adopted but may include updates of EE-related rulebooks for buildings and building performance certificates, support for homeowner association legislation to allow for commercial borrowing and signing of contracts, development of the long-term building renovation strategy (under the revised Energy Performance in Building Directive), regulations for net-metering for rooftop solar PV installations on public and residential buildings, etc.);

c) *Training of market actors.* Conduct information campaigns and provide training for energy efficiency market stakeholders to ensure adequate demand for municipal applications, technical competencies and sharing experiences and knowledge from previous similar projects.

d) *Project implementation support.* Support for the implementation of the Project including costs of the PIU.

Component 3. Initial capital for the proposed EE Fund (€5 million). In order to ensure that the EE Fund is established within the lifetime of the Project, and to ensure that investment capital is available for the Fund once it is established, it was agreed that €5 million would be set aside to be used by the EE Fund once it is established. The funds would be used to support (a) operating costs and marketing activities of the Fund; (b) preparation of energy audits, basic designs and technical specifications; other technical studies on future energy efficient investments as well as financing of the investments in energy efficiency and renewable energy in public buildings. The funds would not be used until the EE Fund is legally established, a set of operating procedures (operations manual) have been adopted by the Fund's Board of Directors and approved by the Bank, an investment and staffing plan have been approved by the Board and Bank, the Fund has a minimum number of staff to operate effectively and the Bank has conducted an assessment of the Fund's technical, fiduciary and safeguards capacities.

3 Accounting policies

Following are the principle accounting policies adopted in preparation of these financial statements. These accounting policies are consistently applied to all financial periods presented.

Basis of preparation

The accompanying financial statements have been prepared for the purposes of reporting to IBRD, on the activities of the Project related to the loan received for the completion of the Project's objectives, in accordance with the respective provisions set out in the Loan Agreement Loan numbered 9038 MK signed between the IBRD and MoF and Grant Agreement Numbered TF-C8007 signed between IBRD acting as lead financial institution of the WBIF and MoF. These financial statements are prepared on the cash receipts and disbursement basis and include all Project - related expenditures incurred, which are financed under the provisions set out in Loan Agreement numbered 9038 MK dated 27 April 2021 and Grant Agreement numbers TF-C8007 dated 01 August 2025. These instructions closely follow the World Bank's Disbursement Guidelines for Projects.

The financial statements have been prepared for the period for the period from 01 January 2025 to 31 December 2025.

Currency translation

All amounts of the Project's financial statements are presented in Euro as this is the reporting currency of the Project. The exchange rates used for preparation of the Project's financial statements is the buying foreign exchange rates of the National Bank of the Republic of North Macedonia for international payment operations of the government bodies of Republic of North Macedonia by which each instalment is transferred to a Denar ("MKD") denominated account in the bank, until that Denar amount is spent.

Budgeted amounts included in the Statement of Uses of Funds by Project Activity are translated from MKD into Euro at the date of transactions.