ANNUAL SEPARATE FINANCIAL STATEMENTS FOR THE FINANCIAL REPORTING 2022

TRACE GROUP HOLD PLC

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TRACE GROUP HOLD PLC

STATEMENT OF FINANCIAL POSITION as at 31.12.2022

ASSETS	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Non-current assets			
Property, plant and equipment	1.1.	41 046	38 412
Investment property	1.2.	10 635	10 892
Non-current intangible assets	1.3.	59	86
Investments in subsidiaries, associates and joint ventures	1.4.	40 632	37 268
Non-current trade receivables	1.5.	7 193	1 551
Other non-current receivables and assets	1.6.	6 479	865
Deferred tax assets	1.7.	818	1 656
Total non-current assets		**106 862**	**90 730**
Current assets			
Inventories	1.8.	12 511	2 509
Current trade receivables	1.9.	88 112	39 921
Other current receivables and assets	1.10.	21 312	12 284
Current financial assets	1.11.	1 996	6 733
Cash and cash equivalents	1.12.	6 483	41 714
Total current assets		**130 414**	**103 161**
Total assets		**237 276**	**193 891**

The notes on pages 7 to 87 are an integral part of the these financial statements.

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STATEMENT OF FINANCIAL POSITION as at 31.12.2022 - continued

EQUITY AND LIABILITIES	Note	31.12.2022 BGN'000	31.12.2021 BGN'000
Equity			
Share capital	1.13.1.	**24 179**	**24 179**
Registered capital		24 200	24 200
Repurchased shares (treasury shares)		(21)	(21)
Share premium	1.13.2.	**21 739**	**21 739**
Translation reserve	1.13.3.	**(1 342)**	**(864)**
Reserves	1.13.4.	**86 469**	**72 640**
Financial result	1.13.5.	**5 162**	**13 874**
Accumulated profit/(loss)		55	11 582
Current year's profit/(loss)		5 107	2 292
Equity for the Group		**136 207**	**131 568**
Total equity		**136 207**	**131 568**
Non-current liabilities			
Non-current financial liabilities and leases	1.14.	6 714	3 263
Non-current trade payables	1.15.	2 636	-
Non-current provisions	1.16.	684	1 544
Deferred tax liabilities	1.17.	103	-
Other non-current payables and liabilities	1.18.	554	865
Total non-current liabilities		**10 691**	**5 672**
Current liabilities			
Current financial liabilities and leases	1.19.	7 431	1 869
Current trade payables	1.20.	76 091	40 680
Tax payables	1.21.	121	73
Employee benefit payables	1.22.	1 433	1 039
Current provisions	1.23.	2 348	9 172
Other current payables and liabilities	1.24.	2 954	3 818
Total current liabilities		**90 378**	**56 651**
Total equity and liabilities		**237 276**	**193 891**

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TRACE GROUP HOLD PLC

INCOME STATEMENT for 2022

	Note	2022 BGN'000	2021 BGN'000
Income			
Revenue from contracts with customers	2.1.1.	**135 021**	**67 155**
Revenue from construction contracts		133 792	64 773
Revenue from sales of goods		-	117
Revenue from sales of services		1 229	2 265
			-
Other operating income/(loss), net	2.1.2.	**10 648**	**11 951**
Finance income	2.1.3.	**5 106**	**4 090**
Total income		**150 775**	**83 196**
Expenses			
Expenses by nature		**(145 940)**	**(80 179)**
Raw materials, materials and consumables	2.2.1.	(35 898)	(10 737)
Cost of external services	2.2.2.	(90 107)	(51 515)
Depreciation and amortisation	2.2.3.	(2 903)	(2 643)
Employee benefits	2.2.4.	(10 430)	(8 337)
Impairment of assets	2.2.5.	(1 208)	(4 928)
Other costs	2.2.6.	(5 394)	(2 019)
Allowances	2.2.7.	**2 836**	**1 819**
Net book value of goods sold		-	(117)
Capitalised costs		2 836	1 936
Finance costs	2.2.8.	**(1 605)**	**(1 415)**
Total expenses, excluding tax expenses		**(144 709)**	**(79 775)**
Profit/(Loss) before income tax		**6 066**	**3 421**
Tax expense	2.2.9.	**(959)**	**(1 129)**
Current tax expense		(20)	(540)
Deferred tax changes		(939)	(589)
Profit/)Loss) from continuing operations		**5 107**	**2 292**
Profit/(Loss) from discontinued operations		**-**	
Profit/(Loss)		**5 107**	**2 292**

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TRACE GROUP HOLD PLC

STATEMENT OF COMPREHENSIVE INCOME for 2022

	Note	2022 BGN'000	2021 BGN'000
Profit/(Loss)		**5 107**	**2 292**
Other comprehensive income	2.3.1.	**(468)**	**(401)**
Items that are not subject to subsequent reclassification in profit or loss, including:		***10***	***15***
Actuarial gains/(losses)		10	15
Items that are subject to subsequent reclassification in profit or loss, including:		**(478)**	**(416)**
Gains/(Losses) from translation of foreign operations		(478)	(416)
Total comprehensive income		**4 639**	**1 891**

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TRACE GROUP HOLD PLC

STATEMENT OF CASH FLOWS for 2022

	2022 BGN'000	2021 BGN'000
Cash flows from operating activities		
Proceeds from contractors	117 660	118 896
Payments to contractors	(152 869)	(97 025)
Net cash flows for employee benefits (salaries and wages, and social insurance contributions)	(9 916)	(7 800)
Tax paid (excluding corporate income tax)	(368)	(444)
Proceeds from tax reimbursed (excluding corporate income tax)	3 199	276
Corporate income tax paid	(215)	(3 998)
Corporate income tax reimbursed	666	-
Payments of guarantees	(410)	(549)
Net foreign exchange gains/(losses)	(31)	12
Other cash flows from operating activities	27	422
Net cash flows from operating activities	**(42 257)**	**9 790**
Cash flows from investing activities		
Payments under acquisitions of non-current assets	(1 734)	(5 210)
Proceeds from disposals of non-current assets	405	104
Acquisition of interests	(4 364)	-
Payments under loans granted	(1 999)	(2 349)
Proceeds from loans granted	6 398	2 909
Proceeds from interest on loans granted	1	306
Proceeds from dividends received	2 786	9 432
Net cash flows from investing activities	**1 493**	**5 593**
Cash flows from financing activities		
Payments of dividends	(1 701)	(1 203)
Proceeds under loans received	9 723	-
Payments under loans received	(912)	(985)
Payments of interest and fees on loans received	(148)	(83)
Lease payments	(1 247)	(1 365)
Net cash flows from financing activities	**5 715**	**(3 636)**
Net cash increase/(decrease) in cash and cash equivalents	**(35 049)**	**11 747**
Cash and cash equivalents at 01 January	**38 698**	**26 951**
Translation reserve	**17**	**-**
Cash and cash equivalents at 31 December	**3 666**	**38 698**

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TRACE GROUP HOLD PLC

STATEMENT OF CHANGES IN EQUITY as at 31.12.2022

	Share capital	*Share premium*	*Translation reserve*	*General and other reserves*	*Accumulated profit/(loss)*	*Total equity*
	BGN'000	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**	**BGN'000**
Balance as at 31.12.2020 г.	**24 179**	**21 739**	**(448)**	**72 640**	**16 406**	**134 516**
Changes in equity for the financial reporting 2(	**-**	**-**	**(416)**	**-**	**(2 532)**	**(2 948)**
Other comprehensive income	***-***	***-***	***(416)***	***-***	***15***	***(401)***
Actuarial gains/(losses)					15	**15**
Translation of foreign operations			(416)			**(416)**
Profit/(Loss) for the period					***2 292***	***2 292***
Total Comprehensive Income for 2021 г.	**-**	**-**	**(416)**	**-**	**2 307**	**1 891**
Dividends					***(4 839)***	***(4 839)***
Balance as at 31.12.2021 г.	**24 179**	**21 739**	**(864)**	**72 640**	**13 874**	**131 568**
Changes in equity for the financial reporting 2(	**-**	**-**	**(478)**	**13 829**	**(8 712)**	**4 639**
Other comprehensive income	***-***	***-***	***(478)***	***-***	***10***	***(468)***
Actuarial gains/(losses)					10	**10**
Translation of foreign operations			(478)			**(478)**
Profit/(Loss) for the period					***5 107***	***5 107***
Total Comprehensive Income for 2022 г.	**-**	**-**	**(478)**	**-**	**5 117**	**4 639**
Profit distribution				***13 829***	***(13 829)***	**-**
Balance as at 31.12.2022 г.	**24 179**	**21 739**	**(1 342)**	**86 469**	**5 162**	**136 207**

The notes on pages 7 to 87 are an integral part of these financial statements.

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I. GENERAL INFORMATION, ACCOUNTING POLICIES, BASELINE

1. GENERAL INFORMATION ON THE ENTITY

Trace Group Hold PLC is a joint stock company, registered at the Stara Zagora District Court, under company file №255/2005, entered in the Registry Agency with UIC: 123682269 and is domiciled, and has its address of registered office and principal place of business at: №12 "Nikola Obrazopisov" Str., 1408, Sofia.

The principal activity of the parent involves acquisition, management, valuation and sale of interests in Bulgarian and foreign entities, acquisition, management and sale of bonds, acquisition, management and sale of patents, assignment of licences for the use of patents to entities in which the holding company has interest, financing entities in which the holding company has interest, design, construction, reconstruction, rehabilitation and overhaul of roads, road facilities, facilities for highways, roads and streets (bridges, tunnels and others) and road infrastructure facilities; design, construction, reconstruction, furnishing, repairs and investor control of commercial and residential construction projects and sites, of railway lines and aircraft runways (new construction, overhaul and rehabilitation); of metro stations; of hydropower plants, hydro-ameliorative facilities and systems, water supply facilities and systems; of port and shore protection facilities and systems; implementation of all types of building and construction works, consulting services, trading activities and rental (sublease) of non-current assets.

Trace Group Hold PLC is a public company in accordance with the Public Offering of Securities Act (POSA).

The entity has established branches in: the Republic of Serbia, the Czech Republic, Ukraine, North Macedonia and Romania.

1.1. OWNERSHIP AND MANAGEMENT OF THE ENTITY

The share capital is distributed among 24 200 000 non-cash, non-bearer shares at nominal value of BGN 1 each.

The entity's ownership at 31.12.2022 is distributed as follows:

	%
Nikolay Mihaylov	67,26%
Galini-N EOOD (LTD)	9,00%
Trace Group Hold PLC (repurchased treasury shares)	0,03%
Other individuals and legal entities	23,71%
	100,00%

The entity is managed under a two-tier management system, comprised of a Supervisory Board and a Managing Board, and an Audit Committee appointed by the General Meeting of Shareholders.

Members of the Supervisory Board at 31.12.2022 are:

Nikolay Mihaylov	Chairman
Manol Denev	Member
Mariela Rounteva	Member

Members of the Managing Board at 31.12.2022 are:

Desislava Lyubenova	Chairman
Boyan Delchev	Member
Rositsa Dineva – Georgieva	Member

At 31.12.2022, Trace Group Hold PLC is managed and represented by the Executive Director – Eng. Boyan Delchev.

Members of the Audit Committee at 31.12.2022 are:

Hristo Savchev	Chairman
Prof. Dr. Hristina Nikolova	Member
Diana Deyanova – Rangelova	Member

1.2. OTHER INFORMATION

Compiler of the financial statements: Tanya Stoyanova Stancheva

Lawyers: Hristina Arihteva

Auditor: Kalin Apostolov, CPA № 657

Servicing banks: UniCredit Bulbank AD, United Bulgarian Bank AD, DSK Bank EAD, Eurobank Bulgaria AD, Investbank AD, First Investment Bank AD.

At the date of these annual financial statements, the average number of personnel, employed within Trace Group Hold PLC, amounts to 120 workers and employees.

Scope of the financial statements: The financial statements are the separate financial statements of the entity, covering the annual period beginning on 01.01.2022 and ending on 31.12.2022.

Comparative information period – prior period: The year beginning on 01.01.2021 and ending on 31.12.2021.

Date of the financial statements: 31.12.2022

The body who has authorised the financial statements for issue: The MB by a decision, dated 31.03.2023.

2. ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The annual separate financial statements of the Entity have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union Committee. These are comprised of the Financial Reporting Standards and Interpretations as developed by the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB), and International Accounting Standards and SIC (Standing Interpretations Committee) Interpretations, approved by the International Accounting Standards Committee (IASC). IFRS, as adopted by the EU, is the generally acceptable name of the Conceptual Framework for General Purpose Financial Reporting – an accounting base, equivalent to the framework, introduced by the definition under § 1, item 8 of the Additional Provisions of the Accountancy Act, titled "International Accounting Standards" (IAS).

The accounting policies of the Group have been developed in compliance with the Accountancy Act and the International Financial Reporting Standards.

The presentation of the separate financial statements in accordance with the International Financial Reporting Standards, requires Management to make best estimates, accruals and reasonable assumptions that have an effect on the reported values of assets and liabilities, income and expenses, and the disclosure of contingent receivables and payables at the date of the separate annual financial statements.

These estimates, accruals and assumptions are based on the information, available at the date of the separate financial statements, therefore future actual results could differ.

For the current financial year, the Group has adopted all new and / or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee, respectively, which have been approved for application in the European Union (EU) and which were relevant to its activity.

There have been no changes in the accounting policies of the Group since the adoption of these Standards and / or Interpretations, applicable for entities within the Republic of Bulgaria and annual reporting periods beginning on or after 1 January 2022, except for some new or expansion of already established disclosures, without this leading to other changes – in the classification or measurement of separate reporting items and transactions.

The new and / or revised Standards and Interpretations include:

IFRS 3 Business Combinations (effective for annual periods beginning on or after 01 January 2022)

The purpose of the amendments is to update and adapt IFRS 3 to the new Conceptual Framework for Financial Reporting, respectively to the references therein, contained in the Standard.

IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 01 January 2022)

The amendments improve transparency and consistency by clarifying requirements on income, realised from assets that are in the process of being acquired and/or being prepared for their intended use. Realised income and the related expenses should be recognised currently, in profit or loss.

IFRS 37 Provisions, Contingent Liabilities and Contingent Assets (effective for annual period beginning on or after 01 January 2022)

The project's purpose is to clarify that when determining and assessing if a contract is onerous, both the direct cost of fulfilling it and additional other costs that are related directly to the contract should be included.

Annual improvements to the IFRS 2018 – 2020 Cycle: (effective for annual periods beginning on or after 01.01.2022

IFRS 1 First-time Adoption of International Financial Reporting Standards

The project aims to extend the exemption from certain requirements in case of differences in the date of first-time adoption by a parent and a subsidiary, thereby optimising costs in this regard.

IFRS 9 Financial Instruments

The project aims to provide additional guidance on how to determine the terms of a new, or a modified, financial liability that are significantly different from the initial terms of the financial instrument.

IFRS 16 Leases

The amendments remove the Illustrative Example № 13 to the Standard, as it has been concluded that it is likely to cause confusion due to insufficient explanation of lease incentives.

IFRS 41 Agriculture

The improvements aim to synchronise the fair value measurement requirements of the Standard to those under other IFRS.

Standards, amendments and Interpretations that are not yet effective and have not been adopted by the Entity as of an earlier date

At the date of issue for approval of these financial statements, several new Standards, amendments and Interpretations to existing Standards have been published, but have not yet entered into force and have not been adopted for earlier application by the Entity.

IFRS 17 Insurance Contracts, including improvements dated June 2020 (effective for annual periods beginning on or after 01 January 2023)

The draft aims to create a single standard, incorporating all principles so that it is applicable to all insurance and reinsurance contracts, thereby improving comparability between entities, jurisdictions and markets.

IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2023)

The amendments introduce requirements for entities to disclose material accounting policy information, instead of their significant accounting policies.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2023)

The amendments concern the definition of accounting estimates; other amendments to the Standard have been made to help entities distinguish between changes in accounting policies and changes in accounting estimates.

IAS 12 Income Taxes (effective for annual periods beginning on or after 01 January 2023)

The draft narrows the scope of the exemptions to the requirement to recognise deferred tax so that it does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 01 January 2023)

The amendments introduce transition options relating to the presentation of comparative information on initial application of IFRS 17, so as to avoid temporary accounting mismatches in financial assets and liabilities under insurance contracts, and therefore to improve the usefulness of comparative information.

Annual improvements and Standards that are effective for subsequent periods and have not yet been adopted by the EU at year-end:

IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 01 January 2024)

The amendments clarify the requirements on the classification of non-current liabilities and the deferral rights that the entity must have at the end of the period, respectively, that they do not depend on the desires and views of management, and the impact on the classification of contractual terms or intentions of repayment with equity instruments. In 2022, new amendments were also included in the draft. These

new amendments aim to improve presentation in cases of agreements to defer the settlement of liabilities for twelve months or more, thus addressing the needs of stakeholders on the classification of such liabilities as current or non-current.

IFRS 16 Leases (effective for annual periods beginning on or after 01 January 2024)

The draft adds specific requirements regarding the subsequent measurement of sale and leaseback transactions in order to avoid the risk of recognising results that have not been realised in variable lease payments and subsequent modifications of the scope and / or term thereof.

2.2. GOING CONCERN

The financial statements of the Entity for the year ended at 31 December 2022 have been prepared on a going concern basis.

The Management is monitoring the possible business and financial risks for the Entity on a current basis and is considering and / or taking actions according to their assessed significance.

2.3. CHANGES IN THE ACCOUNTING POLICIES

The accounting policies adopted are consistent with the accounting policies applied in the prior period, except for the effects of the newly effective Standards and the requirements that are applied prospectively with which the Entity has fully complied.

2.4. REPORTING CURRENCY

The accounting registers have been prepared in Bulgarian Lev(a) (BGN) in compliance with the requirements of the Bulgarian legislation.
The figures, disclosed in the financial statements, are in thousands of Bulgarian Leva (BGN' 000).
The fixing of some currencies to the Bulgarian Lev at 31.12.2022 is as follows:

Currency	**31.12.2022**
1 EUR	BGN 1.95583
1 RSD	BGN 0.016671
1 CZK	BGN 0.811009
1 RON	BGN 0.395157

2.5. COMPARATIVE INFORMATION

Current reporting period is the period beginning on 01.01.2022 and ending on 31.21.2022. Prior reporting period is the period beginning on 01.01.2021 and ending on 21.12.2021. The Entity presents comparative information for one prior financial year. When necessary, comparative information is reclassified (and restated) to achieve comparability with changes in the current reporting period's presentation.

2.6. CONSOLIDATED FINANCIAL STATEMENTS

The entity has chosen to disclose information about its operating segments and earnings per share in its consolidated financial statements.

The consolidated financial statements shall be prepared until 30.04.2023 and shall be published on the entity's website.

2.7. CURRENT AND NON-CURRENT ASSETS AND LIABILITIES

2.7.1. CURRENT AND NON-CURRENT ASSETS

The entity classifies an asset as current, when it satisfies any of the following criteria:

- The entity expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- The entity holds the asset primarily for the purpose of trading;
- The entity expects to realise the asset within twelve months after the reporting period; or
- The asset is cash or cash equivalents (as defined under IFRS 7), unless the asset is restricted from being exchanged, or used to settle a liability, for at least twelve months after the reporting period.

An asset is classified as non-current, unless it satisfies the criteria for classifying it as current.

2.7.2. CURRENT AND NON-CURRENT LIABILITIES

A liability is classified as current when it satisfies any of the following criteria:

- The entity expects to settle the liability in its normal operating cycle;
- The entity holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve months after the reporting period; or
- The entity does not have unconditional rights to defer the settlements of the liability for at least twelve months after the reporting period.

Liabilities are classified as non-current, unless such satisfy the criteria to be classified as current.

Liabilities are classified as current when they are due to be settled within twelve months after the reporting period, even if the original term was for a period longer than twelve months and an agreement to refinance or reschedule payments on a long-term basis is concluded after the reporting period and before the financial statements are authorised for issue.

2.8. PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the entity include assets that satisfy the recognition criteria of IAS 16 and have an acquisition cost equal to, or higher than **BGN 700.00**. In compliance with the accounting policies adopted, assets that have an acquisition cost less than the above stated, are recognised as current expense in the period of acquisition. On acquisition, each item of property, plant and equipment is measured at its acquisition cost, as determined in compliance with the requirements of IAS 16.

In accordance with IAS 16, the entity has adopted the policy to recognise each item of Property, plant and equipment at acquisition cost less the accumulated depreciation and accumulated impairment losses.

Property, machinery, plant and equipment are initially measured at cost, comprising their purchase price, including all duties and non-refundable purchase taxes, as well as any cost directly attributable to bringing the asset to its intended use.

Subsequent costs, relating to an item of property, plant and equipment, are recognised as an increase in the carrying amount of the asset, if the recognition principle under IAS 16 has been applied and when it is probable that economic benefits, exceeding the initially estimated standard effectiveness of an existing asset, will flow to the entity.

Expenses for the day-to-day "repairs and maintenance" of property, plant and equipment are recognised in profit or loss as incurred.

Property, plant and equipment are depreciated on the straight-line method, over their expected useful life, and their depreciable amount is systematically allocated over it (i.e., useful life). Accrued depreciation is recognised as an expense and decreases the carrying amount of the assets. The average useful life, in years, of the main groups of non-current tangible assets is as follows:

Group	Years
Buildings	50
Plant	25
Machinery, production equipment and facilities	20 years – 30 years
Transport vehicles, excluding cars	15
Motor vehicles (cars)	7 years – 10
All other depreciable assets	7

When acquiring assets that are not brand new, the Management determines the useful life and residual value of each asset separately, depending on its condition at the acquisition date.

Depreciation begins when the property, plant and equipment are available for use, in the location and condition, necessary for it to be capable of operating in the manner intended by the Management.

Depreciation of assets ceases at the earlier of the two dates:
- The date that the assets are classified as "held for sale" in accordance with IFRS 5; and
- The date that the assets are derecognised.

Depreciation does not cease when the asset becomes idle or is retired from active use.

The residual value and the useful life of assets are reviewed at each financial year-end, and if expectations differ from prior estimates, the changes are accounted for prospectively as a change in the accounting estimates, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from the asset's use or disposal.

When in the course of its ordinary activities, the Entity routinely sells property, plant and equipment that it has held for rentals to others, it transfers these assets to inventories, at their carrying amount, when they cease to be rented and become "held for sale". IFRS 5 does not apply in these cases and in cases of assets that are held for sale in the ordinary course of activities are transferred to inventories. In accordance with IFRS 15 Revenue from Contracts with Customers, proceeds from the sale of such assets are recognised as revenue when the customer gains control over them, and the performance obligation is thereby satisfied.

Gains or losses, arising from derecognition of an item of property, plant and equipment are included in profit or loss when the item is derecognised, unless IFRS 16 requires otherwise on a sale and leaseback. Gains or losses, arising from derecognition of an item of property, plant or equipment, are determined as the difference of the net disposal proceeds, if any, and the carrying amount of the asset. The result (gain or loss) is presented, at its net amount, in the Income Statement, under "Other income".

The capitalised costs of acquiring such assets, and the advance payments made in this respect, are recognised under "Property, plant and equipment".

2.9. INVESTMENT PROPERTY

In compliance with IAS 40, land and / or buildings, and / or parts of buildings, held mainly with the purpose to earn rentals or for capital appreciation, or both, are recognised as investment property. A property that is being constructed or developed for future use as an investment property is also recognised as investment property.

An investment property is recognised as an asset when, and only when it is probable that the future economic benefits that are associated with it, will flow to the entity and the acquisition cost of the investment property can be measured reliably.

Transfers to, or from an investment property shall be made when, and only when, there is a change in use, evidenced by:

- Commencement of owner-occupation – for transfers from "investment property" to "owner-occupied property";
- Commencement of development with a view to sale – for transfers from "investment property" to "inventories";
- End of owner-occupation – for transfers from "owner-occupied property" to "investment property"; or
- Commencement of an operating lease to another party – for transfers from "inventories" to "investment property";

In compliance with IAS 40, investment property is initially measured at cost, which includes and the transaction costs related to the acquisition.

After initial recognition, investment property is carried on the cost model – at acquisition cost less all accumulated depreciation and impairment losses, in compliance with the requirements of IAS 16 for this model.

Investment property is depreciated on the straight-line method, over its estimated useful life, and the depreciable amount is systematically allocated over it (i.e., useful life). Accrued depreciation is recognised as an expense and decreases the carrying amount of investment property. The average useful life, in years, of investment property is:

Group	Years
Buildings	50

Investment property is derecognised on retirement (disposal or by entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Proceeds from sales of such assets are recognised as revenue in accordance

with IFRS 15 Revenue from Contracts with Customers, when the customer gains control over those assets and the performance obligation is thereby satisfied.

Gains or losses arising from the retirement or disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gains or losses arising from the retirement or disposal of investment property are recognised in profit or loss for the period and are disclosed at their net amounts in the Income Statement, under "Other income", unless IFRS 16 requires otherwise on a sale and leaseback.

2.10. INTANGIBLE ASSETS

The entity recognises the identifiable non-monetary assets, without physical substance, as intangible assets, when they meet the definition of intangible assets and the recognition criteria under IAS 38.

An intangible asset is recognised if, and only if, it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost (i.e., acquisition cost).

The cost of a separately acquired intangible asset is determined in conformance with IAS 38 and comprises its purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any directly attributable cost of preparing the asset for its intended use.

In compliance with IAS 38, the acquisition cost of an internally generated intangible asset is the cost of that asset, comprised of the sum of expenditure incurred as of the date when the intangible asset first met the recognition criteria.

After initial recognition, intangible assets are carried at their acquisition cost less any accumulated amortisation and any accumulated impairment losses.

The entity assesses whether the useful life of an intangible asset is finite or indefinite, and if finite – the length of, or the number of production or similar units, constituting that useful life.

An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Intangible assets with finite useful life are amortised, while those with indefinite useful life are not.

Intangible assets that are subject to amortisation are amortised on the straight line method, over their estimated useful life, and the depreciable amount is systematically allocated over it (i.e., useful life). Accrued amortisation is recognised as expense and decreases the carrying amount of intangible assets. The average useful life, in years, of the main groups of non-current intangible assets is as follows:

Group	Years
Program products, software	5
All other assets, subject to amortisation	7
Assets with finite useful life	As per contract

Amortisation begins when the asset is available for use, i.e., when it is in the location and condition, necessary for it to be capable of operating in the manner intended by Management.

Amortisation ceases at the earlier of:

- The date that the asset is classified as "held for sale" (or it is included in a disposal group that is classified as "held for sale") in accordance with IFRS 5; and

- The date that the asset is derecognised.

Intangible assets are derecognised on disposal / sale, or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Proceeds from the sale of such assets are recognised as revenue in accordance with IFRS 15 Revenue from Contracts with Customers, when the customer receives control over those assets, and the performance obligation is thereby satisfied.

Gains or losses arising from the retirement or disposal of an intangible asset, are determined as the difference between the net disposal proceeds and the carrying amount of the asset. Gains or losses arising from the retirement or disposal of an intangible asset are recognised in profit or loss for the period and are presented, at their net amounts, in the Income Statement, under "Other income", unless IFRS 16 requires otherwise on a sale and leaseback.

2.11. INVESTMENTS IN SUBSIDIARIES

Subsidiaries are all entities that are controlled by the Entity. The Entity's control over subsidiaries is expressed as its ability to manage and determine the financial and operating policies of subsidiaries so as to obtain benefits from their activities.

In the separate financial statements of the Entity, investments in subsidiaries are recognised at acquisition cost (cost) less any impairment losses. Impairment is recognised in the Income Statement when conditions for impairment are established.

Purchases or sales (disposals) of investments in subsidiaries are recognised at the "date of conclusion" of the transaction.

The entity recognises dividends from subsidiaries, in profit or loss in its separate financial statements, when the entity's right to receive dividends is established. Amounts (i.e., of dividends) received, exceeding these earnings, are treated as a return of investment and are recognised as a reduction of the acquisition cost (cost) of the investment.

Investments are derecognised when the rights, arising from those investments, are transferred to other parties, given that there are legal grounds for such a transfer, and control over the economic benefits from these investments is thereby lost. Net revenue from sales of investments, representing the difference between the proceeds, if any, and the cost of the investments, is disclosed in the Income Statement as "Finance income" or "Finance cost", respectively.

If the entity retains interest in an entity that should be recognised, it is classified, depending on the circumstances, as an associate or in accordance with IFRS 9. The carrying amount at the date when control is lost is thereby adopted to be the acquisition cost on initial recognition of the investment in an associate, or is adjusted to the fair value, if required, on the recognition of the non-controlling interest.

2.12. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associates are those entities over which the Entity has significant influence, but which are neither subsidiaries, nor joint ventures.

Investments in associates are recognised in the separate financial statements of the Entity at acquisition cost (cost) less any impairment losses.

A joint venture is a contractual agreement whereby the Entity and other independent parties undertake an economic activity that it is subject to joint control, and the parties that have joint control on the arrangement have rights to the net assets of the arrangement.

Investments in joint ventures are recognised in the separate financial statements of the Entity at acquisition cost (cost) less any impairment losses.

The entity recognises dividends from associates or joint ventures in its separate financial statements, in profit or loss, when the entity's right to receive dividends is established.

Investments in associates and joint ventures are derecognised when significant influence over the associate, or joint control over the joint venture, is lost. Disposal proceeds, including the net result of the consideration received, if any, and the amount of the investment, are disclosed in the Income Statement, under "Finance income / cost".

Investments that are not classified as subsidiaries, associates or joint ventures are recognised at fair value, classified as financial assets at fair value through other comprehensive income, in accordance with the requirements and exemptions in IFRS 9 on the classification of capital instruments.

Investments, which in accordance with IFRS 5 are classified as "Investments held for sale" (or are included in a disposal group that is classified as "held for sale"), are recognised in conformance with that IFRS.

2.13. IMPAIRMENT OF NON-CURRENT ASSETS

In conformance with the requirements of IAS 36, an assessment is conducted at the end of each reporting period on whether there are any indications that the value of a non-current asset, classified as "Property, plant and equipment", as "Investment property", as "Intangible assets" or as "Investments in subsidiaries, associates and joint ventures" may be impaired. If any such indications exist, the recoverable amount of the asset is estimated and the impairment loss is determined.

The amount by which the carrying amount exceeds the recoverable amount is recognised as impairment loss. Recoverable amount is the higher of the net selling price and the value in use.

For the purpose of determining impairment, the Entity's assets are grouped into the smallest identifiable group of assets for which cash flows can be distinguished – a cash-generating unit.

2.14. INVENTORIES

Inventories are assets:

- Held for sale in the ordinary course of business (commodities, goods);
- In the process of production for such a sale (work in progress);
- Inventories, consumed in the production process or in the rendering of services (materials, raw materials).

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of purchase of inventories comprises the purchase price, import duties and other non-recoverable taxes, transport and others costs, directly attributable to the acquisition of finished goods,

materials and services. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

Inventories are included in the cost of the rendered services to the extent that such are consumed in the provision of services. These costs comprise primarily labour and other costs, incurred in respect of the personnel, directly engaged in providing the service, including supervisory personnel, and the attributable overheads. Labour and other costs, relating to the sales and the general administrative personnel are not included, but are rather recognised as expenses in the period in which such are incurred.

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Impairment losses are recognised whenever the carrying amount of an item of inventories exceeds its recoverable value. Impairment losses are recognised in the Income Statement. The cost of consumption / derecognition is determined using the "average weighted" method.

Some inventories may be allocated to other asset accounts, for example inventories used as a component of self-constructed property, plant or equipment. Inventories, allocated to another asset, are recognised as an expense over the useful life of that asset.

2.15. ASSETS HELD FOR SALE

In compliance with IFRS 5, non-current assets are classified as assets held for sale, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

Assets held for sale are carried at the lower of their carrying amount and their fair value less costs to sell.

Impairment loss is recognised for any initial or subsequent write-down of the assets held for sale.

In compliance with IAS 36 and IFRS 5, gains from any subsequent increase in fair value, less costs of sale of assets that are held for sale, are recognised to the cumulative impairment loss, accrued in respect of that asset.

2.16. FINANCIAL INSTRUMENTS

Financial instrument is any contract that gives rise to a financial asset of the Entity and a financial liability, or an equity instrument, of another entity, or vice versa.

Financial asset is any asset that is: cash, an equity instrument of another entity, a contractual right to receive cash or another financial assets from another entity, or to exchange financial instruments with another entity under conditions that are potentially favourable to the entity, or a contract that will be settled in the Entity's own equity instruments and is a non-derivative for which the entity is, or may be obliged, to receive a variable number of its own equity instruments, or a derivative that will, or may be, settled by the exchange of a fixed amount of cash, or another financial asset, for a fixed number of the entity's own equity instruments.

Financial liability is any liability that is: a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial instruments with another entity under conditions that are potentially unfavourable to the entity, or a contract that will be settled in the issuer's own equity instruments and is a non-derivative for which the Entity is, or may be, obliged to deliver a variable number of its own equity instruments, or a derivative that will, or may be, settled other than by the

exchange of a fixed amount of cash, or another financial asset, for a fixed amount of the entity's own equity instruments.

2.16.1. FINANCIAL ASSETS

2.16.1.1. RECOGNITION AND CLASSIFICATION OF FINANCIAL ASSETS

The entity recognises a financial asset in its financial statements when, and only when, the entity becomes a party to the contractual provisions of the instrument.

The entity classifies financial assets in the following categories, depending on their subsequent measurement: "financial assets subsequently measured at amortised cost", "financial assets subsequently measured at fair value through other comprehensive income" or "financial assets subsequently measured at fair value through profit or loss", as appropriate in compliance with the contractual terms of the instruments and the business models established in the Entity, in accordance with IFRS 9. Classification is in accordance with the nature and purpose of financial assets at their acquisition date.

In case of ordinary purchases and sales, financial instruments are recognised and derecognised on a "transaction date" basis. The entity consistently applies the method to all transactions in financial assets under all categories. Two additional categories are defined for the purpose: "financial assets designated as measured at fair value through profit or loss" separately from those for which this method is mandatory, and "investments in equity instruments measured at fair value through other comprehensive income, carried by option", separately from those that are compulsory measured under this model.

2.16.1.2. INITIAL RECOGNITION

Except for trade receivables, at initial recognition all financial assets are measured at their fair value, plus the direct transaction costs, unless such are not measured at fair value through profit or loss in which case they are initially recognised net of transaction costs. Trade receivables that do not contain a significant financing component and for which the Entity applies the practical expedient under IFRS 15 are initially measured at the transaction price in accordance with IFRS 15. For all other financial assets, acquired under market conditions, the Entity also adopts the respective transaction price as the best evidence of their fair value at initial recognition. When the two values differ, instruments with quoted prices or relevant observable data are measured at fair value and the excess / deficit to the transaction price is recognised in profit or loss; all others are measured at fair value, adjusted to defer the difference, recognised to the extent of a change in a factor that the market participants would take into account.

2.16.1.3. SUBSEQUENT MEASUREMENT AND PRESENTATION

For subsequent measurement and presentation purposes, financial assets are classified in one of the following three categories: "financial assets at amortised cost", "financial assets at fair value through other comprehensive income" or "financial assets at fair value through profit or loss".

I. FINANCIAL ASSETS AT AMORTISED COST

The entity measures its financial assets at amortised cost when they are held within a business model, whose primary objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest on the outstanding principal.

Such financial assets include: cash and cash equivalents, trade receivables, loans receivable, receivables earned through cessions, trade receivables and other receivables whereby the entity has become a party to a contract, or an arrangement, and which should be settled in net cash. The latter category forms the most significant part of the Entity's financial instruments and of the Entity as a whole.

Subsequent measurement is carried out using the "effective interest" method under which interest income is computed by applying the effective interest rate to the gross carrying amount of the instruments. The credit-adjusted effective interest rate and the effective interest rate at the amortised cost of the asset are applied, respectively, for purchased or originated credit-impaired assets and those which subsequently have become credit-impaired financial assets.

Interest is not accrued for trade and other receivables that are up to 3 months overdue. Financial assets under this category are subject to impairment review at the date of each set of financial statements of the Entity. Changes are reflected in profit or loss.

II. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The entity measures its financial assets at fair value though other comprehensive income when these financial assets are held within a business model, whose objective is achieved both by collecting contractual cash flows that are solely payments of principal, and interest on the outstanding principal, and selling those financial assets.

The entity applies the exemptions under IFRS 9 for equity instruments that are not held for trading, but would otherwise be measured at fair value through profit or loss, making an irrecoverable election for particular investments in such instruments to be measured, at initial recognition, at fair value through other comprehensive income. Such financial assets are disclosed in the notes to the financial statements, separately from the other instruments that are required to be measured by using this model.

Financial assets under this category include: equity instruments, representing minority shares that are not held for trading and for which the Entity has made an irrecoverable election at initial recognition to be subsequently measured at fair value through other comprehensive income.

This category of instruments is subsequent measured at fair value and changes are recognised in other comprehensive income. Fair value is determined based on quoted prices in an active market, and in the absence of such a market – fair value is determined based on valuation techniques, usually discounted cash flow analysis. In the absence of quoted prices for equity instruments, classified as measured at fair value through other comprehensive income, their acquisition cost is used to determine the fair value when this is appropriate under IFRS 9; typically, there is no available up-to-date information and / or a wide range of possible evaluations under certain circumstances are available.

Financial assets in this category, held for the purpose of both collecting contractual cash flows that are solely payments of principal, and interest on the outstanding principal, and the sales of those assets, are subject to impairment review at the date of each of financial statements of the Entity. Differences are recognised in profit or loss and the impairment losses are disclosed under other comprehensive income, without reducing the value of the assets in the Statement of Financial Position.

III. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The entity measures all financial assets at fair value through profit or loss, with the exception of those financial assets measured at amortised cost or at fair value through other comprehensive income.

The entity may apply the exemptions under IFRS 9 and at initial recognition irrevocably designate a financial asset as measured at fair value though profit or loss, including contracts for delivery of non-financial assets, if in doing so it eliminates, or significantly reduces, the financial asset's measurement or recognition inconsistency that would otherwise arise from recognising results and changes on different

bases. Such financial assets are disclosed in the notes to the financial statements, separately from the other instruments for which this measurement approach is mandatory.

Financial assets in this category include: equity and debt instruments of issuer companies, traded on an active market.

Financial assets in this category are presented at fair value in the Statement of Financial Position, and changes are recognised in profit or loss.

IV. COMPOSITION OF THE FINANCIAL ASSETS

The financial assets of the entity at the end of the reporting period include:

- Cash and loans granted, receivables earned through cessions, trade and other receivables, classified as "financial assets at amortised cost'"; and

2.16.1.4. IMPAIRMENT OF FINANCIAL INSTRUMENTS

The entity measures and recognises loss allowances for expected credit losses and credit impairments on financial assets measured at amortised cost, debt instruments measured at fair value through other comprehensive income, assets under contract with customers and financial guarantee contracts.

'The entity recognises the amount of expected credit loss (ECL), or their reversal, as an impairment gain or loss. ECLs are the present value of the cash shortfalls for the expected duration of the instrument, which is the difference between all the contractual cash flows that are due to the entity under a contract and all the cash flows that the entity expects to receive, discounted at the original effective interest rate, its estimated value or the current interest rate, as appropriate, according to the contractual terms and the type of the instrument. Expected cash flows also include the cash flows that the entity expects to receive from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Impairment and loss allowances on financial instruments are recognised in three stages – in the first two stages as expected credit losses for losses that may result from default events, and in the third stage as a credit impairment (loss allowance) for which there is objective evidence of impairment as a result of potential or actual defaults of the instruments.

Expected credit losses for financial instruments for which there have not been a significant increase in credit risk since initial recognition, are recognised as loss allowance at an amount equal to 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date). For financial instruments (credit exposures) for which there has been a significant increase in credit risk since initial recognition, the expected credit losses are recognised in respect of losses that result from all possible default events over the life of the financial instrument (full lifetime expected credit losses).

At each reporting date, the Entity assesses whether the credit risk on financial instruments has significantly changed since initial recognition, considering all reasonable and supportable information that is available without undue cost or effort. In such an assessment, the Entity reviews the internal credit rating of the borrower, the modification and / or restructuring of this or other instruments of the borrower, as well as objective external factors which, at the Entity's discretion, may impact (separately or collectively) the receivables. Moreover, the entity assesses whether there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The entity regards a financial instrument as a defaulted financial instrument when the contractual payments are more than 90 days past due. Nevertheless, in some cases, a financial asset may be regarded as a defaulted financial asset, if internal or external information provides an indication that it is unlikely that the Entity will receive the full amount of the outstanding considerations under the contract, before

taking into account any credit enhancements held by it. Financial assets are derecognised when there is no reasonable expectation that the contractual cash flows shall be collected.

The Entity applies a simplified approach, in accordance with IFRS 9, for trade receivables and contract assets from contracts with customers that result from transactions within the scope of IFRS 15, which do not contain a significant financing component and for which the practical expedient under IFRS is applied, recognising loss allowance at an amount equal to lifetime ECLs of the instrument at each reporting date. For this purpose, a practical expedient under IFRS 9 has been applied and a provision matrix has been used to estimate the expected credit losses on trade receivables and contract assets from contracts with customers. Receivables are classified in arrears and are grouped by type and customer segments with different credit loss models.

The Entity uses its historical credit loss experience on trade receivables and contract assets from contracts with customers as output data to estimate the expected credit losses. The historical data used is for periods of 3 to 5 years back, grouped by type and the respective customer segment models, and adjusted by forecasts of the future economic conditions.

Trade receivables and contract assets from contracts with customers are non-interest-bearing and are typically settled: between 60 and 180 days, and between 180 and 360 days, respectively. The entity considers a trade receivable or a contract asset from a contract with a customer as defaulted when such are past due for: more than 360 days and more than 540 days, respectively. Nonetheless, in specific cases, a receivable or a contract asset from a contract with a customer may be regarded as defaulted, if internal or external information provides an indication that it is unlikely that the Entity will receive the full amount of the outstanding contractual considerations. Additionally, the Entity considers all reasonable and supportable information, available without undue cost or effort, thus eliminating the possibility of unreliable presentation of individual or collective credit risk.

With regards to bank deposits and current accounts – Trace Group Hold PLC defines ECLs as a basis for the official external credit ratings, published by financial institutions, similar to and in line with the general model for impairment of financial assets, against changes in the instruments' credit risk.

Impairment gains (reversal) and losses, including provisions of expected credit losses and credit impairments, are recognised in profit or loss, and the adjustment for the impairment of debt instruments, accounted for under the FVOCI (Fair Value through Other Comprehensive Income), is presented in "other comprehensive income" and does not reduce the carrying amount of the instrument.

2.16.1.5. DERECOGNITION, GAINS AND LOSSES

Financial assets are derecognised when the contractual rights to receive cash flows have expired, or have been transferred, and the Entity has transferred substantially all risks and rewards of ownership, the latter being subject to evaluation.

If the Entity retains the rights to receive cash flows from a financial asset, but the entity assumes an obligation to pay cash flows to end recipients without material delay, the financial asset is derecognised, provided that the Entity has no obligation to pay amounts to the end recipients, unless it collects the equivalent amounts and it cannot sell, or pledge, the original asset, except as a collateral in their favour under this obligation.

If the Entity neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the entity determines whether it has retained control of the financial asset. If the entity has not retained control, the entity derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer. If the entity has retained control, the financial asset is recognised to the extent to which the entity has continuing involvement in it.

The result from the derecognition of a financial asset, representing the difference between the consideration received and it's carrying amount at the date of derecognition, is recognised at its net amount in profit or loss in the Income Statement, under "Finance income / cost".

When financial assets at fair value through other comprehensive income (to which this model is mandatory) are derecognised, the cumulative gains or losses, previously recognised in other comprehensive income, are reclassified to profit or loss. When assets measured at fair value through other comprehensive income are derecognised, the cumulative gains and losses on such are transferred to retained earnings, within equity.

The entity recognises dividends from financial assets in its financial statements, in profit or loss, when the entity's right to receive payment of the dividend is established, it is probable that the economic benefits associated with the dividend will flow to the entity and the amount of the dividend can be measured reliably.

2.16.2. FINANCIAL LIABILITIES

2.16.2.1. RECOGNITION AND CLASSIFICATION

The entity recognises a financial liability in its financial statements when it becomes a party to the contractual provisions of the financial instrument.

The entity classifies financial liabilities in the following categories in accordance with their subsequent measurement: "financial liabilities, subsequently measured at amortised cost", "financial guarantee contracts", "financial liabilities at fair value through profit or loss", "liabilities that arise when a transfer of a financial asset does not qualify for derecognition, or when the continuing involvement approach applies" and "commitments to provide loans at a below-market interest rate".

2.16.2.2. INITIAL RECOGNITION

All financial liabilities are initially measured at their fair value net of the direct transaction costs, unless such are not financial liabilities at fair value through profit and loss, in which case such are initially measured at fair value. At initial recognition, the Entity regards transaction price (quoted market prices) as best evidence of the fair value of all financial liabilities, acquired in active markets. When there is a difference between the two amounts, instruments with quoted prices or relevant observable data are measured at fair value, and the difference to the transaction price is recognised in profit or loss; for all other cases – at fair value, adjusted to defer the difference that is recognised to the extent of a change in a factor that market participants would take into account.

2.16.2.3. SUBSEQUENT MEASUREMENT

For subsequent measurement and presentation purposes, financial liabilities are classified in one of the following five categories: "financial liabilities, subsequently measured at amortised cost", "financial guarantee contracts", "financial liabilities at fair value through profit or loss", "liabilities that arise when a transfer of a financial asset does not qualify for derecognition, or when the continuing involvement approach applies" and "commitments to provide loans at a below-market interest rate".

I. FINANCIAL LIABILITIES AT AMORTISED COST

The entity measures financial liabilities at amortised cost when they do not necessarily fall within any of the other categories, provided under IFRS 9, and when, at initial recognition, the Entity does not apply the exception to irrevocably designate a financial liability as measured at fair value through profit and loss under the conditions of IFRS 9.

"Financial liabilities at amortised cost" include borrowings, trade payables and other payables under which the entity has become a party to a contract or a commitment, and which should be settled in net cash. This category forms the most significant portion of the Entity's financial instruments and of the Entity as a whole.

Financial liabilities at amortised cost are subsequently measured using the "effective interest rate" method. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, as well as any fees or costs that are an integral part of the effective interest rate.

II. FINANCIAL GUARANTEE CONTRACTS

The entity measures financial liabilities as financial guarantee contracts when they satisfy the criteria to be measured as such, namely: when the Entity has assumed an obligation to make payments on a given financial instrument only in the event of a default by the debtor, in accordance with the terms of the instrument that is guaranteed.

"Financial guarantee contracts" include: guarantee contracts concluded with banks for loans granted to related parties, avalised promissory notes.

Financial guarantee contracts are subsequently measured at the higher of the loss allowance amount, determined in the same way as a financial asset at amortised cost in compliance with note 2.16.1.4 "Impairment of financial instruments", and the amount initially recognised less, when appropriate, the cumulative amount of income, recognised in accordance with the principles of IFRS 15.

III. COMPOSITION OF THE FINANCIAL LIABILITIES

The financial liabilities of the entity at the end of the reporting period include:

- Borrowings (loans obtained), trade and other payables at amortised cost; and
- Financial guarantee contracts, issued to related parties in favour of commercial banks. Financial guarantee contracts are treated similarly to loans granted, accounting for the effect of the issued guarantee on the individual / legal entity to which such a guarantee has been granted.

IV. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated on initial recognition as financial liabilities at fair value through profit or loss. Financial liabilities are classified as "financial liabilities held for trading", if such have been acquired principally for the purpose of repurchasing them in the near term. Financial liabilities designated on initial recognition as financial liabilities at fair value through profit or loss are determined as such at the date of initial recognition, only if the criteria under IFRS 9 have been met.

V. LIABILITIES ARISING AS A RESULT OF THE DERECOGNITION OF A FINANCIAL ASSET THAT DOES NOT QUALIFY FOR DERECOGNITION, OR WHEN THE CONTINUING INVOLVEMENT APPROACH APPLIES

The entity recognises financial liabilities in this category, if a transfer of a financial asset does not qualify for derecognition or when the entity neither transfers, nor it retains, substantially all the risks and rewards of ownership and the continuing involvement approach is applied.

The entity measures financial liabilities in this category at the amount of the consideration received, if the financial asset is not derecognised, and at amortised cost, or fair value of the rights and obligations, depending on how a financial asset with continuing involvement is measured when the continuing involvement approach is applied.

VI. COMMITMENTS TO PROVIDE LOANS AT BELOW-MARKET INTEREST RATE

The entity measures financial liabilities as commitments to provide loans at below-market interest rates when they satisfy the respective criteria – the entity to have assumed a commitment for such an instrument.

Commitments to provide loans at below-market interest rates are subsequently measured at the higher of the loss allowance amount, determined in the same way as a financial asset at amortised cost in compliance with note 2.16.1.4. "Impairment of financial instruments", and the amount initially recognised less, as appropriate, the cumulative amount of income, recognised in accordance with the principles of IFRS 15.

VII. COMPOSITION OF THE FINANCIAL LIABILITIES

The financial liabilities of the entity at the end of the reporting period include:

- Borrowing (loans obtained), trade and other payables at amortised cost; and
- Financial guarantee contracts, issued to related parties in favour of commercial banks.

2.16.2.4. DERECOGNITION, GAINS AND LOSSES

A financial liability is derecognised when the obligation is discharged, or cancelled, or expires. When an existing financial liability is exchanged with a new financial liability from the same borrower, under substantially different terms, or when the terms of an existing liability are substantially modified, this exchange or modification is treated as an extinguishment of the original liability and recognition of a new liability.

The difference between the carrying amount of a financial liability extinguished, or transferred to another party, and the consideration paid, including any non-cash assets transferred or liabilities assumed, are recognised in profit or loss.

2.17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand and demand deposits, denominated in Bulgarian Leva (BGN) and foreign currency, respectively.

Cash equivalents are current, highly liquid investments that are readily convertible to specific cash amounts and contain insignificant risk of changes in their value.

The entity has adopted the policy to carry short-term deposits as cash and cash equivalents – namely, deposits with 3-months maturity. The accrued, yet not received at year-end, interest on those deposits are presented also as cash and cash equivalents in the Statement of Financial Position.

Additionally, a reconciliation of the cash balances in the Statement of Financial Position and the cash balances in the Statement of Cash Flows is disclosed in the notes to the Financial Statements.

For preparation purposes of the Statement of Cash Flows, lease payments (cash payments of principal and interest on the principal amount outstanding), related to the "right-of-use assets" and lease payables, recognised in the Statement of Financial Position, are disclosed as "cash outflows from financing activities", and the payments of short-term leases and of leases of low-value assets, are disclosed as "cash outflows from operating activities".

2.18. EQUITY AND RESERVES

The Entity's equity is comprised of share capital, share premium, translation reserves, general and other reserves, and financial result.

2.18.1. SHARE CAPITAL

The share capital of the Entity comprises:

- Registered capital – presented at nominal value in accordance with the court's decision for the registration of Trace Group Hold PLC, distributed among 24 200 000 shares at nominal value of BGN 1 each; and
- Treasury shares – presented at their acquisition cost.

If the Entity redeems its own equity instruments, those instruments (treasury shares) are deducted from equity. Neither profit, nor loss, on the purchase, sale, issue or cancellation of the equity instruments of Trace Group Hold PLC is recognised. The consideration paid, or received, is recognised directly in equity capital.

When issuing or acquiring its own equity instruments, the Entity incurs various expenses. Typically, such expenses include registration and other statutory fees, legal charges, accounting and other professional consulting charges and other similar. In a capital transaction, the transaction costs are accounted as a reduction in equity (net of any preferences associated with income tax) to the extent to which such are additional costs, directly related to the capital transaction, which would otherwise have been avoided. The cost related with a capital transaction, which was terminated without completion, are recognised as an expense.

2.18.2. SHARE PREMIUM

Share premium was formed on the initial public offering of the Entity's shares in 2007 as a difference between the issuing value and the nominal value, less fees to repurchase treasury shares in subsequent periods.

2.18.3. TRANSLATION RESERVES

The entity has established and registered branches in the Republic of Serbia, the Czech Republic, North Macedonia and Romania, and their financial position and operating results are presented in the financial statements, by translating those from functional to presentation currency. The local currency of the branches is adopted to be their functional currency to the extent to which it coincides with the currency of the main economic environment in which the respective branch operates, generating cash flows from operating activities with a significant degree of autonomy.

Foreign exchange gains and losses arise from the translation of income and expense, using the average exchange rates for the period, and that of assets and liabilities – at the closing exchange rate for the period, as well as from the recalculation of the opening balances of net assets at a rate, different from the prior closing rate.

2.18.4. GENERAL AND OTHER RESERVES

General reserves are formed by profit distributions in accordance with the requirements of the Commercial Act of the Republic of Bulgaria and the Articles of Incorporation of Trace Group Hold PLC. Other reserves are formed pursuant to decisions, taken by the General Meeting of Shareholders.

2.18.5. FINANCIAL RESULT

The financial result includes retained earnings and accumulated (in prior years) losses that are decreased / increased to reflect adjustments of errors, changes in accounting policies or transitions to new accounting standards, when such are explicitly permitted, as well as the current year's profit or loss (profit or loss for the period).

2.19. EARNINGS PER SHARE

Basic earnings per share are computed by dividing the net profit or loss for the period by the weighted average number of ordinary shares, held within the period.

The weighted average number of shares is the number of ordinary shares held at the beginning of the period, adjusted by the number of repurchased ordinary shares and the newly issued shares within the period, multiplied by the average time factor.

Diluted earnings per share are not calculated as no potential dilutive shares have been issued.

The entity presents "earnings per share" in its consolidated financial statements.

2.20. EMPLOYEE BENEFITS

The labour and social insurance relations with the workers and employees of the Entity follow on the provisions of the Labour Code (LC) and the social insurance legislation effective in Bulgaria, as well as the provisions of the applicable statutory requirements in respect of the labour and social insurance relations in the respective countries in which the Entity recruits personnel.

A fundamental obligation of the employer is to pay the statutory social insurance contributions due with regards to the hired personnel, namely contributions to the pension, health and unemployment funds.

The amounts due for social insurance contributions are established by the Law. Contributions are proportionately allocated between the employer and the insured employee. This proportion changes on an annual basis and is determined under the Social Insurance Code (SIC).

Other than the compulsory state social insurance, there are legally established options for additional voluntary pension and health insurance to a voluntary fund.

The entity does not have an established and operating private voluntary insurance funds.

The insurance and pension schemes (plans), applied by the Entity in its capacity of an employer, are based on the Bulgarian legislation and the local legislation effective in the respective countries in which the entity recruits personnel, and are firmly predetermined. By their very nature, these contributions are "defined benefit plans". Under such plans, the employer pays monthly defined contributions to the government funds and to universal and occupational pension funds.

The same applies and for payables (contributions due) to the "Health Insurance" Fund. The entity does not have an established and operating private insurance fund.

2.20.1. SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits, in the form of salaries and wages, bonuses and social contributions, and benefits, payable within 12 months after the end of the period in which labour related to these benefits was rendered or the requirements for their receipt were satisfied, are recognised as an expense in the Income Statement for the respective period and as a current payable at their non-discounted value. The social and health insurance contributions, payable by the entity, are recognised both as a current expense and as a payable, at non-discounted amount, together with and in the period in which the respective income, with which they relate, was earned.

At the date of each set of financial statements, the entity assesses and recognises the cost of accumulated compensated absences (leave benefits), expected to be paid as a result of the accumulated unused right to leave. The assessment includes estimates of the remuneration costs and of the statutory social insurance and health contributions expenses, due to by the employer in respect of those amounts.

2.20.2. LONG-TERM EMPLOYEE BENEFITS

In compliance with the Labour Code, the Entity is obliged to pay compensations to the retired personnel upon their retirement (retirement benefit obligations). The amount of such retirement benefit obligations depends on the length of the personnel's employment within the Entity and may vary between 2 and 6 gross monthly salaries at their amount at the date on which the respective labour relations are terminated. As per their characteristics, such schemes represent "defined revenue plans". The amount of such payables (retirement benefit obligations) is defined on the basis of actuarial valuation of their present value at the date of the financial statements.

2.21. EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES

2.21.1. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are initially recorded in the functional currency, by applying to the foreign currency amount the spot exchange rate between the Bulgarian Lev (BGN) and the respective foreign currency, as issued by the Bulgarian National Bank (BNB) at the date of the transaction.

Foreign exchange gains and losses, arising in the settlement of cash items or in translation of the Entity's cash items at exchange rates, different from those at which they were translated upon their initial recognition for the period, or in prior financial statements, are recognised as gains or losses for the period, in which such have been incurred, with some exceptions, stated under IAS 21, of foreign exchange gains or losses, arising in respect of cash items that by their nature represent part of a net investment in a reporting economic unit, denominated in a foreign currency.

A foreign exchange gain (or loss) arises, when monetary items arise from a foreign currency transaction and there is a change in the exchange rate between the transaction date and the date of settlement. When the transaction is settled within the same accounting period as that in which it occurred, the foreign exchange gain / (loss) is recognised, wholly, in that period. However, when the transaction is settled in a subsequent accounting period, the foreign exchange gain / (loss), recognised in each intermediate period until the date of settlement, is determined by the change in the exchange rates during each period.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss shall be recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised as profit or loss.

When other IFRS require some gains and losses to be recognised directly in equity and when such an asset is measured in a foreign currency, IAS 21 requires the revalued amount to be translated using the exchange rate at the date when the value is determined, resulting in a foreign exchange gain (or loss) that is also recognised in other comprehensive income.

The entity revalues foreign currency items currently, during the reporting period, and at year-end.

2.21.2. TRANSLATION OF FOREIGN OPERATIONS

In the translation of foreign operations, the functional currency of the foreign operation is identified, accepting such to be the currency of the main economic environment in which the foreign entity operates and generates operating cash flows from its activities with a significant degree of autonomy.

When translating foreign operations from functional currency to presentation currency:

- Assets and liabilities are presented at the closing exchange rate, prevailing at the date of the financial statements,
- Income and expenses – at the exchange rate, prevailing at the transaction date, or at the average exchange rate for the period when there are no significant fluctuations.

Translation gains and losses are recognised as a component of other comprehensive income in the Statement of Comprehensive Income and under "Translation reserves" (refer to note 2.18.3).

2.22. REVENUE, OTHER INCOME, FINANCE INCOME

The entity considers and presents considerations received from customers, and from other transactions, in three groups: as "income from ordinary activities" ("revenue from contracts with customers); as "other income" from activities, other than the principal activity, net of the related costs; and as "finance income" arising from financial instruments and investments, net of the transaction costs, when this is required by the applicable accounting basis.

The entity accounts for a contract with a customer when and only when: the parties to the contract have approved the contract, the parties' rights with regards to the goods or services to be transferred and the payment terms have been identified, the contract has commercial substance, and it is probable that the Entity will collect the consideration, which it expects to be entitled to.

2.22.1. REVENUE FROM CONTRACTS WITH CUSTOMERS

The entity recognises considerations as "revenue from contracts with customers", only if the counterparty to the contract is a customer – i.e., a party that has concluded a contract with the Entity to obtain goods or services that are outputs of its ordinary activities in exchange for consideration.

The ordinary activities of the Entity are related to: construction, repairs, reconstruction and maintenance of infrastructure and other projects and sites of general purpose; sales of outputs and goods, including: construction materials, machinery and equipment, as well as services, including: project and site management, transport, mechanisation, design, geodesy, laboratory analysis and others related to construction. The entity is a principal in its revenue arrangements as it typically controls the goods or services before transferring them to the customer, including and particularly with regards to construction contracts, whereby it has the discretion in establishing prices, it is exposed to credit risk and bears the ultimate responsibility.

2.22.1.1. IDENTIFYING A CONTRACT

I. CONSTRUCTION CONTRACTS

Construction services relating to building and construction, repairs and reconstruction of infrastructure, and other projects and sites, are rendered in respect of assets that are not owned by the Entity, it does not have control over them and they cannot be alternatively used by it. Goods and services under such contracts are sold together, typically constituting a single promise to the customer, and respectively a single performance obligation, which are not fulfilled at once and continue for more than one reporting period. Construction contracts are the most significant contracts to the financial statements and to the Entity as a whole.

II. SALES OF OUTPUT, GOODS AND SERVICES

Sales of outputs, goods and services are performed separately, and some of those outputs, goods or services do not replace, modify or adapt other outputs, goods or services. The entity transfers control and customers can benefit from the goods or services received by using, consuming or selling them. Goods or services, provided under certain framework supply contracts – consulting, project and site management, and transport – are transferred in series and control over them is transferred over time, while customers receive and consume the benefits provided by the Entity's activities simultaneously.

2.22.1.2. IDENTIFYING PERFORMANCE OBLIGATIONS

I. CONSTRUCTION CONTRACTS

Construction contracts specify the goods or services, promised to the customer, and the Entity uses this as a basis to identify and evaluate the performance obligation under the contract. Assets are created and / or enhanced in execution of these contracts and as a result of the entity's activities, and such (assets) are controlled by the customer as they are created or enhanced. In this regard, the Entity identifies performance obligations, satisfied over time, under these contracts with customers, and thereby recognises the revenue, which it believes it is entitled for already satisfied obligations over time.

II. SALES OF OUTPUT, GOODS AND SERVICES

Separate performance obligations, which are distinct from others, are identified in sales where the outputs, goods or services are received by customers and are used, consumed or sold by them. Such are satisfied at a point in time and revenue is recognised to the amount to which the Entity estimates it will be entitled to. In sales of goods or services under framework agreements, control over them is transferred over time as they are part of one or more performance obligations satisfied over time. Obligations satisfied over time are accounted for in the same way as are construction contracts.

2.22.1.3. TRANSACTION PRINCE – DETERMINATION AND ALLOCATION

I. CONSTRUCTION CONTRACTS

Transaction price is the amount of the consideration, which the Entity expects to be entitled to in exchange for the transferred goods or services that are typically part of a single performance obligation. Consideration under construction contracts is fixed, but it may change as a result of price changes and / or modifications in the contract's scope.

A contract modification is accounted for as a separate contract when its scope and price are expanded with new goods or services that can be consumed separately by the customer. Typically, the scope of the contract may be expanded with goods or services that are not distinct and therefore form part of a single and / or the same performance obligation, with the cumulative effect on the transaction price and on the measurement of the progress towards complete satisfaction of the performance obligation being recognised currently, at the date of the contract modification.

II. SALES OF OUTPUTS, GOODS AND SERVICES

Transaction price for sales of outputs, goods or services is the amount of the consideration that the Entity expects to be entitled to in exchange for those outputs, goods or services. Goods and services are sold separately and / or in series, and may, thereby, form a separate performance obligation or be part of a performance obligation. Contracts may be modified in terms of price and / or scope, and respectively – in terms of the performance obligation. Consideration from sales of outputs, goods or services is agreed upon and typically does not contain elements of variable consideration.

Contract modifications that affect their price and scope are accounted for as a separate contract, adding new goods or services from which customers can benefit directly, and if goods or services are exchanged – the existing contract is accounted for as if terminated. Price changes that do not affect the scope of the contracts are allocated to performance obligations that are unsatisfied or are partially unsatisfied. When the scope and / or price of contracts for the supply of goods or services that are not distinct and which are part of an unsatisfied, or partially satisfied, performance obligation is modified, the cumulative effect

on the transaction price and the measurement of progress towards complete satisfaction is recognised currently, at the date of the modification.

2.22.1.4. RECOGNISING REVENUE

I. CONSTRUCTION CONTRACTS

The entity recognises contract revenue, earned under construction contracts, based on the performance obligation satisfied over time, only if the entity can reasonably measure the progress towards complete satisfaction of the performance obligation. Progress towards completion satisfaction is remeasured at the end of each reporting period.

A single method of measuring progress for each performance obligation satisfied over time is applied consistently to similar performance obligations and in similar circumstances.

Input methods, in particular estimates of the expected and actually incurred costs with respective expenditure adjustments for costs that do not contribute, or are not proportionate, to the entity's progress in satisfying the performance obligation, are typically applied to measure the progress of contracts. Such methods are typically applied to fixed price construction contracts and the Entity believes that the input method is more appropriate than the output method, as the second method requires additional resources, especially time resources, to ensure the requisite information. Furthermore, the input method is more appropriate and due to the fact that modifications in the promised goods or services are possible, without such affecting the transaction price and performance obligation, which would limit the assessment of the cumulative effect (in particular from the modifications) and of the contract as a whole (especially in the application of the output method). Output methods, based on direct estimates of the value to the customer of the goods or services transferred, are applied to some of the contracts whereby the Entity is a direct contractor. Such output methods are applied by conducting research of the performance and / or the stages achieved at the respective reporting dates, as and when appropriate in compliance with the applicable framework. The Entity believes that output methods are appropriate for measuring progress towards complete satisfaction under such contracts in so far as estimated and reliable, up-to-date information on the value and the quantities of the goods and services transferred to clients is available.

The entity recognises revenue for a performance obligation satisfied over time only to the extent of the costs incurred, if the entity cannot reasonably measure its progress towards complete satisfaction but the entity expects to recover the costs incurred, and when the costs incurred are not proportionate to the entity's progress in satisfying the performance obligation with a view to a faithful depiction of the performance.

II. SALES OF OUTPUTS, GOODS AND SERVICES

Revenue from sales of outputs, goods or services is recognised in accordance with the performance obligations satisfied at a point in time, or over time. Revenue for performance obligations satisfied over time is recognised, only if the entity can reasonably measure its progress towards complete satisfaction of the performance obligation. Progress towards completion satisfaction is remeasured at the end of each reporting period.

Output methods are used to measure the progress of outputs and goods; for the measurement of the progress of services, the entity employs methods accounting for and resources, these being: direct estimates of the transferred outputs and goods, and estimated costs with the respective adjustments of costs that do not contribute to the progress towards complete satisfaction of the performance obligation, or which are not proportionate to it. The entity believes that the methods used are appropriate in so far as the entity controls the outputs and goods before transferring them to customers, which ensures reliable information and does not require any additional resources. With regards to services – the entity does not

invest resources, while in the same time it eliminates limitations on reflecting the cumulative effects to be recognised, as and when necessary.

The entity recognises revenue in the amount to which the entity has a right to invoice, if the Entity has a right to consideration from a customer in an amount that corresponds directly to the value of the entity's performance completed to date to the customer.

The entity recognises revenue for a performance obligation, satisfied over time, only to the extent of the costs incurred, when it cannot reasonably measure its progress towards complete satisfaction, but the entity expects to recover the costs incurred in satisfying the performance obligation, and when the costs incurred are not proportionate to the entity's progress with a view of a faithful depiction of the performance.

2.22.1.5. CONTRACT COSTS

The entity recognises non-current assets for the incremental costs of obtaining a contract with a customer, only if it is possible that the entity will subsequently recover those costs. Such costs may be commissions, bonuses or other similar services that would not have been incurred had the contract not been obtained. Such assets are recognised under "non-current assets" and are separately disclosed in the explanatory notes to the financial statements. The entity applies the practical expedient, provided for in IFRS 15, and it does not recognise assets from the incremental costs of obtaining a contract with a customer, if the expected amortisation period of the asset that would otherwise have to be recognised is one year or less.

The entity recognises assets from the costs incurred in fulfilling a contract, if they are not within the scope of another Standard and can be directly attributed to a contract, they enhance the resources used in satisfying performance obligations and are expected to be recovered.

2.22.1.6. CONTRACT BALANCES

The entity recognises and presents any unconditional rights to considerations as contact receivables from contracts with customers. If the customer pays consideration, or the Entity has a right to an amount of consideration that is unconditional before the goods and services are transferred, the amounts are presented as contract liabilities from contracts with customers. When the Entity fulfils its obligation and transfers goods and services to customers before they pay, the amounts, other than the unconditional receivables, are presented as contract assets from contracts with customers.

Unconditional receivables, contract assets and contract liabilities from contracts with customers are presented together in the Statement of Financial Position, under "Trade receivables" and "Trade payables", and are disclosed separately in the notes to the financial statements. According to IFRS 9, contract assets from contracts with customers are subject to impairment review, in compliance with note 2.16.1-2.16.1.4. "Impairment of financial instruments".

The typical time of payment under contracts with customers in terms of satisfying performance obligations and the dependencies in this respect, differ substantially under construction contracts and under contracts for sales of outputs, goods or services. Under construction contracts, the Entity satisfies the performance obligations over time, typically more than one period, recognising revenue at the end of each period by reference to the contract's progress towards complete satisfaction, and customer approval is usually not necessary at this stage. However, given that the projects and sites, and the related to such performance, are subject to specific legislative provisions, certain official actions – including acceptance and / or approval by the customer and / or a third party – are provided and required upon completion of the contract's activities, on the basis of which part of the contract receivables from contracts with customers become unconditional and are paid subsequently. It is possible to unambiguously determine

that the goods or services under the contract have been transferred, and respectively recognise revenue from the already satisfied obligations, in so far an asset that is controlled by the customer is enhanced through construction. As a result of these circumstances, there is a discrepancy between the time when revenue from construction contracts is recognised, thereby recognising and the unconditional receivables and contract assets from contracts with customers, and the time of the payment receipt, with the ordinary payment term varying between 60 and 180 days, and between 180 and 360 days, respectively. Typically, sales of outputs, goods or services are not subject to specific regulations, with control over most of them being transferred to the customer immediately and / or consumed by the customer when such are delivered, thereby satisfying the performance obligations. Customer acceptance and approval is required for some sales of goods and services, under which the performance obligation is satisfied over time, with this approval and acceptance being either in stages, or upon completion of the contract. The time of payment of such supplies vary, but are within the ordinary business practice.

Typically, payments under construction contracts, which are most significant to the financial statements and to the Entity as a whole, are defined in terms of timing and amounts (and in individual cases – according to the type and size of the project or site), and in terms of the assignor and the source of financing such, and consist of an advance payment in the amount of 10% – 20%, interim payments of 60% – 80% and a final payment. When the entity is a subcontractor, the direct or ultimate assignors are public entities / organisations and the main contracts and conditions vary, it is possible different conditions to be applicable to similar projects and sites, or vice versa, resulting in varying amounts and time of payments too. Pursuant to the legislative requirements, performance bonds are typically issued for construction contracts. Such performance bonds are in fact amounts, part of the unconditional receivables of the Entity, retained by the assignor for a certain period – typically between 12 and 24 months. The entity believes that there is no significant component of funding for the retained amounts in so far as they are established by the Law and provide customer protection, as defined under IFRS 15, but also since in most cases the direct or ultimate party under these contracts are state authorities that cannot engage in funding, in the context of the content of the transactions, but and in principle. The Entity adjusts the promised amount of the consideration, paid by customers before the goods or services are transferred to them, to reflect the effect of the existence of a significant component of funding, when such exists and when the period between the payment and the transfer is expected to be more than one year. The adjustment is recognised as "interest expense" in the Income Statement, under "Finance costs". In some cases, the deadlines for construction contracts are prolonged for reasons beyond the Entity's control, and payments have been received in respect of some of these prolonged contacts under the original expectations that the goods or services will be transferred within one year. In these cases, adjustments are made prospectively, when the new term is expected to be in more than one year.

The Entity discloses both the aggregate amount of the transaction price, allocated to the performance obligations that are unsatisfied, or are partially satisfied, at the end of the reporting period and which are part of a contract with originally budgeted period of one year or less, disclosing also the expected time of recognising the revenue accrued thereon. This, typically, refers only for construction contracts, since in sales of outputs, goods or services, the consideration to which the entity is entitled at a specific date corresponds to the value of the goods or services transferred, for which it has a right to invoice.

2.22.2. OTHER INCOME

Net revenue (net positive results) and gross revenue, other than the revenue realised from the Entity's ordinary activities and / or incidental, are recognised as "other income". "Other income" comprises also operating lease income in accordance with the accounting policies and IFRS 16 Leases (refer to note 2.27), as well as income from sales of materials and gains from disposals of non-current assets, net of their carrying amount, whereby revenue is recognised in accordance with IFRS 15 – i.e., when the customer obtains control over them and the performance obligation is satisfied respectively. Expenses are

recognised when revenue is recognised, in accordance with the applicable accounting policies and the relevant Standards (refer to notes 2.88 2.9, 2.10, 2.14). "Other income" also comprises the derecognised and non-payable liabilities, including financial liabilities and others that are terminated or have expired (refer to note 2.16.2.4), as well as differences and from write-offs related to provisions, recognised in accordance with IAS 37, and surpluses of assets and inventories, others.

2.22.3. FINANCE INCOME

Interest income on all financial instruments of the Entity, recognised using the effective interest rate method, and the effects under contracts with customers that include significant components of financing are recognised as finance income. Finance income includes and interest on leases, net gains from transactions in financial instruments and investments (refer to notes 2.11, 2.12, 2.16.1.5), as well as translation gains and foreign exchange gains in accordance with IAS 21, and other income associated with financial instruments.

2.23. EXPENSES

The expenses of the Entity are recognised as they incur and based on the matching principle and the accrual basis of accounting, but only to the extent that the latter does not result in the recognition of reportable items of assets or liabilities that do not meet the criteria of IFRS and the respective framework.

Deferred expenses are deferred for recognition as current expense in the period in which the contracts to which they relate shall be executed. Deferred expenses refer mainly to prepaid subscriptions, insurance, bank guarantees, loan fees and other similar, and are presented in the Statement of Financial Position, under "Other assets and receivables".

2.23.1. OPERATING EXPENSES

The entity accounts for the operating expenses by nature, on a current basis, and then allocates them by function, in order to form the amount of expenses per fields and activities.

Expenses are recognised when a decrease in future economic benefits, related to a decrease in an asset or an increase of a liability, has arisen and when such can be measured reliably.

Expenses for the current period are recognised when the respective revenue is accrued.

When economic benefits are expected to arise over several accounting periods and the association of costs with income can only be broadly or indirectly determined, expenses are recognised on the basis of systematic and rational allocation procedures.

Expenses are recognised in the Income Statement immediately, when such produce no future economic benefits or when, and to the extent that, the future economic benefits do not qualify, or cease to qualify, for recognition as assets in the Balance Sheet.

Expenses are recognised using the accruals principle of accounting. They are measured at fair value of the payment, or of the payable, thereby the transaction price, when this is permitted.

2.23.2. FINANCE COSTS

Interest expenses on all financial instruments of the Entity, recognised using the effective interest rate method and the effects under contracts with customers that contain significant components of financing, are recognised as finance costs. Finance costs include and interest on leases, net losses from transactions in financial instruments and investments (refer to notes 2.11, 2.12, 2.16.1.5), as well as translation losses and foreign exchange losses in accordance with IAS 21, and other costs associated with financial instruments, including bank fees and commissions.

2.24. PROFIT OR LOSS FOR THE PERIOD

The entity recognises all elements of income and expenses during the period in profit or loss, unless IFRS requires or permits otherwise.

Some IFRS define circumstances, under which the entity recognises specific items outside profit or loss in the current period. Other IFRS require or permit components of other comprehensive income, which meet the definition of the Income and Expense Framework, to be excluded from profit or loss.

2.25. CORPORATE TAX

Tax expense (income) comprises the current tax expense (income) and the deferred tax expense (income).

2.25.1. CURRENT TAXES

Current tax is the amount of income tax payable (recoverable) in respect of the taxable profit (loss) for the period.

Income tax for the current tax period and the prior tax period are recognised as a liability to the extent to which such are not paid. If the amount already paid in respect of income taxes for the current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

The tax benefit relating to a tax loss that can be carried forward to cover tax of subsequent periods is recognised as an asset that will reduce the current tax in those subsequent periods.

Current tax expense is recognised by including it in the "expenses" group for the period, reducing the accounting profit, or increasing the accounting loss.

Current tax liabilities (assets) for the current tax period and prior tax periods are measured at the amount, expected to be paid to (recovered by) the tax authorities, using the tax rates (and applying the tax laws) are enacting at the end of the reporting period.

The tax rate, applicable in Bulgaria for the reporting period, is 10%. The tax rate, applicable in the Republic of Serbia for the reporting period is 15%, in the Czech Republic – 19%, in the Republic of North Macedonia – 10% and in Romania – 16%.

2.25.2. DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Deferred tax assets are the amounts of income tax, recoverable in future periods, in respect of:

- Deductible temporary differences;
- The carry-forward of unrealised tax losses;
- The carry-forward of unused tax credits.

Temporary differences are the differences between the carrying amount of an asset or liability and its tax base. Temporary differences may be either:

- Taxable temporary differences – temporary differences, which will result in amounts that shall increase the taxable profit (tax loss) of future periods, when the carrying amount of the asset or liability is recovered or settled; or
- Deductible temporary differences – temporary difference, which will result in amounts that shall decrease the taxable profit (tax loss) of future periods, when the carrying amount of the asset or liability is recovered or settled.

When the tax loss is used to recover current tax of a prior period, the entity recognises the tax benefit as an asset in the period in which the tax loss occurs because it is probable that benefits will flow to the entity and these benefits can be measured reliably.

Deferred tax assets are recognised for all deductible temporary tax differences to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilised. Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised.

The entity reassesses the unrecognised deferred tax assets at the end of each reporting period. The entity recognises the unrecognised, in the prior period, deferred tax assets to the extent to which it has become probable that sufficient taxable profits will be realised to allow the deferred tax assets to be utilised.

Deferred tax liabilities are the amounts of income tax payable in future periods, in respect of taxable temporary differences.

Deferred tax liabilities are recognised for all temporary taxable differences, except to the extent that the deferred tax liability arises from:

- Goodwill for which amortisation has not been recognised for tax purposes; and
- The initial recognition of an asset, or a liability, in a transaction which:
- Is not a business combination;
- At the time of the transaction, affects neither accounting profit, nor the taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised, or the liability is settled, based on tax rates (and tax laws) that are enacting at the end of the reporting period (i.e., at the balance sheet date).

Current and deferred tax are recognised as income or expense and are included in the net profit or loss for the period, except to the extent that tax arises from:

- A transaction or event that is recognised in the same, or in a different, period directly in equity, if it is presented there as and when appropriate; and
- A business combination representing an acquisition.

2.26. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

2.26.1. PROVISIONS

Provisions are liabilities of uncertain timing and amount. In accordance with the requirements under IAS 37, provisions are recognised when the entity has present obligations, legal or constructive, as a result of past events. Legal and constructive obligations derive from a contract or legislation, or an established pattern of past practice, adopted policies or statements within the entity that create valid expectations in third parties.

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of past events; when it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligations; and when the amount of the obligation may be estimated reliably. If these conditions are not met, no provision shall be recognised. Current liabilities include and obligations under onerous contracts, whereby the costs of fulfilling the contract obligations exceed the expected economic benefits to be received under it.

Provisions are recognised at the Management's best estimate, at year-end, of the expenditure required to settle the present obligation.

Provisions are reviewed at the end of each reporting year and are adjusted to reflect the current best estimate.

2.26.2. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events that cannot be wholly controlled by the entity; or a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events that cannot be fully controlled by the entity.

Contingent assets and contingent liabilities are not recognised, but are disclosed as appropriate.

2.27. LEASES

At the commencement date of each contract agreement, the entity assesses whether the contract is, or contains elements of, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset, or group of assets, for a period of time in exchange for consideration. The entity reviews these assessments in the event of contract (lease) modifications.

The entity determines the term of the lease, taking into account the irrevocable term of the contract, as well as the periods covered by options to extend the lease, or options to terminate the lease, when there is reasonable certainty that such options will be exercised, together with all economic incentives in this

regard. The term of the lease, and thereby the certainty of exercising the options, is reviewed upon the occurrence of significant events that may influence the decisions to act so.

2.27.1. THE ENTITY AS A LESSEE

The entity uses foreign-owned assets under contracts, containing leases, in accordance with the terms of IFRS 16. Right-of-use assets include mainly machinery and equipment, and transport vehicles, as well as real estate. Lease agreements are concluded with unrelated parties – lessors and lessor-manufacturers, or traders –, as well as with related parties – both related parties within the group and related parties outside of the group.

At the commencement of the lease, right-of-use assets are initially measured at acquisition cost, which comprises: the initially measured (amount of the) lease liability; any lease payments made at or before the commencement date; any initial direct costs; as well as any estimates of the costs to be incurred in dismantling and removing the assets, if such are stipulated.

At the commencement of the lease, the lease liability is initially measured at, and reflects, the present value of the lease payments that are not paid at that date, which include: fixed payments under the lease; variable lease payments that depend on an index or a rate; residual value guarantees; the exercise price of purchase options; penalties for terminating the lease.

The entity depreciates the right-of-use assets on a straight-line basis for the shorter of their useful life and the lease term.

The depreciation periods for the different types of leased assets are as follows:

Group	Years
Buildings	5
Motor vehicles (cars)	5

At the commencement of the lease, the entity recognises lease liabilities, measured at the present value of the lease payments that are not paid at that date. Such include:

• Fixed payments less the lease incentives payable;

• Variable lease payments that depend on an index or a rate;

• The exercise price of a purchase option, if it is reasonably certain that the Entity shall exercise that option;

• Payments of penalties for terminating the lease;

• Residual value guarantees.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or using the entity's incremental borrowing rate, that being the interest rate that would be applicable in borrowing funds over a similar term, with similar security and in a similar economic environment.

Lease payments include, in a certain ratio, the finance cost (interest on the outstanding principal) and the deductible part of the lease liability (principal). Finance costs are accrued in the Income Statement on a periodic basis, over the lease term, so as to achieve a constant rate of interest on the remaining balance (outstanding principal) of the lease liability.

Right-of-use assets are subsequent measured at acquisition cost, less any accumulated depreciation and any accumulated impairment losses, in the same way as the entity's own assets and adjusted for any remeasurement of the lease liability.

After the commencement date, the lease liability is remeasured to reflect changes in the lease as a result of a change in the scope and / or the term, and / or changes in lease payments, including changes in indices, rates or market levels, adjusting, respectively, the value of the right-of-use assets. Differences that arise when the carrying amount of the right-of-use asset is zero, as well as the interest expense on the lease liability and the variable payments that are not included in its measurement, are recognised in profit or loss for that period. When the increase in the scope of the lease is commensurate with the stand-alone price of the lease, the change is accounted for as a separate contract.

The leasing activities of the entity, as a lessee, include leases for the use of transport vehicles, machinery and equipment, and real estate. Typically, a purchase option is provided only in some of the lease agreements for leases of transport vehicles, mainly cars, and the lease payments are fixed, with no variable lease payments being provided. Options to extend leases do not involve additional costs or incentives for the entity, and all circumstances are considered in the measurement of the lease liabilities. Lease agreements, whereby the entity is a lessee, do not contain residual value guarantee and termination options are typically not exercised and cover up to three lease payments, and are immaterial, and therefore such are not taken into account in measuring the lease liability.

The entity presents right-of-use assets within the same line items in the Statement of Financial Position as those within which are presented assets that are owned by it and discloses additional detailed information in this regard in the notes to the financial statements. Depreciation costs of right-of-use assets are presented in the Income Statement, under "depreciation".

The entity applies the exemptions, provided in IFRS 16, on short-term leases and leases of low-value assets and recognises the related with those lease payments as an expense, on a straight-line basis over the lease's term. Short-term leases include the use of transport vehicles, machinery and equipment, and real estate that are leased for specific activities in the execution of a particular contract, or part of it, for construction and reconstruction, or repair and maintenance of infrastructure projects and sites, whose planned term is up to one year. Leases of low-value assets include agreements for the use of office fixtures and fittings (furniture), consumables and computer equipment. Expenses under such leases are presented in the Income Statement, under "costs of external services", and detailed information on the main assets (per type of asset) is disclosed in the notes to the financial statements.

2.27.2. THE ENTITY AS A LESSOR

The entity has adopted the practice to lease its own assets, and in rare cases – to sublease right-of-use assets. A lease is classified as a financial lease, if the lease of the entity's own assets transfers substantially all the risks and rewards incidental to the ownership of the assets owned. A lease is classified as operating lease, if the risks and rewards, incidental to the ownership of the assets owned, are retained.

At the commencement date, leased assets held under finance leases are recognised as a receivable at an amount equal to the net investment in the lease, which comprises: fixed payments; variable lease payments that depend on an index or a rate; residual value guarantees; the exercise price of purchase options; and payments of penalties.

The derecognition and impairment requirements in IFRS 9 for net investment in leases are subsequently applied to finance leases, and the estimated unguaranteed residual values, used in computing the gross investment in the lease, are regularly reviewed. If there has been a reduction in the estimated unguaranteed residual value, the income allocation over the lease term is revised and any reduction in respect of the amounts already accrued is recognised immediately.

Modifications to finance leases are accounted for as a separate lease, if both the scope of the lease is extended (thus adding the right-to-use on a fixed asset) and the consideration increases proportionately.

The entity's own assets, leased under operating leases, are recognised according to their type and the accounting policies, adopted by the Entity in this regard. Payments are recognised on a straight-line basis over the lease's term.

Modifications to operating leases are accounted for as new lease agreements as of the effective date of the modification.
The entity leases mainly real estate (buildings), machinery and equipment, and transport vehicles under operating leases.
The following are disclosed in the notes to the financial statements with regards to finance leases: gains on the disposal of the asset, the written-off book value and the net result, as well as the realised finance income and the income, realised from variable payments. Income from variable payments is presented in the Income Statement, under "Other income", and the realised finance income – under "finance income". Operating lease income is presented in the Income Statement, under "Other income". The entity-owned assets, leased under operating leases, are disclosed in the notes to the financial statements, separately from the assets used by the entity.

2.28. SEGMENT REPORTING

The entity identifies its reportable segments and discloses separately, in its consolidated financial statements, information about each segment in accordance with the organisational and reporting structure at Group level. Operating segments are components of the entity that are evaluated regularly by the chief operating decision-makers, using financial and operational data that is specifically tailored for the respective segment, for the purpose of the current monitoring of activities and assessment of the entity's performance, and the allocation of the entity's resources. Financial segment information in the publicly available financial statements is disclosed on the same basis as the one used to disclose such for internal purposes, thus allowing investors to see the Entity, and respectively the Group, from the Management's perspective.

The Group operates in a single business sector. The main services performed and the output produced by all entities are related with, and are part of, the different stages of the principal activity. The materials obtained and goods produced form a significant share of the input materials used in building and construction works. Also, the risks and rewards, associated with the principal activity of the Group cannot be distinguished due to the similarity in the nature of the activities performed, the characteristics of the environment and the customers of the entities, as well as due to the same resources used in these processes, with such resources including equipment, subcontractors and personnel. Thus, the Group has approved to account for its activities, by distinguishing activities solely on a geographical basis.

The operating segments of the Group are regularly monitored and separately managed, with each operating segment being a separate geographical area, serving different markets and different types of customers, hence bearing different business risks and rewards depending on where it is located. The later are defined in several zones, depending on their nature and ability to generate cash flows:

- ✓ Bulgaria;
- ✓ Republic of Serbia;
- ✓ The Czech Republic;
- ✓ Ukraine
- ✓ North Macedonia
- ✓ Romania

Information on the different segments is disclosed in the consolidated financial statements of Trace Group Hold PLC.

2.29. FAIR VALUE MEASUREMENT

For financial reporting purposes, some of the Entity's assets and liabilities are measured and presented and / or only disclosed at fair value. Such are the long-term investments in equity instruments, classified as "financial assets at fair value through other comprehensive income".

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between independent market participants at the measurement date (i.e., an exit price). Fair value is the exit price and it is based on the assumption that the transaction to sell the asset, or transfer the liability, takes place either in the principal market for this asset or liability, or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the principal market and the most advantageous market are such markets to which the Entity must have access.

Fair value is measured using assumptions and estimates that the potential market participants would use when pricing the respective asset or liability, assuming that market participants act in their best economic interest.

Fair value measurement of non-financial assets is always based on the assumption of what would be the highest and best use of a given asset for the market participants. In some cases, the transaction price is used as a measurement basis of equity instruments, designated as measured at fair value through other comprehensive income, when this is appropriate in accordance with IFRS 9 (refer to note 2.16.1.3).

Different measurement techniques that are appropriate to the specifics of the relevant conditions, projects and sites, and for which the entity has sufficient input data are applied in order to make most use of the publicly available, observable information, thereby minimising the use of obscure information.

The entity allows the use of the three adopted approaches – the market, the revenue and the cost approach.

The fair value of all assets and liabilities, measured and / or disclosed in the financial statements at fair value, is categorised under the following three level fair value hierarchy, namely:
Level 1 - Quoted (unadjusted) market prices in active markets are applied for identical assets or liabilities;
Level 2 - Valuation techniques that use inputs, other than directly quoted market prices, but which are directly or indirectly available for observation, including and when the quoted prices are subject to significant adjustments, are applied; and
Level 3 - Valuation techniques, under which the lowest level of input data used is significantly unobservable, are applied.

The entity applies fair value Level 2 and Level 3 mainly.
At each balance sheet date, the entity assesses whether a transfer along the levels of hierarchy of the fair value of an asset or a liability, measured at fair value on repetitive basis, is necessary depending on the input data, available and used at that date.

2.30. ACCOUNTING ASSUMPTIONS AND ACCOUNTING ESTIMATES, ERRORS

2.30.1. ACCOUNTING ASSUMPTIONS AND ACCOUNTING ESTIMATES

As a result of the uncertainties, inherent in business activities, many items in the financial statements cannot be measured with precision but can only be estimated. Estimations involve judgments based on the latest available, reliable information, with such referring to all items in the financial statements, except of share capital and cash in hand denominated in the functional currency.

The use of reasonable estimates is an essential part in the preparation of financial statements and does not undermine their reliability. Application of the International Financial Reporting Standards requires Management to apply certain accounting assumptions and accounting estimates in the preparation of the financial statements and in the valuation of some assets, liabilities, revenues and expenses. All these are conducted on the Management's best estimate at the end of the reporting period. Actual results could differ from those presented in the financial statements.

An estimate may need revision, if changes occur in the circumstances on which the estimate was based, or as a result of new information, or more experience gained. Revision of an estimate does not relate to prior periods and is not correction of an error.

Any change in the measurement basis applied is treated as a change in the accounting policies, and not as a change in the accounting estimates.

When it is difficult to distinguish a change in the accounting policies from a change in the accounting estimates, the change is treated as a change in the accounting estimates.

The effect of a change in accounting estimates is recognised prospectively, by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

A change in the accounting estimates shall be recognised to the extent to which it gives rise to changes in the assets and liabilities, or relates to an item of equity, by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

2.30.2. ERRORS

Prior period errors are omissions from, and misstatements in, the financial statements of the Entity for one or more prior periods, arising from a failure to use, or from the misuse of, reliable information that:

- Was available when the financial statements for those periods were authorised for issue; and
- Could have been obtained and taken into account in the preparation and presentation of financial statements had reasonable efforts been put.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Errors, within the meaning of IAS 8, can arise in the recognition, measurement, presentation or disclosure of elements of the financial statements. Potential current period errors, discovered in that same period, are corrected before the financial statements are authorised for issue. However, errors are sometimes not discovered until a subsequent period and these prior period errors are then corrected.

The entity corrects material prior period errors retrospectively in the first set of financial statements, authorised for issue after such errors are discovered, by:

- Restating the comparative amounts for the prior presented period(s) in which the error occurred; or
- if the error occurred before the earliest prior presented period(s) – restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

A prior period error is corrected by a retrospective restatement, except to the extent that it is impracticable to determine either the period-specific effects or the cumulative effect of the error.

II. ADDITIONAL EXPLANATORY NOTES TO THE ITEMS IN THE SEPARATE FINANCIAL STATEMENTS

1. Separate Statement of Financial Position

1.1. Property, plant and equipment

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2020	**4 365**	**775**	**1 115**	**23 272**	**13 036**	**1 673**	**4 217**	**48 453**
Additions	4 805			203	159	1 025	2 260	8 452
Disposals				(28)	(1 319)	(93)	-	(1 440)
Balance as at 31.12.2021	**9 170**	**775**	**1 115**	**23 447**	**11 876**	**2 605**	**6 477**	**55 465**
Effect of changes in the accounting policies								-
Restated balance as at 01.01.2022	**9 170**	**775**	**1 115**	**23 447**	**11 876**	**2 605**	**6 477**	**55 465**
Additions		21		1 425	438	515	3 182	5 581
Disposals					(1 191)			(1 191)
Effect of foreign currency transactions					(6)			(6)
Balance as at 31.12.2022	**9 170**	**796**	**1 115**	**24 872**	**11 117**	**3 120**	**9 659**	**59 849**
Depreciation								
Balance as at 31.12.2020		**310**	**240**	**6 500**	**7 297**	**1 296**		**15 643**
Additions		155	44	910	1 023	235		2 367
Disposals				(105)	(847)	(5)		(957)
Balance as at 31.12.2021	**-**	**465**	**284**	**7 305**	**7 473**	**1 526**	**-**	**17 053**
Additions		156	45	1 152	984	282		2 619
Disposals					(867)			(867)
Effect of foreign currency transactions			(1)			(1)		(2)
Balance as at 31.12.2022	**-**	**621**	**328**	**8 457**	**7 590**	**1 807**	**-**	**18 803**
Net book value								
Net book value as at 31.12.2021	**9 170**	**310**	**831**	**16 142**	**4 403**	**1 079**	**6 477**	**38 412**
Net book value as at 31.12.2022	**9 170**	**175**	**787**	**16 415**	**3 527**	**1 313**	**9 659**	**41 046**

The disclosed book values under "Land" and "Buildings" include:
- Lands (BGN 4 269 thousand) that have mortgages in favour of UniCredit Bulbank AD, pledged as a collateral on Contract No. 110, dated 02.09.2015, whereby the entity assumes credit liabilities under an overdraft credit line, granting the option of issuing bank guarantees;
- Landed properties (BGN 96 thousand) that have mortgages in favour of UBB AD under a bank loan agreement for issuing bank guarantees and credit line № 51, dated 10.09.2014.

The book values of "Machinery and equipment", of "Plants" and of "Transport vehicles" include:
- Machinery and equipment (BGN 2 921 thousand) and transport vehicles (BGN 366 thousand) that are pledged in favour of DSK Bank EAD under a credit line agreement for issuing bank guarantees, dated 28.03.2013.

- Machinery (BGN 3 172 thousand) and transport vehicles (BGN 482 thousand), pledged in favour of DSK Bank EAD under a contract for issuing multiple bank guarantees № 1403, dated 08.08.2014г.
- Machinery (BGN 1 739 thousand), transport vehicles (BGN 549 thousand) and plant (BGN 335 thousand), pledged in favour of UBB AD on a contract for issuing bank guarantees and credit line № 51, dated 10.09.2014.
- Plant (BGN 455 thousand), machinery and equipment (BGN 667 thousand) that have mortgages in favour of UniCredit Bulbank AD, pledged as a collateral on Contract No. 110, dated 02.09.2015, whereby the entity assumes credit commitments under an overdraft credit, providing the option of issuing bank guarantees;

The entity has leased the following non-current tangible assets to third parties and to related parties:

	Land	Plant	Machinery and equipment	Transport vehicles	Other assets	Total
Book value						
Balance as at 31.12.2020			**22 065**	**10 170**	**-**	**32 235**
Disposals			(5 886)	(3 103)		(8 989)
Balance as at 31.12.2021	**-**	**-**	**16 179**	**7 067**	**-**	**23 246**
Restated balance as at 01.01.2022	**-**	**-**	**16 179**	**7 067**	**-**	**23 246**
Additions	106	1 016	2 344	1 940	85	5 491
Disposals			(3 070)	(2 182)		(5 252)
Balance as at 31.12.2022	**106**	**1 016**	**15 453**	**6 826**	**85**	**23 486**
Depreciation						
Balance as at 31.12.2020			**6 163**	**5 738**	**-**	**11 901**
Additions			634	685		1 319
Disposals			(518)	(1 970)		(2 488)
Balance as at 31.12.2021	**-**	**-**	**6 279**	**4 453**	**-**	**10 732**
Additions		296	2 360	1 746	35	4 437
Disposals			(2 509)	(1 188)		(3 697)
Balance as at 31.12.2022	**-**	**296**	**6 130**	**5 011**	**35**	**11 472**
Net book value						
Net book value as at 31.12.2021	**-**	**-**	**9 900**	**2 614**	**-**	**12 514**
Net book value as at 31.12.2022	**106**	**720**	**9 323**	**1 815**	**50**	**12 014**

1.2. Investment property

	Land	Buildings	Other assets	Total
Book value				
Balance as at 31.12.2020	**4 196**	**7 824**		**12 020**
Balance as at 31.12.2021	**4 196**	**7 824**	**-**	**12 020**
Effect of changes in the accounting policies				-
Restated balance as at 01.01.2022	**4 196**	**7 824**	**-**	**12 020**
Balance as at 31.12.2022	**4 196**	**7 824**	**-**	**12 020**
Depreciation				

Balance as at 31.12.2020		**871**		**871**
Additions		257		257
Balance as at 31.12.2021	**-**	**1 128**	**-**	**1 128**
Additions		257		257
Balance as at 31.12.2022	**-**	**1 385**	**-**	**1 385**
Net book value				
Net book value as at 31.12.2021	**4 196**	**6 696**	**-**	**10 892**
Net book value as at 31.12.2022	**4 196**	**6 439**	**-**	**10 635**

The presented book values of "Investment property" include:
- Building, with a carrying amount of BGN 116 thousand, and Land, with carrying amount of BGN 692 thousand, that have a mortgage in favour of UniCredit Bulbank AD, pledged as a collateral on Contract N 110, dated 02.09.2015, whereby the entity assumes credit commitments under an overdraft credit, providing the option of issuing bank guarantees;
- Building, with a carrying amount of BGN 1 239 thousand, and Land, with carrying amount of BGN 804 thousand ,that have a mortgage in favour of UniCredit Bulbank AD, pledged as a collateral on Contract № 00005/730, dated 28.07.2014 – credit line, for issuing a bank guarantee;
- Landed properties, amounting to BGN 831 thousand, and Buildings, with carrying amount of BGN 1 741 thousand, that have mortgages in favour of UBB AD under a bank loan agreement for issuing bank guarantees and credit line № 51, dated 10.09.2014, and under investment credit agreement № 42, dated 28.11.2016 – BGN 10 thousand for lands and BGN 1 2023 thousand for buildings.
- Landed properties, amounting to BGN 1 537 thousand, and buildings with carrying amount of BGN 3 123 thousand that have mortgages in favour of DSK Bank EAD under investment credit agreement № 2233, dated 01.03.2018;

1.3. Non-current intangible assets

	Software products	Other assets	Total
Book value			
Balance as at 31.12.2020	**119**	**2**	**121**
Additions	44		44
Balance as at 31.12.2021	**163**	**2**	**165**
Restated balance as at 01.01.2022	**163**	**2**	**165**
Effect of foreign currency translations	1		1
Balance as at 31.12.2022	**164**	**2**	**166**
Amortisation			
Balance as at 31.12.2020	**58**	**2**	**60**
Additions	19		19
Balance as at 31.12.2021	**77**	**2**	**79**
Additions	27		27
Effect of foreign currency translations	1		1
Balance as at 31.12.2022	**105**	**2**	**107**
Net book value			
Net book value as at 31.12.2021	**86**	**-**	**86**
Net book value as at 31.12.2022	**59**	**-**	**59**

1.4. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries and associates	31.12.2022	31.12.2021
Investments in subsidiaries	41 631	37 267
Investments in associates	1	1
Total	**40 632**	**37 268**

1.4.1. Investments in subsidiaries

Type	31.12.2022		31.12.2021	
	Volume	Amount	Volume	Amount
Trace Road Construction AD (JSC), Bulgaria /(until 22.06.2020)				
Trace Yambol AD (JSC), Bulgaria	99%	2 974	99.48%	2 974
USM AD (JSC), Bulgaria	99%	1 862	99.69%	1 862
Trace Mechanization EAD (JSC)	100%	6 193		6 193
Trace Properties EOOD (LTD), Bulgaria	100%	7 062	100.00%	7 062
Trace Build OOD (LTD), Serbia	100%	4 364		
Trace Serbia AD (JSC) Nis, Serbia	100%	17 153	100.00%	17 153
Trace BG EAD (JSC) (Trace – Sofia LTD, Bulgaria)	100%	12 661	100.00%	12 661
Infra Commerce EOOD (LTD), Bulgaria	100%	740	100.00%	740
Asphalt Commerce EOOD (LTD)	100%	1		
Impairment of the investment in USM AD (JSC)		(948)		(948)
Impairment Trace Mechanization EAD (JSC)		(3 152)		(3 152)
Impairment of the investment in Trace BG EOOC (LTD)		(6 879)		(5 879)
Impairment of the investment in Trace Yambol AD (JSC)		(1 400)		(1 400)
Metro Druzhba EOOD (LTD), Bulgaria – until 17.07.2020			100.00%	
Trace Company OOD (LTD), Moldova			100%	
Metro Trace Alliance – a Company under the Law on Obligations and Contracts, Bulgaria	55%		55.00%	
Trace – BG – a Company under the Law on Obligations and Contracts, Bulgaria	51%		51.00%	
Magistrala (transl. Highway) Trace – a Company under the Law on Obligations and Contracts, Bulgaria	75%		75.00%	
Hemus A2 – a Company under the Law on Obligations and Contracts, Bulgaria	60%		60.00%	
Trace Svoge – a Company under the Law on Obligations and Contracts, Bulgaria	60%		60.00%	
Trace SOP – a Company under the Law on Obligations and Contracts, Bulgaria	60%		60.00%	
Serdika – a Company under the Law on Obligations and Contracts, Bulgaria	90%		90.00%	
Lyulin Trace– a Company under the Law on Obligations and Contracts, Bulgaria	55%		55.00%	
Trace Mostovik Joint Venture, Serbia	90%		90.00%	
Prague Airport 2013 Alliance, Czech Republic	70%		70.00%	
Obedinenie Vodosnabdyavane Benesov 2014 (transl. Water Supply Benesov 2014 Alliance), Czech Republic	50%		50.00%	
Trace Pribor – a Company under the Law on Obligations and Contracts, Bulgaria	51%		51.00%	
Chepelare – a Company under the Law on	51%		51.00%	

Obligations and Contracts, Bulgaria			
Markirovka (transl. Marking) 2014 – a Company under the Law on Obligations and Contracts, Bulgaria	70%	70.00%	
Tsarigradsko – a Company under the Law on Obligations and Contracts, Bulgaria	100%	99.50%	
Samara 2015 – a Company under the Law on Obligations and Contracts, Bulgaria	70%	70.00%	
Zhelezopatna infrastruktura (transl. Railway infrastructure) – a Company under the Law on Obligations and Contracts	51%	50.50%	
Dragalevtsi 2021 –a Company under the Law on Obligations and Contracts	50%		
KR Svoge – a Company under the Law on Obligations and Contracts	50%		
Trace Vlasotintse Alliance, Bulgaria	75%	75.00%	
Trace Build – a Company under the Law on Obligations and Contracts	80%	80.00%	
Metro Stroitelstvo (transl. Metro Construction) – a Company under the Law on Obligations and Contracts (as of 14.11.2019)	98%	97.99%	
Trace Zona (transl. Zone) 1 – a Company under the Law on Obligations and Contracts	100%	100%	
Ulitsi (transl. Streets) Borovan Alliance – a Company under the Law on Obligations and Contracts	50%	50%	
ViK (transl. Water and Sewerage) Stara Zagora – a Company under the Law on Obligation and Contracts	60%	60%	
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligation and Contracts	90%	90%	
Pomorie 2020 – a Company under the Law on Obligation and Contracts	50%	50%	
Metro Slatina – a Company under the Law on Obligation and Contracts	50%		
Metro Shipka – a Company under the Law on Obligation and Contracts	98%		
Poddarzhane (transl. Maintenance) 2022 – a Company under the Law on Obligation and Contracts	70%		
Total		**40 631**	**37 267**

The commercial entity "Asphalt Commerce" EOOD (LTD) was registered on 02.02.2022. The entity's principal activities include production of goods and services in Bulgaria and abroad, commercial and foreign trade activities in Bulgaria and abroad, trade representation and mediation, IT, consulting and commissioning activities in Bulgaria and abroad, rendering of services, production, domestic and foreign trade, transport transactions, commercial mediation and representation, application under public procurement procedures and application under European programmes, import and export. The entity shall consolidate and manage the asphalt bases within the "Trace" structure. Dimitar Raichev Sartonev was appointed as manager of "Asphalt Commerce" EOOD (LTD). The capital amounts to BGN 1 000 (one thousand), distributed among 10 equal-right shares, each at nominal value of BGN 100. All shares are owned by "Trace Group Hold" PLC.

"Trace Group Hold" PLC acquired 100% of the capital of "Trace Build" EOOD (LTD), Belgrade. The transaction was valued at RSD 261 966 656. "Trace Serbia" AD (JSC) was the seller under this transaction. Trace Group Hold" PLC is sole owner of "Trace Build" EOOD (LTD), in compliance with the aforementioned entry in the Commercial Registry of the Republic of Serbia on 30.06.2022. The interest in the entity was sold to "Area Residence" EOOD (LTD) in October 2022.

1.4.2. Investments in associates

Type	31.12.2022			31.12.2021		
	Volume	Amount	Fair value	Volume	Amount	Fair value
Voden Proekt (transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	30%	1		30%	1	
Expo Tech Park – a Company under the Law on Obligations and Contracts	48%			48%		
Obedinenie Evropeyski Zheleznitsi (transl. European Railways Alliance) – a Company under the Law on Obligations and Contracts	34%			34%		
Zebra – Trace – a Company under the Law on Obligations and Contracts	49%			49%		
Karposh Stroy – a Company under the Law on Obligations and Contracts	20%			20%		
Putishta (transl. Roads) Bourgas – a Company under the Law on Obligations and Contracts	40%			40%		
Patna Infrastruktura (transl. Road Infrastructure) Avren – a Company under the Law on Obligations and Contracts	25%			25%		
GCF – SK – 13 – Trace Railinfra Consortium	0%			30%		
Irinopolis – a Company under the Law on Obligations and Contracts	25%			25%		
Edifiko – a Company under the Law on Obligations and Contracts	40%			40%		
Gorna Banya – a Company under the Law on Obligations and Contracts	50%			49.99%		
Traffic Management Sofia Consortium	30%			30%		
Pomorie 2018 – a Company under the Law on Obligations and Contracts	40%			40%		
Opalchenska – a Company under the Law on Obligations and Contracts	40%					
Total		**1**			**1**	

1.5. Non-current trade receivables

Type	31.12.2022	31.12.2021
Receivables from related parties within the group (net)	**3 217**	**-**
Contract receivables from contracts with customers	3 217	
Contract receivables from contracts with customers (net)	**3 787**	**1 551**
Contract receivables from contracts with customers	3 787	1 551
Other trade receivables (net)	**189**	**-**
Other trade receivables	189	
Total	**7 193**	**1 551**

1.6. Other non-current receivables and assets

Type	31.12.2022	31.12.2021
Other non-current receivables and assets (net)	**6 479**	**865**
Guarantees issued and deposits placed	1 320	865
Advance payments	5 159	
Total	**6 479**	**865**

Non-current guarantees issued include cash collaterals on performance bonds issued for projects and sites with validity until 2035 and costs to issue performance bonds for projects and sites with validity until 2037.

1.7. Deferred tax assets

Temporary difference	31.12.2021		Foreign currency translations / recognised in the SE		Change in deferred tax, recognised in OI for 2022				31.12.2022	
					increase		decrease			
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Deferred tax assets										
Impairment	14 530	1 453	(18)	(2)	1 208	121	(194)	(18)	15 526	1 554
Leave benefits (Compensated absences)	111	10			81	9			192	19
Low capitalisation									-	-
Loss	107	17					(107)	(17)	-	-
Personal income	627	63			380	38	(481)	(48)	526	53
Provisions	11 792	1 180			840	84	(9 715)	(971)	2 917	293
Long-term employee benefits	37	4							37	4
Right-of-use assets (IFRS 16)	3	1			287	29	(284)	(28)	6	2
Amortisation	(10 732)	(1 072)			(3 111)	(311)	2 960	296	(10 883)	(1 087)
Withholding tax					(197)	(20)			(197)	(20)
Total assets:	16 475	1 656	(18)	(2)	(512)	(50)	(7 821)	(786)	8 124	818
Deferred tax liabilities										
Translation reserve									-	-
Amortisation					33	5			33	5
Recognised revenue					604	98		-	604	98
Total liabilities:	-	-	-	-	637	103	-	-	637	103
Deferred tax (net)	**16 475**	**1 656**	**(18)**	**(2)**	**(1 149)**	**(153)**	**(7 821)**	**(786)**	**7 487**	**715**

Deferred tax assets and deferred tax liabilities are disclosed separately, according to their nature / origin and their relevance to the separate tax administrations of the countries of origin and taxation.

1.8. Inventories

Type	31.12.2022	31.12.2021
Materials (net), including:	**12 511**	**2 509**
Direct materials	12 439	2 468
Fuel, oil and lubricant	57	10
Auxiliary materials	3	
Other materials	12	31

Total	**12 511**	**2 509**

1.9. Current trade receivables

Type	31.12.2022	31.12.2021 г.
Receivables from related parties within the group (net)	**26 205**	**21 221**
Contract receivables from contracts with customers	20 724	6 510
Impairment of contract receivables from contracts with customers	(188)	(230)
Contract assets from contracts with customers	1 420	5 166
Advance payment receivables	1 356	5 920
Operating lease receivables	2 720	3 655
Other trade receivables	173	200
Receivables from related parties outside the group (net)	**502**	**42**
Contract receivables from contracts with customers	656	197
Impairment of contract receivables from contracts with customers	(154)	(157)
Operating lease receivables	-	2
Contract receivables from contracts with customers (net)	**26 986**	**7 424**
Contract receivables from contracts with customers	27 262	9 897
Impairment of contract receivables from contracts with customers	(276)	(2 473)
Contract assets from contracts with customers (net)	**18 471**	**5 697**
Contract assets from contracts with customers	18 471	5 697
Advance payment receivables (net)	**15 773**	**5 144**
Advance payment receivables	16 022	5 392
Impairment of advance payment receivables	(249)	(248)
Operating lease receivables (net)	**-**	**157**
Operating lease receivables	-	157
Other trade receivables (net)	**175**	**236**
Other trade receivables	187	248
Impairment of other trade receivables	(12)	(12)
Total	**88 112**	**39 921**

Contract assets from contracts with customers include the right to consideration for a satisfied performance obligation, resulting from the measurement of progress towards complete satisfaction. Such have been incurred for performed and / or partially performed services that have not yet been approved by the customer at year-end and for which the Entity does not have unconditional right to payment.

Detailed changes in impairments are disclosed under note 4.5 "Impairment of financial assets".

Aging structure of trade receivables:

Period of incurrence	Amount	Amount
Up to 60 days	57 671	20 525
61days – 120 days	10 979	2 052
121 days – 180 days	1 224	1 408
181 days – 360 days	5 726	2 312
Over 360 days	3 017	6 983
Impairment	(630)	(2 872)
Total	**77 987**	**30 408**

1.10. Other current receivables and assets

Type	31.12.2022	31.12.2021
Receivables from related parties within the group (net)	**7 652**	**6 302**
Dividend receivables	7 652	6 302
Litigation receivables (net)	**958**	**959**
Litigation receivables	1 013	1 014
Impairment of litigation receivables	(55)	(55)
Social insurance receivables	**21**	**18**
Social insurance	21	18
Other current receivables and assets	**7 209**	**1 158**
Guarantees issued and deposits placed	946	288
Prepaid expenses	6 240	833
Other receivables	23	37
Recoverable tax, including:	**5 472**	**3 847**
Value Added Tax	4 659	2 798
Corporate Income Tax	602	1 049
Other taxes	211	
Total	**21 312**	**12 284**

1.11. Current financial assets

Current financial assets and finance leases	31.12.2022	31.12.2021
Financial assets at amortised cost – loans	1 996	6 733
Total	**1 996**	**6 733**

1.11.1.1. Loans – current

Type	31.12.2022	31.12.2021
Loan receivables from related parties within the group (net)	**1 752**	**6 304**
Loan receivables from related parties within the group	1 595	5 988
Interest receivables on loans from related parties within the group	158	318
Impairment of loan receivables from related parties within the group	(1)	(2)
Loan receivables from unrelated parties (net)	**244**	**429**
Loan receivables from unrelated parties	444	444
Interest receivables on loans from unrelated parties	43	23
Impairment of loan receivables from unrelated parties	(243)	(38)
Total	**1 996**	**6 733**

Loans granted, excluding related parties:

Borrower	Contracted loan amount	Interest rate %	Maturity	Securities / Guarantees
Smart Build Digital EOOD (LTD)	600	4,5%	30.06.2023	Promissory note

Balance of loans granted, excluding related parties:

Borrower	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
Smart Build Digital EOOD (LTD)	444	43	-	-
Smart Build Digital EOOD (LTD) - impairment	(243)			
Total	**184**	**43**	**-**	**-**

1.12. Cash and cash equivalents

Type	31.12.2022	31.12.2021
Cash in hand	**10**	**14**
Denominated in Bulgarian Leva (BGN)	7	4
Denominated in foreign currencies	3	10
Cash at bank (in current accounts)	**3 527**	**38 566**
Denominated in Bulgarian Leva (BGN)	1 606	12 277
Denominated in foreign currencies	1 921	26 289
Cash equivalents	**18**	**5**
Receivables from employees	18	5
Restricted amounts	2 820	**3 055**
Current deposits	113	**113**
Impairment of cash in deposits and current accounts	(5)	**(39)**
Total	**6 483**	**41 714**

"Cash" include restricted amounts of BGN 2 820 thousand in total. BGN 441 thousands of those are garnished with regards to initiated enforcement cases, BGN 2 350 thousand – for an issued bank guarantee to the branch in the Republic of Serbia, BGN 20 thousand refer to undistributed dividends to shareholders in UniCredit Bulbank AD and BGN 9 thousand – a credit guarantee UniCredit Bank Romania, Bucharest branch.

1.13.1. Share capital

Type of shares	31.12.2022			31.12.2021		
	Number of shares	Value	Nominal	Number of shares	Value	Nominal
Purchased and paid shares	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Repurchased shares (treasury shares)	(6 279)	(21 084)	3.36	(6 274)	(21 084)	3.36
Total:	**24 193 721**	**24 178 916**		**24 193 721**	**24 178 916**	

Shareholder	31.12.2022				31.12.2021			
	Number of shares	Value	Paid	% share	Number of shares	Value	Paid	% share
Galini-N EOOD (LTD)	2 178 000	2 178 000	2 178 000	9.00%	2 178 000	2 178 000	2 178 000	9.00%
Nikolay Mihaylov	16 276 755	16 276 755	16 276 755	67.26%	16 276 755	16 276 755	16 276 755	67.26%
Desislava Lyubenova	1 202 056	1 202 056	1 202 056	4.97%	1 202 056	1 202 056	1 202 056	4.97%
Other shareholders	4 536 910	4 536 910	4 536 910	18.75%	4 536 910	4 536 910	4 536 910	18.75%
Treasury shares at nominal	6 279	6 279	6 279	0.03%	6 279	6 279	6 279	0.03%
Total	**24 200 000**	**24 200 000**	**24 200 000**	**X**	**24 200 000**	**24 200 000**	**24 200 000**	**X**
Treasury shares at cost	(6 279)	(21 084)	(21 084)		(6 279)	(21 084)	(21 084)	
Total:	**24 193 721**	**24 178 916**	**24 178 916**	**100%**	**24 193 721**	**24 178 916**	**24 178 916**	**100%**

Trace Group Hold PLC holds a total of 6 279 treasury shares at 31.12.2022.

1.13.2. Share premium

Share premium, amounting to BGN 21 770 thousand at 31.12.2022, is formed from the capital, issued by the entity in 2017 (BGN 21 763 thousand) and from the issue and repurchase of the entity's own shares (treasury shares) in the period 2014-2020 (BGN 7 thousand).

1.13.3. Translation reserve

Translation reserve, amounting to BGN (1 361) thousand at 31.12.2022, is formed from foreign exchange gains / (losses) arising in the translation of the financial statements of the foreign-based branches from their functional currency to the presentation currency of the parent.

1.13.4. Reserves

	Translation reserves	General reserves	Other reserves	Total reserves
Reserves as at 31.12.2020	**(448)**	**2 420**	**70 220**	**72 192**
Restated reserves as at 31.12.2020	**(448)**	**2 420**	**70 220**	**72 192**
Decreased by:	**(416)**	**-**	**-**	**(416)**
Translation of foreign operations	(416)			(416)
Reserves as at 31.12.2021	**(864)**	**2 420**	**70 220**	**71 776**
Increased by:	**-**	**-**	**13 829**	**13 829**
Profit distribution			**13 829**	13 829
Decreased by:	**(478)**	**-**	**-**	**(478)**
Translation of foreign operations	(478)			(478)
Reserve as at 31.12.2022	**(1 342)**	**2 420**	**84 049**	**85 127**

1.13.5. Financial result

Financial result	Value
Profit as at 31.12.2020	**16 406**
Restated balance as at 31.12.2020	**16 406**
Increased by:	**2 307**
Profit for the financial reporting 2021	2 292
Others	15
Decreased by:	**(4 839)**
Dividend distribution	(4 839)
Profit as at 31.12.2021	**13 874**
Restated balance as at 31.12.2021	**13 874**
Increased by:	**5 107**
Profit for the financial reporting 2022	5 107
Profit as at 31.12.2022	**18 981**
Restated balance as at 31.12.2021	**-**
Increased by:	**10**
Others	10
Decreased by:	**(13 829)**
Covering losses with profits and reserves and profits	(13 829)
Loss as at 31.12.2022	**(13 819)**
Financial result as at 31.12.2020	**16 406**
Financial result as at 31.12.2021	**13 874**
Financial result as at 31.12.2022	**5 162**

1.14. Non-current financial liabilities and leases

Non-current financial liabilities	31.12.2022	31.12.2021
Lease payables	1 349	1 240
Financial liabilities at amortised cost	5 364	2 022
Financial guarantee contracts	1	1
Total	**6 714**	**3 263**

1.14.1. Lease payables – non-current

Type	31.12.2022	31.12.2021
Lease payables to related parties within the group	193	32
Lease payables to related parties outside the group	-	170
Lease payables to unrelated parties	1 156	1 038
Total	**1 349**	**1 240**

1.14.2. Financial liabilities at amortised cost – non-current

1.14.2.1. Loan payables – non-current

Type	31.12.2022	31.12.2021
Loan payables to financial institutions	5 365	2 022
Total	**5 364**	**2 022**

1.14.3. Financial guarantee contracts – non-current

Type	31.12.2022	31.12.2021
Financial guarantee contracts to related parties within the group	1	1
Total	**1**	**1**

1.15. Non-current trade payables

Type	31.12.2022	31.12.2021
Payables to related parties within the group	**16**	**-**
Supply payables	16	-
Payables to related parties outside the group	**12**	**-**
Supply payables	12	
Supply payables	2 145	
Other trade payables	**463**	
Total	**2636**	**-**

1.16. Non-current provisions

Type	31.12.2022	31.12.2021
Provisions of legal obligations and payables	**608**	1 507
Provisions of long-term employee benefits	**76**	37
Total	**684**	**1 544**

1.16.1. Provisions of obligations under construction contracts

Type	31.12.2022	31.12.2021
Provisions of legal obligations and payables, including:	**608**	**1 507**
Provisions of obligations under construction contracts	608	1 507
Total	**608**	**1 507**

Provisions of obligations under construction contracts include provisions of obligations under construction contracts executed in Bulgaria in the amount of BGN 608 thousand.

1.16.2. Provisions of long-term employee benefits

Type	31.12.2022	31.12.2021
Present value of the payable at 01 January	**79**	**70**
Actuarial gains/ losses, unrecognised at 01 January	(42)	(27)
Payable, recognised in the Balance Sheet at 01 January	**37**	**43**
Interest expense	**-**	1
Current service cost	29	8
Actuarial gains, recognised within the period	10	(15)
Present value of the payable at 31 December	**76**	**37**
Actuarial gains/ losses, unrecognised at 31 December	(32)	(42)
Payable, recognised in the Balance Sheet as at 31 December	**76**	**37**

Non-current employee benefit payables include the present value of retirement benefit payables, due by the entity mainly operating in Bulgaria and the branch in the Republic of Serbia at the date of the Statement of Financial Position. In accordance with the Labour Code, enacting in Bulgaria, each employee is entitled to a retirement benefit of two gross salaries, and if he / she has worked with the same employer

for the last 10 years of his / her service – the retirement benefit shall amount to six gross salaries as at the retirement date.

In determining the amounts of these payables, the entity in Bulgaria has performed an actuary valuation, appointing for this purpose a certified actuary. The core assumptions, employed in determining the retirement benefit payables are stated hereafter:

- A norm based on the annual interest rate in the amount of 1,50 % (2021: 0,20%) is used to determine the discounting factor. The assumption is based on data about the earnings of long-term government securities, denominated in Bulgarian Lev(a) with a 10-year maturity as average for the last two years, based on information from the European Central Bank on Long-term Interest Rate for Convergence Purposes;

- The assumption for the future level of salaries and wages is based on the expected inflation of salaries and wages within the entity and amounts to 5% annual increase compared to the prior reporting period (2021: 5%);

- Mortality – based on the mortality table, published by NSI on the total mortality of the Bulgarian population for the period 2019 – 2021 (2018-2020);

- Early retirement due to illness / disability – the assumption that mortality and disability develop on the same pattern over time, that they have similar nature and are interrelated is made in determining the probability of disability. The stated hereabove mortality table, with an adjustment of 50% in the mortality probability, is used to determine disability obligations;

- Personnel turnover rate – based on the provided information on personnel turnover and the historic data of the entity, the used in prior assessments probability of leaving or forthcoming redundancy with a normal distribution of NORMDIST (t; 10; 4; 1) has been revised and NORMDIST (t; 10; 4; 1) is set for the current assessment, where t- is time to retirement (in years);

The elasticity analysis of the main actuarial assumptions is based on reasonably possible changes in these assumptions at the end of the reporting period, assuming that the others remain unchanged.

1.17. Deferred tax liabilities

Information is disclosed in note 1.7. "Deferred tax assets".

1.18. Other non-current payables and liabilities

Type	31.12.2022	31.12.2021
Deposit and bonds payables	**554**	**865**
Total	**554**	**865**

Payables under performance bonds, issued by banks for projects and sites, with validity until 2037, and insurance costs and bank fees to issue performance bonds for construction contracts, with validity after 2022, which have been completed at 31.12.2022, are included under "Other non-current payables and liabilities".

1.19. Current financial liabilities and leases

Current financial liabilities	31.12.2022	31.12.2021
Lease payables	1 019	956
Financial liabilities at amortised cost	6 411	912
Financial guarantee contracts	1	1
Total	**7 431**	**1 869**

1.19.1. Lease payables – current

Type	31.122022	31.12.2021
Lease payables to related parties within the group	39	21
Lease payables to related parties outside the group	170	165
Lease payables to unrelated parties	810	770
Total	**1 019**	**956**

1.19.2. Financial liabilities at amortised cost – current

Type	31.12.2022	31.12.2021
Loan payables	6 411	912
Total	**6 411**	**912**

1.19.2.1. Loan payables – current

Type	31.12.2022	31.12.2021
Loan payables to related parties within the group	500	
Interest payables, due for payment of interest on the outstanding loan principal to related parties	2	
Loan payables to financial institutions	5 882	911
Interest payables, due for payment of interest on the outstanding loan principal to financial institutions	27	1
Total	**6 411**	**912**

Bank / Creditor	Contracted loan amount	Interest rate %	Maturity	Securities/ Guarantees
UniCredit Bulbank	65 000 000	0.70%	02.02.2029	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts, cash
UniCredit Bulbank	13 00 0000	1 m. ADI +2,95%/0,7%	02.08.2023	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts
DSK Bank AD (Expressbank AD)	1 905 814	1.20%	31.10.2033	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts, cash
UBB AD	17 000 000	0.70%	30.09.2028	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts
UBB AD	3 000 000	1 m. RIR +2%	30.09.2022	Mortgages, pledges of receivables, pledges of

		BGN /1мес Euribor+2.50% EUR/ 0,7%		accounts
UBB AD	11 000 000	1 m. RIR + 1,7 % BGN	15.02.2030	Mortgages, pledges of receivables, pledges of accounts
UBB AD	900 000	1 m. RIR + 3.15%	20.10.2023	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts
DSK Bank AD	5 867 490	1,2%	28.02.2034	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts
DSK Bank AD	5 000 000	1 m. Euribor+ 2.869%	25.06.2025	Mortgages, pledges of receivables, pledges of accounts

Balances under loans obtained

Bank / Creditor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
DSKB AD	774		1 130	
UniCredit Bulbank AD	4 989	27		
UBB AD	118		4 234	
Credit cards	1			
Total	**5 882**	**27**	**5 364**	**-**

1.18.3. Financial guarantee contracts – current

Type	31.12.2022	31.12.2021
Financial guarantee contracts, issued to related parties within the group	1	1
Total	**1**	**1**

1.19. Current trade and other payables

Type	31.12.2022	31.12.2021
Payables to related parties within the group	**20 037**	**21 627**
Supply payables	13 490	14 102
Contract liabilities from contracts with customers	6 547	7 525
Payables to related parties outside the group	**738**	**363**
Supply payables	738	363
Supply payables	35 938	**10 410**
Contract liabilities from contracts with customers	19 319	**8 280**
Other trade payables	59	
Total	**76 091**	**40 680**

1.20. Tax payables

Type	31.12.2022	31.12.2021
Value Added Tax	8	20
Corporate Income Tax	20	
Personal Income Tax	56	31
Tax on expenses	22	13
Other taxes	13	9
Other taxes – interest	2	
Total	**121**	**73**

The last tax audit on the entity in Bulgaria was performed pursuant to Order P29002922002875-020-001, dated 08.06.2022, and reviewed the period until 31.12.2018. The last tax audit of the branch, established in the Republic of Serbia, was performed on 19.03.2019 (No. 47-00056/2019-0020-000), and reviewed the period until 31.12.2017.

1.21. Employee benefit payables

Type	31.12.2022	31.12.2021
Employee benefit payables	792	469
Including payables of unused compensated absences (leave benefits)	160	92
Social insurance payables	236	94
Including payables of unused compensated absences (leave benefits)	24	13
Payables to the key Management personnel – remunerations	405	476
Total	**1 433**	**1 039**

1.22. Current provisions

Type	31.12.2022	31.12.2021
Provisions of legal obligation and payables (litigation provisions), including:	**2 348**	**9 172**
Provisions relating to legal cases	739	-
Provisions of obligations under construction contracts	1 334	9 172
Provisions of other obligations and payables	26	
Provisions of obligations under contracts for building and construction works	249	
Total	**2 348**	**9 172**

Provisions in the amount of BGN 739 thousand was recognised in 2022 with regards to legal claims.

1.23. Other current payables and liabilities

Type	31.12.2022	31.12.2021
Payables to related parties within the group	**3**	**3**
Deposit and bond payables	3	3
Payables to related parties outside the group	**2 037**	**3 738**
Deposit and bond payables	49	49
Including bond and guarantees to the SB, MB, BD	49	49
Dividend payables	1 988	3 689
Deposit and bond payables	136	9
Insurance payables	748	**44**
Other payables and liabilities	30	**24**
Total	**2 954**	**3 818**

Current bank guarantee, insurance expenses and bank guarantee and insurance expenses under construction contracts that have been completed at 31.12.2022, are included in "Other current payables".

2. Separate Income Statement

2.1. Revenue

2.1.1. REVENUE FROM CONTRACTS WITH CUSTOMERS

Type of revenue	2022	2021
Revenue from construction contracts, including:	**133 792**	**64 773**
Revenue, recognised within the period	133 792	64 773
Revenue from sales of goods, including:	**-**	**117**
Sales of rebar	-	117
Revenue from sales of services, including:	**1 229**	**2 265**
Project and site management	1 193	2 265
Other services	36	-
Total	**135 021**	**67 155**

2.1.2. Other income

Type	2022	2021
Operating lease income from leases of entity-owned assets	3 346	3 160
Sales of industrial waste	3	
Insurance claims obtained	3	14
Bank guarantee fees	5	
Writs and compensations awarded	66	143
Reversed impairment of receivables	155	38
Reversed impairment of financial assets	13	23
Reversed impairment of others (cash, goodwill, inventories, contract assets from contracts with customers)	24	37
Reversed provisions of obligations under construction contracts	6 224	7 979
Reversed provisions of other payables	91	
Payables written-off	34	8
Provisions written-off, for provisions of investments written-off	-	3
Other income (net)	167	38
Revenue from sales of materials	-	**4**
Income from sales of materials	-	19
Carrying amount of the materials sold	-	(15)
Gains on the disposal of non-current assets	**351**	**83**
Gains on the disposal of non-current assets	681	530
Carrying amount of the assets disposed	(330)	(447)
Grants, including:	166	421
Grants related with income (Revenue grants)	166	421
Total	**10 648**	**11 951**

2.1.3. Finance income

Type of income	2022	2021
Income from participating interests	**4 248**	**3 432**
Interest income, including interest income accrued under:	**185**	**373**
Commercial loans	185	273
Trade receivables	-	100
Foreign exchange gains	**671**	**281**
Other finance income	**2**	**4**
Total	**5 106**	**4 090**

2.2. Expenses

2.2.1. Cost of materials

Type of expense	2022	2021
Direct materials	33 543	10 272
Ancillary materials	184	19
Fuel and lubricants	1 271	141
Spare parts and consumables	89	32
Instruments and consumables	36	4
Tires	28	16
Electricity	403	84
Heating	33	24
Water	15	7
Materials, required for the repair of non-current tangible assets	21	2
Office furnishings	12	7
Computers and peripherals	23	3
Uniforms, protective equipment and medications	28	10
Marketing materials	50	22
Stationery	27	21
Cleaning materials	19	18
Office equipment consumables	15	11
Other overheads	9	16
Other materials	92	28
Total	**35 898**	**10 737**

2.2.2. Cost of external services

Type of expense	2022	2021
Subcontractors under building and construction works	67 500	46 482
Short-term lease of transport vehicles	151	38
Short-term lease of plants and facilities	-	138
Short-term lease of machinery and equipment	294	96
Short-term lease of properties (real estate)	290	52
Hired equipment	352	17
Contract services (techno. proposals)	160	
Lease of low-value assets	5	3
Transport services	1 112	107
Mechanisation services	9 126	234
Repairs of non-current tangible assets	85	94
Contractual commission fees	3 356	
Consulting services	836	568
Legal servicing	267	123
Services, rendered under civil contracts	17	22
Audit	93	63
Subscriptions	172	97
Security	651	223
Internet	20	18
Insurance	1 339	751
Telecommunication services	79	85
Trainings, seminars	21	21
Car wash	5	4
Design	1 894	1 619
Geodetic services	508	27
Laboratory tests	769	126
Assessments and valuations	15	12
Advertising, ads	76	68
Translations	49	23
Notary fees	21	16
Courier and postal services	12	8
Copy services	19	2
Accreditations, ISO, licensing	15	
Membership fees	27	25
Bank reference fees	5	
Public transport traveller cards	13	3
GPS fee	8	5
Annual technical inspection and maintenance of cars	3	2
Customs services	48	7
Legal charges and litigation costs, PCE	137	48
Taxes and fees	327	267
Accounting servicing	8	11
Other external services	222	10
Total	**90 107**	**51 515**

2.2.3. Depreciation and amortisation costs

Type of expense	2022	2021
Depreciation cost of own (entity-owned) assets:	**2 297**	**2 069**
Non-current tangible assets for (used in) the principal activity of the entity	1 777	1 409
Non-current tangible assets for (used in) administration	236	383
Non-current intangible assets for (used in) administration	27	20
Investment property	257	257
Depreciation and amortisation costs of right-of-use assets	**606**	**574**
Non-current tangible assets for (used in) the principal activity of the entity	294	360
Non-current tangible assets for (used in) administration	312	214
Total	**2 903**	**2 643**

2.2.4. Employee benefits (salaries and wages, and social insurance contribution costs)

Expenses, incurred for:	2022	2021
Salaries and wages, including salaries and wages of:	**9 584**	**7 822**
Production personnel	4 393	1 796
Administrative personnel	5 191	6 026
Social insurance contributions, including cost of social insurance contributions paid in respect of:	**846**	**515**
Production personnel	537	236
Administrative personnel	309	279
Including expenses incurred in respect of the key Management personnel	**2 260**	**4 413**
Including expenses incurred in respect of unused compensated absences (leave benefits) and the social insurance contributions due thereto	26	
Total	**10 430**	**8 337**

2.2.5. Impairment losses

Type of expense	2022	2021
Loss on the impairment of cash	1	-
Loss on the impairment of receivables	1	122
Loss on the impairment of financial assets	1 206	4 806
Total	**1 208**	**4 928**

2.2.6. Other costs

Type of expense	2022	2021
Business trips within the country (on the territory of Bulgaria)	31	1
Business trips abroad	242	60
Overnights	42	2
Labour medicine	82	46
Donations	905	605
Cost of retirement of assets	-	1
Cost of asset deficits	15	4
Penalties under commercial transactions	2 937	4
Sales receivables written-off	-	35
Vouchers under Art. 209 of CITA	15	11
Entertainment expenses	116	140
Unrecognised tax credit	-	416
Expenses with no supporting documentation	41	17
Provisions of litigation proceedings	739	
Provisions of payables under construction contracts	80	536
Provisions of other payables	-	3
Expenses for the disabled	14	4
Other costs	134	134
Total	**5 394**	**2 019**

The donations to the "Trace for people" Foundation within the period amount to BGN 905 thousand.

2.2.7. Allowances

Type of expense	2022	2021
Carrying amount of goods sold (net)	**-**	**117**
Carrying amount of goods sold	-	117
Capitalised costs	(2 836)	**(1 936)**
Total	**(2 836)**	**(1 819)**

2.2.8. Finance costs

Type of expense	2022	2021
Interest expense, including interest expense incurred under:	**172**	**142**
Loans from financial institutions	128	83
Leases	40	52
Deposits	4	
Trade payables	-	7
Expenses, related to bank guarantees	691	**501**
Losses on transactions in financial instruments		**12**
Foreign exchange losses	552	**456**
Other finance costs	190	**304**
Total	**1 605**	**1 415**

2.2.9. Tax expenses

Type of expense	2022	2021
Tax on profits	141	540
Others	818	589
Total	**959**	**1 129**

3. Other disclosures

3.1. Construction contracts

Contracts in progress	Revenue, recognised under the contract (cumulative)	Transaction price, allocated to the remaining performance obligation	Expected periods of recognition of the remaining transaction price						Changes in the expected (time) terms to satisfy the performance obligation	
			Until 1 year	%	1 year – 2 years	%	Over 2 years	%	Initial term	Actual term
k1	k2	k7	k8	k9	k10	k11	k12	k13	k14	k15
Contract 1	360	1 192	1 192		-				31.5.2023	
Contract 2	87	79	79	100%	-				28.3.2023	
Contract 3	68	123	123	100%	-				31.3.2023	
Contract 4	5	5 521	8	100%	705		4 807		30.4.2026	
Contract 5	28 942	460 016	299 010	65%	161 005	35%			30.9.2024	
Contract 6	24 098	59 701	59 701	100%					31.12.2024	
Contract 7	13 860	2 430	2 430	100%					31.12.2023	
Contract 8	11 362	9 377	9 377	100%					31.12.2023	
Contract 9	10 868	60 638	42 447	70%	18 191	30%			31.12.2024	
Contract 10	4 348	9 826	6 878	100%	2 948	30%			31.12.2024	
Contract 11	22	34 257	17 129	50%	17 129	50%			31.12.2024	
Total construction contracts	**94 020**	**643 159**	**438 373**		**199 978**		**4 807**			

3.2. Leases

3.2.1. The entity as a lessee

Lessor	Commencement (date) of the lease	Contracted term	Intention to extend (years) as of 01.01.2023	Type of asset
Unrelated parties				
Lease agreement 1	17.12.2018	It is automatically extended, after expiration of the lease term, for 1 more year	3 years	Motor vehicle (car)
Lease agreement 2	01.06.2018	It is automatically extended, after expiration of the lease term, for 1 more year	4 years	Motor vehicle (car)
Lease agreement 3	01.01.2019	31.12.2023	4 years	Motor vehicle (car)
Lease agreement 4	18.06.2019	17.06.2024	4 years	Motor vehicle (car)
Related parties outside the Group				
Lease agreement 1	06.12.2011	It is automatically extended, after expiration of the lease term, indefinitely	4 years	Building
Lease agreement 2	16.12.2015	It is automatically extended, after expiration of the lease term, indefinitely	4 years	Motor vehicle (car)

Operating leases are with validity of 60 months.

The entity has also concluded lease agreements under which it is a lessee. These are agreements for the lease of buildings, offices, construction equipment and transport vehicles under operating leases.

3.2.2. The entity as a lessor

Operating lease

The maturity analysis of the future undiscounted operating lease proceeds, per years, is as follows:

Future lease proceeds from operating leases with unrelated parties as at 31.12.2021				
	Up to 1 year	**1 year – 5 years**	**Over 5 years**	**Total**
Lease proceeds	503	541	-	**1 044**
Future lease proceeds from operating leases with unrelated parties as at 31.12.2022				
	Up to 1 year	**1 year – 5 years**	**Over 5 years**	**Total**
Lease proceeds	566	1 490	-	**2 056**

The future lease proceeds from operating leases, concluded with related parties within the Group, are disclosed under note 3.3. "Related parties and related party transactions".

3.3. Related parties and related party transactions

The entity discloses the following related parties:

Owner of the entity's capital, exercising control, is Nikolay Ganchev Mihaylov – 67.26%.

Subsidiaries of the entity:
Trace BG EAD (JSC), Bulgaria
Trace Yambol AD (JSC), Bulgaria
USM AD (JSC), Bulgaria
Trace Mechanization EAD (JSC)
Trace Properties EOOD (LTD), Bulgaria
Infra Commerce EOOD (LTD), Bulgaria
Trace Serbia AD (JSC) Nis, Serbia
Trace Build EOOD (LTD), Serbia
Asphalt Commerce EOOD (LTD), Bulgaria

Associates of the entity:

Thorough information on the Entity's investments in Companies under the Law on Obligations and Contracts with significant interest is disclosed under note 1.4.2. "Investments in associates".

Other related parties:
Galini - N EOOD (LTD)– an entity related through the principal shareholder
Galini EOOD (LTD)– an entity related through the principal shareholder
Injproekt OOD (LTD)– an entity related through the principal shareholder
Trace for People Foundation ULNC – Trace Group Hold PLC, principal establisher

Entities, related through the key Management personnel

SBAL "Grabnachen Centar" (transl. Specialised Hospital for Active Treatment "Spinal Centre") JSC, Novita AD (JSC), Bordoni EOOD (LTD), Evilard – Bulgaria EOOD (LTD), Sintermetali EOOD (LTD), Aero plaza AD (JSC), Diginalitics OOD (LTD), Road Design AD (JSC), Lepitsa land OOD (LTD), Krameks AD (JSC), Treskaved OOD (LTD), Himik AD (JSC), Evilard Bulgaria EOOD (LTD), Sintermetali EOOD (LTD), New Alliance OOD (LTD), Divel – PST OOD (LTD) – an entity, related through a key Management personnel

Key Management personnel of the entity:

Nikolay Ganchev Mihaylov – Chairman of the Supervisory Board
Manol Peychev Denev – Member of the Supervisory Board
Mariela Ivanova Rounteva – Member of the Supervisory Board
Desislava Ivanova Lyubenova – Chairman of the MB
Boyan Stoyanov Delchev – Chief Executive Director and Member of the MB
Rositsa Yordanova Dineva – Georgieva – Member of the MB

The entity discloses the following related party transactions and balances that have been concluded at market prices and that do not differ from those concluded with unrelated parties:

Sales to related parties within the group

Customer	2022	2021
Trace BG EAD (JSC) /Trace Sofia EAD (LTD)/	1 976	3 486
Trace Yambol AD (JSC)	2	2
Infra Commerce EOOD (LTD)	822	50
USM AD (JSC)		534
Trace Properties EOOD (LTD)	11 221	4 851
Trace Mechanization EOOD (LTD)– as of 04.03.2021	598	14
Trace Serbia AD (JSC), Nis	4 113	3 955
Trace Company, Moldova as of 01.04.20		1
Asphalt Commerce EOOD (LTD)	733	
Trace Build – a Company under the Law on Obligations and Contracts	2 057	996
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	10 820	10 852
TRACE ZONA (transl. Zone) 1 – a Company under the Law on Obligations and Contracts	530	1 133
KR Svoge – a Company under the Law on Obligations and Contracts	10 424	1
Pomorie 2020 – a Company under the Law on Obligations and Contracts	1 048	1 048
VIK (transl. Water and Supply Sewerage) STARA ZAGORA – a Company under the Law on Obligations and Contracts	2 431	
Poddarzhane (transl. Maintenance) 2022 – a Company under the Law on Obligations and Contracts	1 979	
Total	**48 754**	**26 923**

Purchases from related parties within the Group

Supplier	2022	2021
Trace BG EAD (JSC) /Trace Sofia EAD (LTD)/	15 651	16 350
Infra Commerce EOOD (LTD)	255	8 447
Trace Properties EOOD (LTD)		289
Infra Commerce branch	5 886	
Trace Serbia	1 540	527
Asphalt Commerce EOOD (LTD)	332	
Trace Build – a Company under the Law on Obligations and Contracts	204	
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	1	
Total	**23 869**	**25 613**

Receivables from related parties within the group

Receivables				
Customer	**31.12.2022**	**Guarantees**	**31.12.2021**	**Guarantees**
Trace BG EAD (JSC) /(Trace Sofia EAD (LTD)/	11209		13802	
Trace Yambol AD (JSC)	9		2	
Infra Commerce EOOD (LTD)	2392		2748	
USM AD (JSC)	316		316	
Asphalt Commerce	813			
Trace Properties EOOD (LTD)	12702		4940	
Trace Serbia	824		2639	
Trace Mechanization EOOD (LTD)	7		64	
Trejs Build	148			
Trace Svoge – a Company under the Law on Obligations and Contracts	36		36	
Tsarigradsko – a Company under the Law on Obligations and Contracts			0	
Chepelare – a Company under the Law on Obligations and Contracts	25		25	
Lyulin Trace – a Company under the Law on Obligations and Contracts	110		110	
Markirovka (transl. Marking) 2014 – a Company under the Law on Obligations and Contracts	74		74	
Metro Stroitelstvo (transl. Construction) – a Company under the Law on Obligations and Contracts as of 14.11.19	4		4	
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	7825		991	
TRACE ZONA (transl. Zone) 1 – a Company under the Law on Obligations and Contracts	405		853	
Pomorie 2018 – a Company under the Law on Obligations and Contracts			100	
KR Svoge – a Company under the Law on Obligations and Contracts	2904		1	
Pomorie 2020 – a Company under the Law on Obligations and Contracts	1		1 048	
Dragalevtsi 2021 – a Company under the Law on Obligations and Contracts	23			
VIK (transl. Water and Supply Sewerage) Stara Zagora – a Company under the Law on Obligations and Contracts	3861			
Poddarzhane (transl. Maintenance) – a Company under the Law on Obligations and Contracts	1980			
Infra Commerce branch	61			
Impairment	-188		-230	
Total	**45 541**		**27 523**	

Payables to related parties within the group

Supplier	31.12.2022	Guarantees	31.12.2021	Guarantees
Trace BG EAD (JSC) / (Trace Sofia EAD (LTD)/	5 937		6 961	
Infra Commerce EOOD (LTD)	2 260		1 778	
USM AD (JSC)	2		2	
Trace Mechanization EOOD (LTD)	2		2	
Trace Serbia	3 908		5 362	
Asphalt Commerce EOOD (LTD)	468			
Infra Commerce branch	931			
Trace Build – a Company under the Law on Obligations and Contracts			387	
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	3 577		2 251	
KR Svoge – a Company under the Law on Obligations and Contracts	2 494		4 558	
Pomorie 2020 – a Company under the Law on Obligations and Contracts			329	
VIK (transl. Water and Supply Sewerage) Stara Zagora – a Company under the Law on Obligations and Contracts	802			
Dragalevtsi 2021 – a Company under the Law on Obligations and Contracts	6 196			
Metro Slatina – a Company under the Law on Obligations and Contracts	1 970			
Total	**28 547**		**21 630**	

Loans, granted to related parties within the group

Debtor	Contracted loan amount	Interest rate %	Maturity	Securities/ Guarantees
Trace Build	590	3.9%	31.12.2023	Promissory note
Asphalt Commerce EOOD (LTD)	2 000	4%	31.12.2023	Promissory note
Infra Commerce EOOD (LTD)	1800	4%	30.11.2023	Promissory note
VIK (transl. Water and Supply Sewerage) STARA ZAGORA – a Company under the Law on Obligations and Contracts	46	3%	31.12.2023	Promissory note

Balances of loans, granted to related parties within the group

Debtor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
Trace Build	590	14		
Infra Commerce EOOD (LTD)	572	56		
Asphalt Commerce EOOD (LTD)	412	29		
Trace BG AD (JSC)		58		
VIK (transl. Water and Supply Sewerage) STARA ZAGORA – a Company under the Law on Obligations and Contracts	20	1		
Total	**1 594**	**158**	**-**	**-**

Interest income, accrued on Loans granted

Debtor	Receivable at 31.12.2021	Accrued in 2022	Received in 2022	Receivable at 2022
Trace BG	108	1	51	58
Infra Commerce EOOD (LTD)	193	23		56
VIK (transl. Water and Supply Sewerage) STARA ZAGORA – a Company under the Law on Obligations and Contracts	-	1		1
Trace Serbia AD (JSC) Nis	15	98	113	-
Trace Build	2	12		14
Asphalt Commerce EOOD (LTD)	-	29		29
Total	**318**	**164**	**164**	**158**

Sales to other related parties

Customer	2022	2021
Galini EOOD (LTD)	4	4
Divel PST OOD (LTD)	715	
Total	**719**	**4**

Purchases from other related parties

Supplier	2022	2021
Galini-N EOOD (LTD)	75	13
Injproekt OOD (LTD)	251	
Galini EOOD (LTD)	5	
Trace for People Foundation ULNC	905	605
Divel PST OOD (LTD)	60	
Total	**1 296**	**618**

Receivables from other related parties

Customer	31.12.2022	31.12.2021
Associates	656	199
Impairments	(154)	(157)
Total	**502**	**42**

Payables to other related parties

23	31.12.2022	31.12.2021
Entities, related through the principal shareholder	746	194
Key Management personnel	49	49
Dividends	1988	3 689
Others	4	4
Total	**2 787**	**4 101**

Payables to other related parties, at 31.12.2022 and 31.12.2021, are not secured and are interest-free.

Loans, granted to other related parties – none.

Key Management's remuneration

Type	Amounts accrued for:					
	Short-term employee benefits	Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Leave benefits (compensated absences)
Managing Board	880		40			
Supervisory Board	1 307					
Total:	2 187	-	40	-	-	-

The entity defines as key Management personnel all those who are involved in the decision-making and can act on behalf of the entity.

Capital management

Through its capital management, the entity aims to create and maintain the ability to continue to operate as a going concern, and to ensure appropriate return on the shareholders' investments and economic benefits to the other interested parties and stakeholders in its business, as well as to maintain optimal capital structure in order to reduce the capital costs.

The entity monitors, on a current basis, the capital security and structure, using the gearing (leverage) ratio. This ratio is calculated as the difference between the net debt capital to the total equity capital. Net debt capital is defined as the difference between all borrowings (short and long term), as indicated in the Separate Statement of Financial Position, and the cash and cash equivalents. The total amount of capital is equal to the net equity and the net debt capital.

The table hereafter presents the gearing ratios, based on the capital structure as at 31.12.2022:

Type	31.12.2022	31.12.2021
Total debt capital, including:	**83 656**	**38 285**
Financial liabilities – related parties	15 160	14 853
Financial liabilities – unrelated parties	68 496	23 432
Decreased by: **Cash and cash equivalents**	**(6 483)**	**(41 714)**
Net debt capital	**77 173**	**(3 429)**
Total equity	136 207	131 568
Total capital	**213 380**	**128 139**
Leverage ratio	**0.36**	**(0.03)**

3.4. Financial risks

In the course of its ordinary activities, the entity may be exposed to different financial risks, the most significant of which are: the currency risk, the credit risk and the liquidity risk. This is why the overall risk management is focused on minimising the potential negative effects that could impact the financial results. Financial risks are identified, estimated and monitored on a current basis, through various control mechanisms, in order to determine adequate service prices for the services, rendered by the entity, and to

adequately assess how the available liquid resources are maintained, without placing undue concentration on a given risk.

The various types of risks that the entity is exposed to in the course of its ordinary activities and the approach followed in managing these risks are described hereafter.

Credit risk

In the course of its activities, the entity is exposed to credit risk, which is related to the risk that some of its counterparties will not be in a position to meet their obligations wholly and in the normally expected time periods.

The financial assets of the entity are concentrated in three groups: Cash and Receivables from customers, Financial assets – loans granted.

The entity regularly monitors for the non-settlement of liabilities by its customers and counterparties, established individually or collectively, and uses this information to control the credit risk. Credit rating data, obtained from external sources and / or from the financial statements of customers, and of other counterparties, is gathered and used when the cost to do so are not too high. The Entity's policy is to only engage in transactions with counterparties, who have a good credit rating.

The entity's cash and cash at bank (current accounts) are concentrated in the following banks: "UniCredit Bulbank" AD, "DSK Bank" AD, "UBB" AD and "Eurobank Bulgaria" AD. The Management believes that there is no risk as long as the servicing banks maintain stable liquidity. At 31.12.2022, cash in current accounts (in Bulgarian and foreign banks) in the amount of BGN 5 thousand have been impaired based on their officially published credit ratings from certified credit agencies.

31.12.2022	Overdue		With time to maturity		With re-negotiated maturity that has not yet expired		
	Impaired	Not impaired	Impaired	Not impaired	Impaired	Not impaired	Total
Non-current assets	**-**	**-**	**-**	**7 193**	**-**	**-**	**7 193**
Non-current trade and other receivables from related parties				3 217			3 217
Non-current trade and other receivables				3 976			3 976
Current assets	**346**	**-**	**-**	**80 110**	**-**	**-**	**80 456**
Current financial assets from related parties				1 753			1 753
Current financial assets from related parties – impairment				(1)			(1)
Current financial assets	487						487
Current financial assets – impairment	(243)						(243)
Current trade and other receivables from related parties	444			32 901			33 345
Current trade and other receivables from related parties – impairment	(342)			-			(342)
Current trade and other receivables from				45 733			45 733
Current trade and other receivables – impairment				(276)			(276)
Total financial assets	**346**	**-**	**-**	**87 303**	**-**	**-**	**87 649**

Liquidity risk

Liquidity risk is expressed as the adverse situation where the entity will not be in a position to unconditionally meet all its obligations upon their maturity. A conservative liquidity management policy is applied in order to constantly maintain optimal cash liquidity and a good ability to finance its economic activities. The maturity and timely payment are monitored by the Financial-Accounting Department, on a current basis, while maintaining and the necessary information on the available cash and pending payments.

31.12.2022	Immediate	Up to 1 month	2 months – 3 months	3 months – 6 months	6 months – 12 months	6 months – 12 months	1 year – 2 years	3 years – 5 years	Over 5 years	With no maturity	Total
Non-current assets	-	-	-	-		-	**7 193**	-	-	-	**7 193**
Non-current trade and other receivables from related parties							3 217				3 217
Non-current trade and other receivables							3 976				3 976
Non-current liabilities	-	-	-	-		-	**4 043**	**5 463**	-	-	**9 506**
Non-current lease payables to related parties							199				199
Non-current financial liabilities							796	4 698			5 494
Non-current lease payables							412	765			1 177
Non-current trade and other payables to related parties							28				28
Non-current trade and other payables							2 608				2 608
Net liquid imbalance – non-current	-	-	-	-		-	**3 150**	**(5 463)**	-	-	**(2 313)**
Cumulative liquid imbalance – non-current	-	-	-	-		-	**3 150**	**(2 313)**	**(2 313)**	**(2 313)**	**(2 313)**
Current assets	**3 666**	-	**45 457**	**33 003**	**1 996**	-	-	-	-	**2 820**	**86 942**
Current financial assets from related parties					1 752					-	1 752
Current financial assets					244						244
Current trade and other receivables from related parties				33 003							33 003
Current trade and other receivables			45 457								45 457
Cash and cash equivalents	3 666									2 820	6 486
Current liabilities	-	**163**	**37 012**	**14 717**	**8 598**	-	-	-	-	-	**60 490**
Current financial liabilities to related parties					517						517
Current lease payables to related parties		18	36	54	108						216
Current financial liabilities		77	154	231	5 577						6 039
Current lease payables		68	136	204	408						816
Current trade and other payables to related parties				14 228	1 988						16 216
Current trade and other payables			36 686								36 686
Net liquid imbalance – current	**3 666**	**(163)**	**8 445**	**18 286**	**(6 602)**	-	-	-	-	**2 820**	**26 452**
Cumulative liquid imbalance – current	**3 666**	**3 503**	**11 948**	**30 234**	**23 632**	**23 632**	**23 632**	**23 632**	**23 632**	**26 452**	**26 452**
Total financial assets	**3 666**	-	**45 457**	**33 003**	**1 996**	-	**7 193**	-	-	**2 820**	**94 135**
Total financial liabilities	-	**163**	**37 012**	**14 717**	**8 598**	-	**4 043**	**5 463**	-	-	**69 996**
Total net liquid imbalance	**3 666**	**(163)**	**8 445**	**18 286**	**(6 602)**	-	**3 150**	**(5 463)**	-	**2 820**	**24 139**
Total cumulative liquid imbalance	**3 666**	**3 503**	**11 948**	**30 234**	**23 632**	**23 632**	**26 782**	**21 319**	**21 319**	**24 139**	**24 139**

Interest risk

Interest risk is the risk that the fair value or the future cash flows of the financial assets and liabilities, held by the entity, will vary as a result of fluctuations in the market interest rates. Instruments with fixed interest rates are exposed to the risk of fluctuations in fair value because of changes in the interest rate

levels – changes in market interest rates will affect the value of the held financial assets and liabilities with fixed interest rate. Financial assets and liabilities with floating interest rates are exposed to cash flow risk – future cash flows generated from these shall depend on changes in market interest rates.

Overall, the interest-bearing financial assets and liabilities, representing finance lease receivables and payables, and loans obtained or granted, form a significant portion of the Entity's assets and liabilities structure.

31.12.2022	Interest-free	With floating interest rate %	With fixed interest rate %	Total
Non-current assets	**7 193**	**-**	**-**	**7 193**
Non-current trade and other receivables from related parties	3 217			3 217
Non-current trade and other receivables	3 976			3 976
Non-current liabilities	**2 636**	**6 520**	**193**	**9 349**
Non-current lease payables to related parties			193	193
Non-current financial liabilities		5 364		5 364
Non-current lease payables		1 156		1 156
Non-current trade and other payables to related parties	28			28
Non-current trade and other payables	2 608			2 608
Exposure to long-term risk	**4 557**	**(6 520)**	**(193)**	**(2 156)**
Current assets	**78 470**	**-**	**8 469**	**86 939**
Current financial assets from related parties			1 752	1 752
Current financial assets			244	244
Current trade and other receivables from related parties	33 003			33 003
Current trade and other receivables	45 457			45 457
Cash and cash equivalents	10		6 473	6 483
Current liabilities	**16 216**	**43 405**	**711**	**60 332**
Current financial liabilities to related parties			502	502
Current lease payables to related parties			209	209
Current financial liabilities		5 909		5 909
Current lease payables		810		810
Current trade and other payables to related parties	16 216			16 216
Current trade and other payables		36 686		36 686
Exposure to short-term risk	**62 254**	**(43 405)**	**7 758**	**26 607**
Total financial assets	**85 663**	**-**	**8 469**	**94 132**
Total financial liabilities	**18 852**	**49 925**	**904**	**69 681**
Total exposure to interest risk	**66 811**	**(49 925)**	**7 565**	**24 451**

Effect on profit / loss, net of taxes	31.12.2022
In an increase of interest rates by 0.5%	(225)
In a decrease of interest rates by 0.5%	225

Currency risk

The entity is exposed to currency risk in so far as all branches operate in countries, the national currencies of which are not pegged to the BGN – namely Serbian Dinars, Czech Crones, Macedonian Denars and

Ukrainian Hryvnia. Nerveless, the majority of the entity's transactions and operations are primarily conducted in Bulgarian Leva and / or Euro.

31.12.2022	Denominated in BGN	Denominated in EUR	Denominated in RSD	Denominated in CZK	Denominated in RON	Denominated in other foreign currencies	Total
Non-current assets	**4 016**	**-**	**1 542**	**-**	**1 635**	**-**	**7 193**
Non-current financial assets from related parties							-
Non-current financial assets							-
Non-current trade and other receivables from related parties	3 217						3 217
Non-current trade and other receivables	799		1 542		1 635		3 976
Non-current liabilities	**7 009**	**1 156**	**721**	**-**	**463**	**-**	**9 349**
Non-current financial liabilities to related parties							-
Non-current lease payables to related parties	193						193
Non-current financial liabilities	5 364						5 364
Non-current lease payables		1 156					1 156
Non-current trade and other payables to related parties	15		13				28
Non-current trade and other payables	1 437		708		463		2 608
Exposure to long-term risk	**(2 993)**	**(1 156)**	**821**	**-**	**1 172**	**-**	**(2 156)**
Current assets	**43 095**	**1 807**	**14 768**	**-**	**27 269**	**-**	**86 939**
Current financial assets from related parties	1 752						1 752
Current financial assets	244						244
Current trade and other receivables from related parties	32 207		796				33 003
Current trade and other receivables	4 271		13 972		27 214		45 457
Cash and cash equivalents	4 621	1 807			55		6 483
Current liabilities	**30 665**	**810**	**16 705**	**796**	**11 356**	**-**	**60 332**
Current financial liabilities to related parties	502						502
Current lease payables to related parties	209						209
Current financial liabilities	5 909						5 909
Current lease payables		810					810
Current trade and other payables to related parties	11 362		4 837	17			16 216
Current trade and other payables	12 683		11 868	779	11 356		36 686
Exposure to short-term risk	**12 430**	**997**	**(1 937)**	**(796)**	**15 913**	**-**	**26 607**
Total financial assets	**47 111**	**1 807**	**16 310**	**-**	**28 904**	**-**	**94 132**
Total financial liabilities	**37 674**	**1 966**	**17 426**	**796**	**11 819**	**-**	**69 681**
Total exposure to currency risk	**9 437**	**(159)**	**(1 116)**	**(796)**	**17 085**	**-**	**24 451**

The table hereafter presents the currency elasticity at 10% increase / decrease in the currently prevailing exchange rates of the Bulgarian Lev to currencies, different than the Bulgarian Lev and the Euro, based on the structure of the foreign exchange assets and liabilities at 31.12.2022 and the assumption that the

impact of the other variables is not taken into account. The effect is measured and presented as impact on the financial result before taxation and on equity.

Effect on profit / loss, net of taxes at 31.12.2022	RSD	CZK	RON
In an increase of the exchange rate by 10%	(101)	(72)	(1 709)
In a decrease of the exchange rate by 10%	101	72	1 708

4. Key estimates and Management's judgement, carrying a high level of uncertainty

The Management has made several accounting assumptions and accounting estimates in determining the amounts of some of the assets, liabilities, revenue and expense in the current financial statements. All these have been performed based on the best estimates and information, available to the Management at the end of the reporting period. Actual results could differ from those presented in these financial statements.

4.1. Impairment of property, plant and equipment, intangible assets and investment property

In accordance with the requirements of IAS 36, an assessment is performed at year-end on whether there are any indications that the value of an item of Property, plant, and equipment, of Intangible assets or of Investment property may be impaired. If any such indications exist, the recoverable amount of the asset is estimated and impairment loss is determined.

Based on the conducted assessment, no indications for impairment of inventories, non-current assets (property, plant, machinery and equipment) and investments have been established as at 31.12.2022.

4.2. Useful life and residual value of property, plant and equipment

The financial reporting of property, plant and equipment includes the use of estimates of their expected useful life and residual values that are based on the judgement of the entity's Management. Information on the useful life of assets is disclosed under note 2.8. "Property, plant and equipment".

No conditions of changes in the defined useful life and residual values of property, plant and equipment have been identified pursuant to the assessment conducted in 2022.

4.3. Impairment of investments in subsidiaries, associates and joint ventures

When the held by the entity shares, interests or other rights in other entities exceed 50% of the capital of those other entities, or when the entity can otherwise manage and determine their financial and operating decisions so as to benefit from their activities, the entity classifies those as investments in subsidiaries. Joint ventures are those entities over which the Entity and the other parties have joint control and have rights over the entity's net assets. Associates are those entities over which the Entity has significant influence and contingently holds between 20% and 50% of their capital, but which are not subsidiaries or joint ventures.
Such investments are valued at cost less any impairment losses. At the date of each set of financial statements, the Management conducts an analysis and assesses whether there are indications for impairment of its investments and what is the possible amount of the impairment loss. The Management regards the following as indications for impairment of investments in other entities: negative value of net assets or assets under the registered share capital, significant excess of payables over receivables, significant limitations in the activity, significant reduction of the volumes and / or termination of the activity of the entity in which it has invested, recognition of losses for a long period of time, a tendency of

deterioration of the key financial results. When the Management assesses investments, the Management follows an individual approach for each investment and the respective indicators. The Management has approved that a review of the conducted assessment is required upon the establishment of two or more such indicators. Management's assessments and judgements for impairment of investments are conducted in light of its forecasts / estimates and intentions regarding the future economic benefits that are expected to be received from the subsidiaries, including commercial and operational experience, securing positions on Bulgarian and foreign markets, expectations of future income, etc.

Investments in subsidiaries are valued at cost less any impairment losses. In accordance with the adopted accounting policies, the Management conducts an analysis at year-end (at the date of each set of financial statements) and assesses whether there are indications for impairment of its investments and what is the possible amount of the impairment loss. The Management regards the following as indications for impairment of investments in other entities, without exhausting all possibilities:

- Recognising negative value of net assets or assets under the registered share capital,
- Significant excess of payables over receivables, significant limitations in the activity,
- Significant reduction of the volumes and / or termination of the activity of the entity in which it has invested,
- Recognition of losses for a long period of time.
- Tendency of deterioration of the key financial results.

Tests and assessments for impairment of investments are conducted through the prism of its estimates, budgets, forecasts and intentions about the future economic benefits expected to be obtained, analysis of the current financial situation, including trade and production experience, ensuring position on the Bulgarian and foreign markets, expectations of future income, etc.

4.4. Impairment of inventories

At the end of each reporting period, the Management reviews the available inventories – materials, production / output and goods – in order to establish whether there are such whose net realisable value is lower than their carrying value.

No indications for impairment of inventories have been established in such a review as at 31.12.2022.

4.5. Impairment of financial assets

At the end of each reporting period, the Management measures and recognises loss allowances for expected credit losses and credit impairments on financial assets at amortised cost, debt instruments measured at fair value through other comprehensive income, contract assets from contracts with customers and financial guarantee contracts.

When performing such measurements, the entity's Management employs a number of significant judgements, such as: a) define the criteria to identify and assess significant increase of the credit risk; b) select appropriate models and assumptions to measure the expected credit losses; c) form groups of similar financial assets (portfolios) for the purpose of measuring the expected credit losses; d) establish and assess the correlation between historical default rates and the behaviour of certain micro indicators to reflect the effects of future forecasts of expected credit losses; e) specific assumptions and judgements for certain individual receivables, including from related parties.

At year-end, the Management holds: financial assets at amortised cost, including trade receivables and loans granted; contract assets from contracts with customers and financial guarantee contracts.

A provisions matrix and the simplified approach in accordance with IFRS 9 are applied in the measurement of the expected credit losses for trade receivables. Receivables are accounted for collectively, against the probability of default events and the resulting potential losses, computed based on the Entity's historical data for a period of 5 years. Objective external information and the accrued credit impairment are taken into account for receivables for which there is sufficient information.

Loans granted are reviewed, individually, in terms of expected credit losses. When evaluating credit risk, the Entity uses an internal credit rating methodology, which in the context of the "low credit rating" definition is based on, and consistent with, the globally understood definition of low credit risk. Public information, adjusted depending on the circumstances, is used in determining the potential losses, and credit impairment is recognised for receivables for which there is sufficient information.

Financial guarantee contracts are accounted for in the same way as are the loans granted, taking into account the effect of the issued guarantee with regards to the person for which it is issued.

	31.12.2022	31.12.2021
Balance at the beginning of the period (opening balance)	14 639	**11 459**
Increase in the impairment allowance, recognised in IS for the period	1 208	4 928
Decrease in the impairment allowance, recognised in IS for the period	(192)	(98)
Amounts written-off as bad debts	(2 111)	(1 764)
Foreign currency translations	22	114
Balance at the end of the period (closing balance)	**13 566**	**14 639**

Impairment changes for 2022 are disclosed in the table hereafter, per type of impairment:

Type	31.12.2021	Change in 2022		Amounts written-off as bad debts	Foreign currency translations	31.12.2022
		Increase, recognised in IS	Decrease, recognised in IS			
Impairment of contract receivables from contracts with customers	(2 861)		155	2 111	(24)	(619)
Impairment of advance payment receivables	(248)					(248)
Impairment of other trade receivables	(12)					(12)
Impairment of litigation receivables	(55)					(55)
Impairment of financial assets and leases	(40)	(201)	1		1	(239)
Impairment of cash	(34)	(7)	36			(5)
Impairment of receivables CCB	-					-
Impairment of investments	(11 379)	(1 000)				(12 379)
Financial guarantee contracts	(5)					(5)
Total	**(14 634)**	**(1 208)**	**192**	**2 111**	**(23)**	**(13 562)**

4.6. Recognising revenue from contracts with customers

The entity recognises revenue from construction contracts on the basis of the performance obligation satisfied over time, only if the entity can reasonably measure its progress towards complete satisfaction of the performance obligation. Progress towards complete satisfaction is remeasured at the end of the reporting period using input methods, in particular estimates of the expected and actually incurred costs, and output methods for contracts whereby the Entity is a direct contractor that the Management considers appropriate (refer to note 2.22.1.4). Nevertheless, modifications may incur in future in so far as it is possible that facts and circumstances that were not known, or were not under the Management's control, have not been taken into account, as well as due to the fact that upon completion, these contracts are subject to official approval and / or acceptance by the customer and / or third party – a state body.

Contracts for the supply of output, goods or services, effective for the reporting period and at the end of it, refer to individual supplies, or supplies in series, with satisfied performance obligations, or partially satisfied performance obligations, under which the Entity is entitled to a consideration equal to the value of the transferred goods to which the entity has a right to invoice. The Management does not consider that any changes in the recognised income, balances and receivables under these contracts are likely to occur in future.

The promised consideration under construction contracts and other supply contracts, effective and not completed during the period, are at fixed prices for which no modifications are envisaged.

4.7. Provisions

The entity recognises the following types of provisions:

- Provisions under construction contracts, relating to assumed guarantees to eliminate possible defaults by the assignor and for other related costs, incurred under concluded construction contracts;
- Provisions of lawsuits and litigation proceedings;
- Provisions of other contractual commitments.

The amount of the provisions recognised is the best estimate of the costs, necessary to settle the current liability at the date of the separate financial statements.

Provisions are restated at each year-end (date of the separate financial statements) based on the current best estimate of the liability's settlement. Changes in estimates may result from changes in the amounts or timing of cash outflows, or from changes in the interest rates (discounting factors).

Provisions of construction contracts

In accordance with the concluded contracts for building and construction works, the entity has assumed a commitment to remove, at its own cost, possible defaults on behalf of the assignor within time frames, defined under the respective contracts. Upon completion of each construction project and / or site in respect of which the Entity has assumed such a commitment, provisions of construction contracts are estimated by internal specialists with the requisite qualifications and experience based on prior experience with similar projects and / or sites. When determining provisions of construction contracts, the Management is required to assess the costs to remove possible defaults on behalf of the assignor at the date of the Separate Statement of Financial Position.

4.8. Actuarial valuations

Calculations of certified actuaries have been employed in determining the present value of the long-term retirement benefits obligations. These calculations are based on assumptions regarding the mortality, the pace of employees' turnover, the future salaries and wages, and a discounting factor. These assumptions are regarded by the Management as reasonable and appropriate for the entity.

4.9. Deferred tax assets

The assessment of whether future taxable income will be available against which to utilise deferred tax assets is based on the last approved estimated budget, adjusted for significant non-taxable income and expense, and specific limitations on the transfer of unused tax credits or losses. Deferred tax assets are recognised wholly, if a reliable estimate of taxable income implies the probable use of a deferred tax asset, particularly in cases when the asset can be used without time restrictions. The Management decides on a case-by-case basis whether to recognise deferred tax assets that are subject to certain legal or economic constrains, or uncertainties, depending on the specific facts and circumstances, associated with them.

4.10. Leases

Determining whether a contract contains a lease or lease elements

When identifying and classifying a lease, or a lease element in a contract, the entity determines whether the contract contains an identifiable asset and whether by virtue of it the right to control the use of that asset is transferred for the term of the respective contract.

In order to determine whether by virtue of a contract, control over the use of a given asset is transferred, the entity determines whether the following rights are present over the entire term of use:

• The right to practically obtain all economic rewards of the use of that asset;

• The right to determine and manage the use and exploitation of the identified base asset.

With regards to the recognised leases – the Management has concluded that the entity is entitled, within the scope of its right of use as defined in the contract, to take the respective decisions over how and for what purpose can the assets be used, and it is in a position to determine the working time and the persons, who have access to those assets.

Determining the term of leases with options to renew the agreement or terminate it – whereby the entity is a lessee

The entity defines the lease term as the non-cancellable period of the lease, together with:

a) the periods covered by an option to extend the lease, if there is reasonable certainty that the entity shall exercise this option, and

b) the periods covered by an option to terminate the lease, if there is reasonable certainty that the entity shall not exercise this option.

The entity employs judgments in assessing whether it is reasonably certain that it will exercise the option to extend, or terminate the lease, considering and all facts and circumstances that create economic incentives to exercise the option to extend or not to exercise the option to terminate the lease.

After the commencement date of the lease, the entity reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects the assessment of whether there is reasonable certainty that the entity will exercise an option that was not previously considered in its assessment of the lease term, or not to exercise an option that was previously considered in its assessment of the lease term.

Determining an incremental borrowing rate on leases, whereby the entity is a lessee

If the entity is a lessee and cannot readily determine (from the contracts) the interest rate, required to discount the lease payables, it uses the incremental borrowing rate that it would pay had it borrowed funds, necessary to obtain an asset of a similar value to the "right-of-use asset", over a similar term, with a similar security and in a similar economic environment. For contracts for which the entity does not have similar financing, the entity seeks observable data that is publicly available, such as loan market levels and banking statistics.

On this basis, the Management has assumed that the incremental borrowing rate is 3%, based on the analysis of the interest rates of borrowed funds with similar characteristics.

- For operating leases of movable property – based on the interest rates under the finance lease, concluded by the entity at 01.01.2022.

- For operating leases of real estate – based on the interest rate under the investment loan agreements, concluded by the entity at 01.01.2022.

Review of indications of impairment of "right-of-use assets"

The entity's Management reviews for impairment the "right-of-use assets" at each financial reporting year-end. The carrying value of the assets is written down to their recoverable value, if there are indicators that the estimated recoverable amount is lower than their carrying amount.

5. Contingent assets and contingent liabilities

Contingent assets
Bank guarantees, issued in favour of Trace Group Hold PLC

The bank guarantees, issued in favour of the entity operating in Bulgaria, amount to BGN 5 278 thousand, the insurance amount to BGN 2 659 thousand and the pledges of movables assets amount to BGN 125 thousand. The bank guarantees obtained in the Republic of Serbia amount to BGN 614 thousand and those obtained in the Republic of Romania – to BGN 1010 thousand.

Contingent liabilities
Warranties and guarantees issued

Contingent liabilities, including bank guarantees issued by commercial banks and insurances issued by insurance companies, placed securities and pledges of receivables of the subsidiaries and other related persons in favour of Trace Group Hold PLC.

Bank guarantees

The bank guarantees, issued in favour of the entity, their amount and issuers (banks) are presented hereafter:

Bank guarantees

The bank guarantees, issued in favour of the entity, their amount and issuers (banks) are presented hereafter:

Contingent liabilities					
Issuer	**Value**	**In favour of:**	**Purpose**	**Maturity**	**Securities**
UBB AD	11 886	Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises	Securing performance obligations under contracts	01.12.2026	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK BANK EAD	1 252	Bulgarian Ministry; Bulgarian State Agency and a Bulgarian Municipality; Bulgarian State Enterprise; TD of NRA, Regional Traffic Management;	Securing performance obligations under contracts and VAT payables	29.5.2026	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK Bank (EXPRESSBANK) EAD	2 058	Bulgarian Municipality; Bulgarian State Enterprise; Serbian State Enterprise; a private entity, registered in Bulgaria	Securing performance obligations under contracts	17.02.2036	Non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BULBANK AD	24 024	Bulgarian Ministry; Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; private entities, registered in Bulgaria; Serbian Ministry, UniCredit Bank Serbia AD; Croatian city and municipal enterprise	Securing performance obligations under contracts, statutory state receivables; participation in a tender	03.09.2037	Real estate, non-current tangible assets, cash, pledges of receivables, pledges of accounts
Total:	**42 417**				

Contingent liabilities		
Type	**Guarantee issued, pledge of a counterparty**	**Issued amount in thousands of BGN (BGN '000)**
Insurance guarantees	JSIC EUROINS AD	13 700
Insurance guarantees	JSIC OZK – Insurance AD	66 831
Insurance guarantees	IC EUROINS Romania	743
Insurance guarantees	IC Lev Ins AD	49 491

Assets, pledged by subsidiaries and affiliates under bank guarantee agreements with Trace Group Hold PLC.

Contract / Counterparty	Warranties and securities, issued in favour of counterparties	Type of security
DSK Bank EAD	Trace Mechanization EAD (JSC)	Non-current tangible assets
DSK Bank EAD	Trace BG EOOD (LTD)	Real estate and non-current tangible assets
UniCredit Bulbank AD	Trace Mechanization EAD (JSC)	Real estate and non-current tangible assets
UniCredit Bulbank AD	Trace BG EOOD (LTD)	Real estates and non-current tangible assets
UniCredit Bulbank AD	Trace Yambol AD (JSC)	Real estate
UniCredit Bulbank AD	Trace Properties EOOD (LTD)	Real estates
UniCredit Bulbank AD	Galini – N EOOD (LTD)	Real estates
UniCredit Bulbank AD	Infra Commerce EOOD (LTD)	Real estates

The following guarantees have been issued to secure the activity:

- Corporate guarantee, in the amount of EUR 2 million and with maturity on 03.04.2024, under a credit line agreement for the issue of bank guarantees, signed by and between UniCredit Bank Serbia and Trace Serbia;

- Corporate guarantee, amounting to EUR 6 million and with maturity on 27.05.2026, under a credit line agreement for the issue of bank guarantees, intention letters and an overdraft, signed by and between UniCredit Bank Serbia, Trace Serbia and Infra Commerce LTD;

- Corporate guarantee, in the amount of EUR 5 million and with maturity on 29.11.2027, under a credit line agreement for the issue of bank guarantees and intention letters, signed by and between UniCredit Bank Serbia, Trace Serbia and Trace Group Hold PLC;

A contract was concluded by and between "Trace Group Hold" PLC and UniCredit Bank Serbia AD on 12.06.2020. Subject of the contract is the issuance of a bank guarantee for an advance payment in the amount of EUR 5 985 000 and its maturity is up to 45 months as of its issue date. The guarantee is issued in connection with a contract for "Modernisation and rehabilitation of the railway section Nis – Brestovac", concluded by and between the Ministry of Finance of the Republic of Serbia and Consortium Partners "Trace Group Hold" PLC and "Balkantel" LTD on 28.12.2019. The contract with UniCredit Bank Serbia AD is secured by: a bank guarantee in favour of UniCredit Bank Serbia AD in the amount of EUR 1 197 000; 10 promissory notes at a total amount of EUR 5 985 000; pledge of receivables under the contract for "Modernisation and rehabilitation of the railway section Nis – Brestovac".

Lawsuits

The Entity is a plaintiff or defendant under the following lawsuits at 31.12.2022:

1. Commercial case 1633/2019 at the Varna RC – Trace Group Hold PLC (plaintiff) against Traffic Holding LTD (defendant), with a financial interest of BGN 433 702, 35. A counter claim with financial interest of BGN 440 816,06 has been filed by Traffic Holding LTD (plaintiff under the counter claim).
2. Civil case 11389/2015 per the list of the SCC – Metropolitan EAD (plaintiff) against Trace Group Hold PLC as a third party assistant to the defendant. The case has a financial interest of BGN 500 000.

The Management, together with internal legal experts and hired external lawyers, has assessed that the probability and risks of a negative outcome under the open lawsuits, filed against the entity, currently

remains below 50%. Therefore, no provisions of litigation payables have been recognised in the Statement of Financial Position.

6. Events after the reporting period

"Trace Group Hold" PLC registered a branch of the entity at the General e-Commercial Registry of Greece on 03.03.2023. The newly established entity was entered in the Registry with the following identification data:

TRACE GROUP HOLD PLC GREECE BRANCH
Address of registered office: 350, "Singrou" Blvd., 17674, Athens
Unique Registration Code: 347386, dated 03.03.2023
Serial number at the Commercial Registry: 169177801001, dated 03.03.2023
European Unique Identifier (EUID) ELGEMI.169177801001
Principal activity: road construction, construction of highways, construction of residential buildings.

I, Sunny Mileva – Paneva, hereby certify that the above is an exact and accurate translation, to the best of my knowledge and abilities, of the original "Separate Annual Financial Statements of Trace Group Hold PLC as at 31.12.2022 and the Notes to separate annual financial statements for the financial reporting 2022", consisting of 87 (eighty seven) pages in Bulgarian language, and that I am competent in both English and Bulgarian language to render such a translation.

Sunny Mileva-Paneva
Сани Милева-Панева
Заклет
Преводач
Sworn Translator

SEPARATE MANAGEMENT REPORT OF TRACE GROUP HOLD PLC

For 2022

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The Annual Management Report presents commentary on and analysis of the Separate Financial Statements, and other significant information with regards to the financial position and the operating results of the entity. It comprises information under Article 39 of the Accountancy Act and Art. 100 (n), paragraph 7 of the Public Offering of Securities Act (POSA), as well as Art. 10, items 1, 2 and 4 of Ordinance № 2 of the Financial Supervision Commission, Art. 187 (e) and Art. 247 of the Commercial Act.

I. General information on the entity

"Trace Group Hold" PLC is an entity, established in the Republic of Bulgaria as a public limited company in compliance with the Bulgarian legislation. The entity is registered at the Stara Zagora District Court, under company file №255/2005. Since 2007, the entity has acquired status of a public company within the meaning of Art. 110 of POSA.

Address of registered office and principal place of business: № 12, "Nikola Obrazopisov" Str., 1408, Sofia; Mailing address: № 12, "Nikola Obrazopisov" Str., 1408, Sofia

Telephone: +359 2 80 66 700; +359 2 80 66 680;

Facsimile: +359 2 80 66 711

e-mail: tracegroup@trace.bg

Website: www.tracebg.com

Share capital at 31 December 2022:

At the date of preparation of this Management report, the court-registered capital of the entity amounts to BGN 24 200 000, distributed among 24 200 000 non-cash, non-bearer shares, at nominal value of BGN 1 each; 24 193 721 of those are voting shares and 6 279 – treasury shares with no voting rights. The shares of "Trace Group Hold" PLC are traded on the Bulgarian Stock Exchange as of 27 October 2007.

At the date of preparation of this Report, the capital structure of "Trace Group Hold" PLC is as follows:

Shareholder's name	Number of shares owned		Capital share %	
	at 31.12.2022	at 31.12.2021	at 31.12.2022	at 31.12.2021
Nikolay Mihaylov	16 276 755	16 276 755	67,26	67,26
"Galini – N" EOOD (LTD)	2 178 000	2 178 000	9,00	9,00
Trace Group Hold PLC – repurchased treasury shares	6 279	6 279	0,03	0,03
Other individuals and legal entities	5 738 966	5 738 966	23,71	23,71

The entity is managed under a two-tie management system by:

A Supervisory Board consisting of:

Prof. Nikolay Mihaylov – Chairman of the SB

Manol Denev – Member of the SB

Mariela Rounteva – Independent member of the SB

And

A Managing Board consisting of:

Desislava Lyubenova – Chairman of the MB

Eng. Boyan Delchev – Deputy Chairman of the MB

Rositsa Dineva – Georgieva – Member of the MB

Eng. Boyan Delchev is Executive Director of the entity.

Members of the Audit Committee at 31.12.2022:

Hristo Savchev – Chairman

Prof. Dr. Hristina Nikolova

Diana Rangelova

The entity has established branches in Serbia, the Czech Republic, North Macedonia, Ukraine and Romania:

"Trace Group Hold" PLC – Belgrade branch

"Trace Group Hold" PLC – Prague branch

"Trace Group Hold" PLC – Skopje branch

"Trace Group Hold" PLC – Kiev branch

"Trace Group Hold" PLC – Bucharest branch

II. Activity overview

1. Principal activity

"Trace Group Hold" PLC engages in all type of infrastructure projects – construction, rehabilitation, maintenance, design and all related activities. "Trace" continuously diversifies and expands the scope of its business activity. The portfolio of the activities of "Trace" also includes investments, international trade and logistics.

The entity operates on the European market in the fields of:

Construction and maintenance of road infrastructure on the territory of the Republic of Bulgaria, the Republic of Serbia and the Republic of Romania, including construction of bridges and tunnels;

"TRACE" participates in the implementation of the most significant (largest) national infrastructure projects, among which are the completion of the "Trakya" and "Hemus" highways. The entity participates and in the construction of the section of Corridor № 10 in Serbia, as well as of a section of the "Ploiesti – Buzau" highway, LOT 2; Mizil – Pietroasele, km 21+000 – km 49+350, in Romania.

Projects for reconstruction and rehabilitation of road networks, as well as of urban infrastructure, including and current repairs and winter maintenance of part of the road network on the territory of the Republic of Bulgaria, of the Republic of Serbia and of the Republic of Romania, form a significant part of the entity's portfolio. The entity has the resources requisite for the implementation and maintenance of a traffic management system, vertical signs and horizontal marking. It has and the technical and human resources to perform emergency response and recovery actions in regions, affected by natural disasters.





Construction of subways (metro);

“Trace Group Hold” PLC has been actively involved in the construction of the “Sofia Metro” since the very beginning of the project. Twelve of the existing metro stations and the adjacent metro lines have been built by “Trace Group Hold” PLC. Currently, the company is executing design and construction activities for a new metro section of the “Sofia Metro Extension Project, Stage III”, with one underground metro station (MS3) and an inter-station ventilation system (VS), which runs under “Vladimir Vazov” Boulevard.





Construction of railway infrastructure and all related facilities – construction of high-speed railway tracks, implementation of innovative railway technology – the Geismar system; Railway substructure and superstructure activities, including:

- Mechanised rehabilitation, reconstruction and new construction of the railway tracks;
- Mechanised laying of a new and dismantling of existing railways;
- Earthworks, rock excavations, bulk works with landscaping and land reclamation, using high-tech equipment and by implementing modern technologies;
- Repair, rehabilitation and construction of new small and large artificial facilities at existing and newly built railways lines;
- Reconstruction of existing, and construction of new, railways stations and stops.

“Trace” is currently implementing several major, large-scale railway projects. It engages in the modernisation of a railway, catenary, signalling and telecommunications at the “Plovdiv” station and the construction of a communication and transport breakthrough under the railway area of the “Plovdiv” station; Design and construction of road overpasses and underpasses in the interstation “Manole – Belozem” and the railway sections “Mihaylovo – Khan Asparuh” and “Bezmer – Chernograd”; Reconstruction of the necks and track development of the “Svoge” station, construction of a new route-computer centralisation and reconstruction of the catenary.

A project for modernisation and rehabilitation of the railway section “Nis – Brestovac”, in the Republic of Serbia, is also in progress.





Construction and maintenance of civil and military airports in accordance with the international standards;

The reconstruction of the "Graf Ignatievo" Airport is an iconic project for the entity – both the project's design and construction were completed simultaneously in just 3 months. New technologies were implemented: production of polymer modified bitumen and laying of polymer modified asphalt concrete, as well as an state-of-the-art lighting system.

Construction of sewerage treatment plants; integrated water cycles; water-mains and eco projects;

The holding focuses its efforts in the water sector on projects for rehabilitation, reconstruction and construction of new water supply and sewerage networks and facilities. This in turn leads to improving the quality of life of the population.

"Trace Group Hold" PLC focuses its efforts in the environmental sector on the implementation of waste management and soil protection projects and sites – plants and facilities for municipal waste disposal, construction of regional municipal solid waste landfills, construction of pre-treatment plants, including such for composting, sorting and waste separation. The entity has the capacity to work on climate change adaptation, prevention and risk management.

"Trace Group Hold" PLC has vast experience in the design and implementation of landslide mitigation and prevention and fortifications, coastal protection and shore protection facilities.

High-rise building, with diversified profile, including energy efficiency projects;

The holding has a team of experts, specialised in the construction of public, industrial, commercial and residential buildings. The subsidiaries of "Trace" have the capacity to build hotel complexes, industrial, residential, commercial and administrative buildings and the adjacent infrastructure.

The "Atana" city complex, located in "Druzhba" Residential District, in Sofia, with a built-up area of 1 372 square meters and a total super built-up area of 32 187,23 square meters is under construction. "ATANA" city complex is modernly and functionally designed, including three residential sections and one office section, with a restaurant, shops, sport facilities and other entertainment facilities. " Trace Properties" EOOD (LTD) is investor under the project, while "Injproekt" OOD (LTD) is the project's designer.





Trade in construction products and supplies

"Trace Group Hold" PLC engages in commercial activities with construction products and materials in order to guarantee the quality of its projects' implementation. The holding has already a stable presence in many commercial niches via its subsidiary "Infra Commerce" EOOD (LTD): white and dark fuel and road bitumen, technical salt, fittings, railway consumables and materials, construction machinery and more.

Production of asphalt mixtures, bitumen emulsion, stone powder. Extraction of aggregates.

"Trace Group Hold" PLC owns asphalt bases (two of which are module-mobile), a plant for the production of polymer modified bitumen, a plant for the production of bitumen emulsion, a plant for the production of stone powder, quarries for aggregates and crushing and sorting plants for the production of stone fractions. The production facilities and warehouses of "Trace Group Hold" PLC are located in key transport and communication centres, allowing the quick and high quality implementation of the projects and sites assigned to the entity.

"Trace" achieves performance results by managing its subsidiaries with extensive experience and thorough knowledge. The entity's offices in Bulgaria are strategically located in the economically significant regions of the country. The entity operates and abroad through its the entities and branches, established in the Republic of Serbia, in the Czech Republic, in North Macedonia, in Romania and in Ukraine. "Trace" manages the production, financial, and human resources, and the group's potential, through its interconnected entities.

The "Trace for People" Foundation, registered at the Ministry of Justice of the Republic of Bulgaria as a non-governmental organisation, acting entirely in public interest, is also part of the Group. The "Trace for People" Foundation is the conduit of the entity's social policy implementation.

"Trace Group Hold" PLC is a member of the:

- Bulgarian Construction Chamber
- Confederation of Employees and Industrialists in Bulgaria (CEIBG)

The entity also participates in the "Bulgarian Forum for Transport Infrastructure" Association.

2. Investment portfolio

Investments in subsidiaries – capital entities

Type	31.12.2022
	Amount
Trace BG EAD (LTD), Bulgaria	100%
Trace Yambol AD (JSC), Bulgaria	99,48%
USM AD (JSC), Bulgaria	98,68%
Trace Properties EOOD (LTD), Bulgaria	100%
Trace Serbia EAD (JSC), Serbia	100%
Infra Commerce EOOD (LTD), Bulgaria	100%
Asphalt Commerce EOOD (LTD), Bulgaria	100%
Trace Mechanization EAD (JSC), Bulgaria	100%
Trace Build EOOD (LTD), Serbia	100%

3. Operating results

Income structure

Revenue, realised in the financial reporting 2022 (excluding finance income) amounts to BGN 145 669 thousand and record a 84,14% increase compared to the same realised in the prior financial reporting period. Revenues includes BGN 135 021 thousands of "revenue from contracts with customers" and BGN 10 648 thousands of "other income".

Type of income	2022 BGN'000	Relative share 2022	2021 BGN'000	Relative share 2021	% change
Revenue from contracts with customers	***135021***	***92,69%***	***67155***	***84,89%*** ▲	***101,06 %***
Revenue, realised under construction contracts	133792	*91,85%*	64773	*81,88%* ▲	***106,56 %***
Revenue from sales of goods	-	*0,00%*	117	*0,15%* ▼	***(100,00)%***
Revenue from sales of services	1229	*0,84%*	2265	*2,86%* ▼	***(45,74)%***
Other income	***10648***	***7,31%***	***11951***	***15,11%*** ▼	***(10,90)%***
Total	**145669**	**100%**	**79106**	**100%** ▲	***84,14 %***

Revenue, realised under construction contracts, amounting to BGN 133 792 thousand, form the most significant share of the group's revenue from contracts with customers and increase by BGN 69 019 thousand (2021: BGN 64 773 thousand). 56,19% of those revenues have been realised within Bulgaria, 22,18% in the Republic of Serbia and 21,63% in the Republic of Romania.

The core projects that formed the revenue from services, rendered under contracts for building and construction works within the Republic of Bulgaria in 2022 are:

1. "Modernisation of the railway, catenary and signalling and telecommunication systems at the "Plovdiv" station and construction of a communication and transport breakthrough under the railway area of the "Plovdiv" station", implemented under the project "Development of the Plovdiv railway junction";
2. Reconstruction of the junctions and track development of the "Svoge" station, construction of a new route-computer centralisation and reconstruction of the contact network
3. Design and construction of a site under project: LOT II – Design and construction of a metro section, from km 3+645,00 to km 2+581,20, with one underground metro station (MS3) and interstation ventilation system (VS "New construction, major repairs, rehabilitation, reconstruction, current repairs of the street network, of Municipal roads, of State roads / subject to a Memorandum of Understanding with the Republic Road Fund Infrastructure/, ongoing repairs and new construction of asphalt pavements on the territory of the Municipality of Stara Zagora"– 2021-2025 TRP ZONE 1 SO/ No. SOA19-DG 55-431_24.06.19
4. Restoration of the design parameters at the "Yastrebovo" station, from km 21+534 to km 22+502, 968, along railway line IX
5. "Repairs of streets and roads, Municipality of Lovech", LOT 1: "Construction, major repairs, reconstruction, rehabilitation of road and street networks, road facilities and technical infrastructure elements for the needs of the Municipality of Lovech" ZOOPARK STARA ZAGORA (transl. STARA ZAGORA ZOO)/ №1980_01.10.2019
6. Construction and installation work under the project: "Reconstruction of the Stara Zagora Zoo"

The core projects that formed the revenue from services, rendered under contracts for building and construction works within the Republic of Serbia in 2022 are:

1. Modernisation and rehabilitation of the railway section "Nis – Brestovac", Republic of Serbia;

2. Heavy maintenance (modernisation) of State Road IB-39, "Babusnica – Svodje" section, from km 25+851 to km 45+385, at length 19+354 km;

3. Business – residential building at the "Panair Leskovac (transl. Leskovac fair)" complex, Leskovac

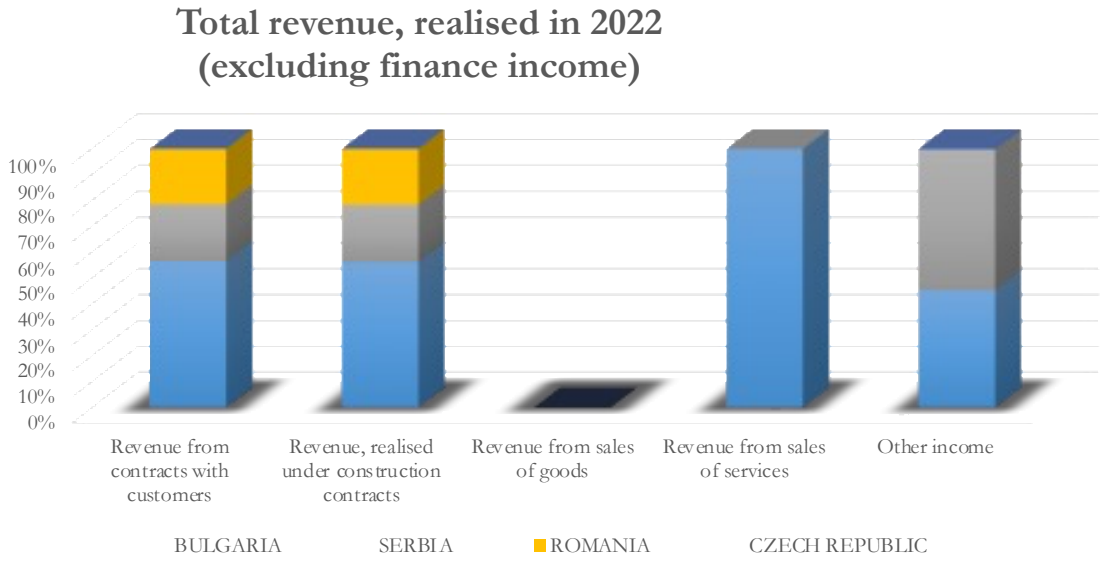
The core projects that formed the revenue from services, rendered under contracts for building and construction works within the Republic of Romania in 2022 are:

1. Ploiesti – Buzau Highway, LOT 2, km 21+000 – 49+350

Revenue from sales of services amount to BGN 1 229 thousand and decrease by 45,74% compared to the same, realised in the comparative (prior) reporting period (2021: BGN 2 265 thousand). Revenue from sales of service have been mainly realised on the territory of the Republic of Bulgaria.

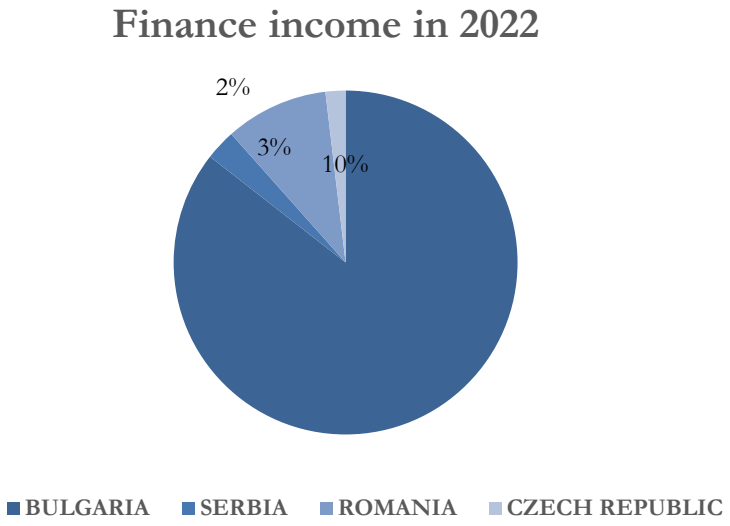
Other income amount to BGN 10 648 thousand and record a 10,90% decrease, compared to those accrued in the prior reporting period (2021: BGN 11 951 thousand). Reversed provisions of obligations under construction contracts in the amount of BGN 6 224 thousand are the most significant revenue under this subgroup, with 88,71% of those being realised by the branch established in the Republic of Serbia. Lease of assets, amounting to BGN 3 346 thousand, are another type of significant revenue. 82,73% of those have been realised within Bulgaria. The holding continues to apply its policy to lease assets.

A "segmentation" analysis conveys that 55,76% of the revenue (excluding finance income) have been realised by the entity, domiciled in Bulgaria, 24,34% by the branch in the Republic of Serbia, 19,88% in the Republic of Romania and 0,02% in the Czech Republic.



Finance income, realised within the reporting period, amount to BGN 5 106 thousand and record a 24,84% increase compared with the same, realised in the comparative (prior reporting) period (31.12.2021: BGN 4 090 thousand). Dividend income, earned from subsidiaries, form the most significant portion of finance income. Such amount to BGN 4 248 thousand and record a 23,78% increase compared with the same, realised in the comparative (prior reporting) period (31.12.2021: BGN 3 432 thousand). Interest income amount to BGN 185 thousand and record a significant decrease compared with the same, realised in the comparative (prior reporting) period (2021: BGN 373 thousand). 59,46 % of those (interest income) have been realised in the Republic of Serbia and the remaining 40,54% - in the Republic of Bulgaria. Foreign exchange gains amount to BGN 671 thousand and are mainly (73, 77%) generated by the branch, domiciled in the Czech Republic as a result of the dynamic fluctuations in the exchange rate of the Czech Kruna to the Bulgarian Leva during the financial reporting year.

A "geographical segmentation" analysis conveys that 85,55% of the finance income have been recognised by the entity, domiciled in Bulgaria, 2,88% by the branch in the Republic of Serbia, 9,69% by the branch in the Czech Republic and 2,35% - in Romania.



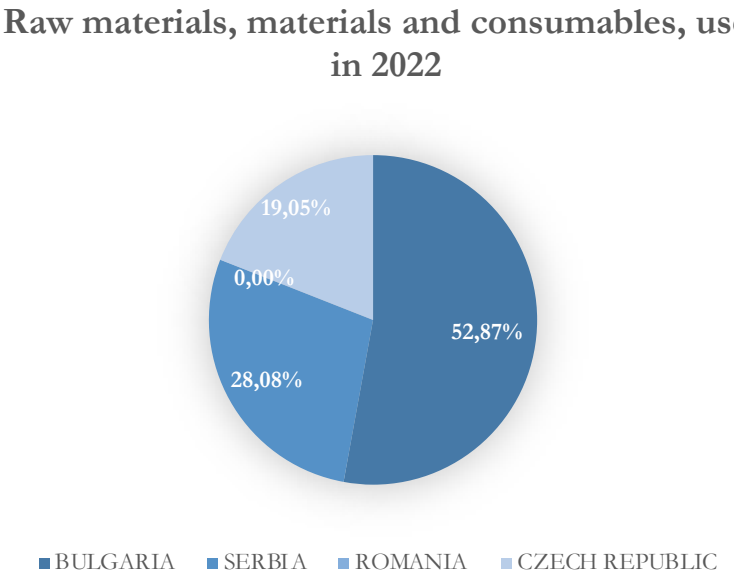
Structure of expenses by nature

Type of expenses	2022 BGN'000	Relative share 2022	2021 BGN'000	Relative share 2021	% change
Expenses by nature					
• Raw materials, materials used	35898	24,60%	10737	13,39% ▲	234,34 %
• Cost of external services	90107	61,74%	51515	64,25% ▲	74,91 %
• Depreciation and amortisation costs	2903	1,99%	2643	3,30% ▲	9,84 %
• Employee benefits (salaries, wages and social ins	10430	7,15%	8337	10,40% ▲	25,10 %
• Impairment losses (on the impairment of assets)	1208	0,83%	4928	6,15% ▼	(75,49)%
• Other costs	5394	3,70%	2019	2,52% ▲	167,16 %
Total	**145940**	**100,00%**	**80179**	**100,00%** ▲	***82,02 %***

Expenses by nature amount to BGN 145 940 thousand in 2022 and record a 82,02% increase compared to the same in the prior reporting period (2021: BGN 80 179 thousand).

Expenses, incurred for raw materials, materials and consumables amount to BGN 35 898 thousand and record a significant increase compared to the same, incurred in the comparable (prior reporting) period (2021: BGN 10 737 thousand). The main reason behind this lies in the recorded increase in the share of the independently implemented construction activities under contracts concluded in Bulgaria and abroad. Direct materials hold the most significant amount (BGN 33 543 thousand). 53,50% of those have been incurred in Bulgaria, 29,22% by the branch in the Republic of Serbia and 17,28% by the branch, established in the Republic of Romania. Cost of fuels and lubricants are an essential element of construction activity and thus they too record a significant increase in the present year (2022: BGN 1 271 thousand; 2021: BGN 141 thousand). Cost of electricity amount to BGN 403 thousand and increase by BGN 319 thousand (2021: BGN 84 thousand). At the same time, the entity has received grants in the form of compensations from its energy (electricity) providers in the amount of BGN 166 thousand. The remaining subgroups of cost of materials do not record any significant changes in their absolute values, compared to their respective amounts, incurred in the prior reporting period. Overall, the increase of the cost of raw materials and materials is related to the increased number of the building and construction works, executed in Bulgaria and abroad. This is and the reason why their relative share in the total expenses by nature increases significantly and reached 24,06% (2021: 13,39% relative share).

A "geographical segmentation" analysis conveys that 52,87% of the cost of raw materials, materials and consumables have been incurred are recognised by the entity, domiciled in Bulgaria, 28,08% by the branch in the Republic of Serbia, and 19,05% - by the entity, established in Romania.

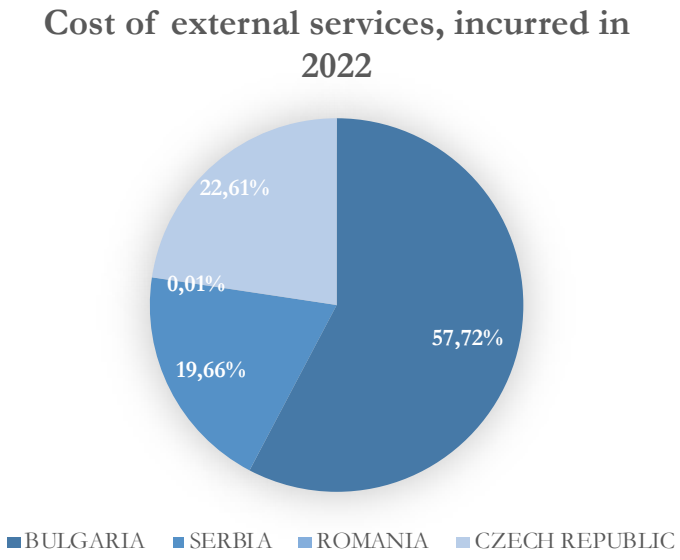


Cost of external services form a significant portion of the expenses by nature. Such amount to BGN 90 107 thousand in the current reporting period and increase by BGN 38 592 thousand in their absolute value, compared to the same incurred in the prior reporting period (2021: BGN 51 515 thousand), while their related share records a decrease of 2,51%. Cost of external services include expenses, incurred in respect of subcontractors, transport rented, repairs, insurance, subscriptions, laboratory tests, design, advertising, consulting and other contracts, security, taxes and fees, and others. Services, rendered by subcontractors amount to BGN 67 500 thousand and represent 74,91% of the total cost of external services. In terms of their absolute value, such record a significant increase of 45,22%, while their relative share in this subgroup records a decrease (2022: 74,91% relative share; 2021: 90,23%). Mechanisation services amount to BGN 9 126 thousand and increase by BGN 8 892 thousand (2021: BGN 234 thousand). The majority of those (69,02%) have been incurred by the branch, established in the Republic of Romania, pursuant to a major infrastructure project, implemented by the branch. Transport service costs mainly refer to transport of construction materials and they too increase by BGN 1 005 thousand (2022: BGN 1 112 thousand; 2021: BGN 107 thousand). Design costs are another cost related with construction and such amount to BGN 1 894 thousand, recording an increase of 16,99% compared to the same incurred in the comparable (prior reporting) period (2021: BGN 1 619 thousand). Laboratory tests, amounting to BGN 769 thousand (2021: BGN 126 thousand) and geodetic services, amounting to BGN 508 thousand (2021: BGN 27 thousand), record a significant increase due to the nature of the construction activities implemented. Insurance costs amount to BGN 1 339 thousand and record a 78,30% increase (2021: BGN 751 thousand). 53,71% of those have been incurred by the branch, established in the Republic of Romania, 34,80% by the entity, domiciled in Bulgaria and the remaining 12,02% - by the branch in the Republic of Serbia. Commission fees, amounting to BGN 3 356 thousand, which have been incurred within the Republic of Romania, consulting costs (BGN 836 thousand), security expenses (BGN 651 thousand) are also part of the cost of external services recognised.

Cost of external services and their change in comparison to the same incurred in the prior reporting period are thoroughly disclosed in the notes to the consolidated financial statements.

A "geographical segmentation" analysis conveys that 57,72% of the cost of external services have been incurred by the entity, domiciled in the Republic of Bulgaria, 19,66% - by the branch in the Republic of Serbia, 22,61% - by the entity established in the Republic of Romania and 0,01% by that established in the Czech Republic.

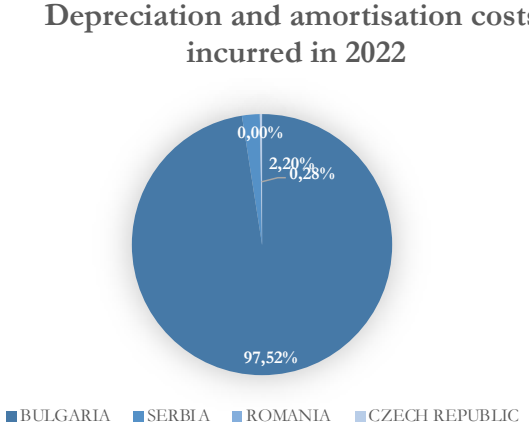
As it is evident from the disclosed data, the cost of external services, incurred by the entity's branches, record an increase in comparison to the same incurred in the prior reporting period. This increase is a result of the commencement of construction activities under newly concluded contracts abroad.



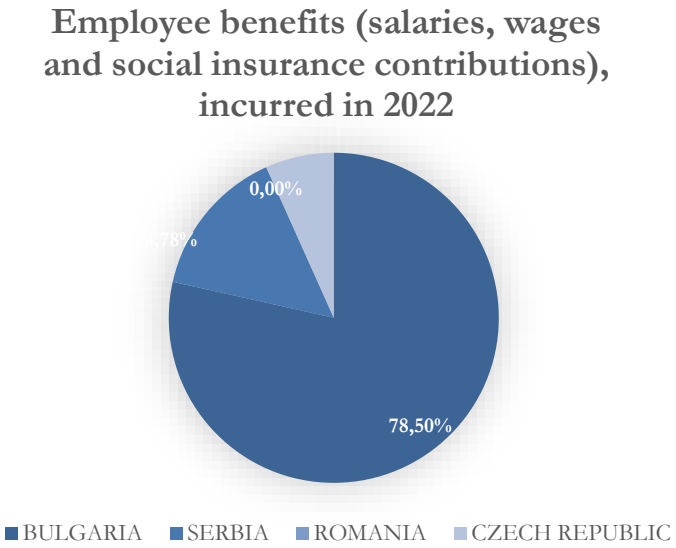
Depreciation costs amount to BGN 2 903 thousand and increase by 9,84% compared to the same incurred in the prior reporting period (2021: BGN 2 643 thousand).BGN 606 thousands of those refer to depreciation of right-of-use assets in accordance with IFRS 16 Leases and BGN 2 297 thousand – to depreciation of the own (entity-owned) assets.

Investments of BGN 1 690 thousand have been made in 2022. BGN 982 thousands of those refer to investments in machinery and equipment, BGN 209 thousand – to investments in transport vehicles, BGN 500 thousand – to investments in furniture and computers. Investments in machinery and equipment relate to the upcoming tunnel construction of the "Sofia Metro". The commencement of new projects abroad necessitates equipping new site offices and teams.

The investment programme of Trace Group Hold PLC in basic machines and mechanisation is mainly executed within Bulgaria and thus the geographical distribution of these costs is as follows: 97,52% incurred within Bulgaria, 2,20% - within the Republic of Serbia and 0,28% - within the Republic of Romania.

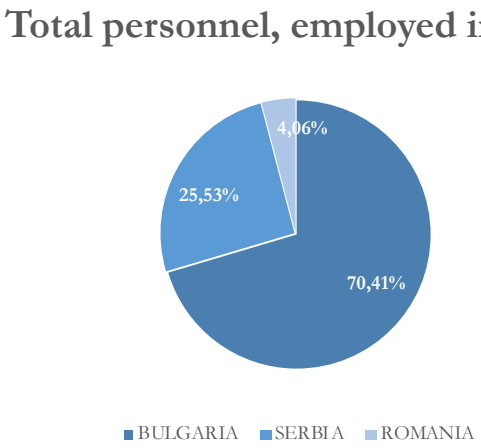


Employee benefits amount to BGN 10 430 thousand and form 7,15% of the expenses by nature. Such increase by 25,10% compared to the prior reporting year (2021: BGN 8 337 thousand). A "geographical segmentation" analysis conveys that 78,50% of the employee benefits have been incurred in Bulgaria, 14,78% - in the Republic of Serbia and 6,71% - in the Republic of Romania.



201 persons were employed at the entity and its branches established abroad at 31.12.2022. The average number of personnel within the period amounts to 172 persons, distributed in the following categories:

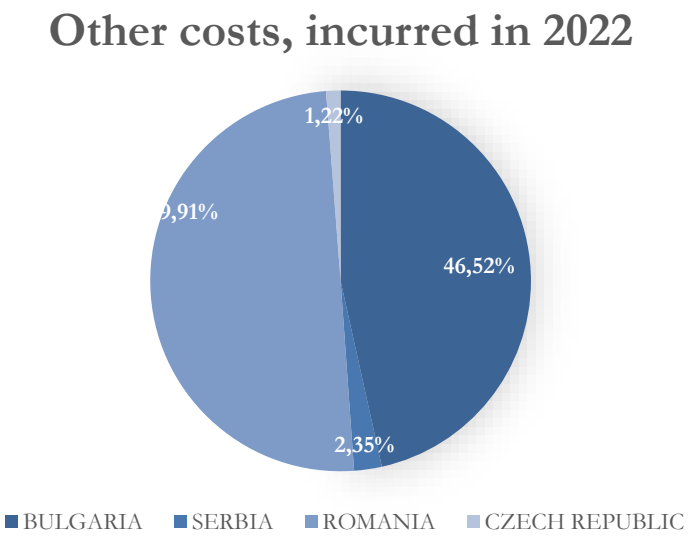
Average number at 31.12.2022				
	TOTAL	BULGARIA	SERBIA	ROMANIA
Average number of personnel, employed within the period	172	121	44	7
Number of workers and employees as at 31.12.2022	201	121	*50*	30
Managers	34	*32*	*1*	1
Analytical experts	62	*41*	*20*	1
Applied experts	42	*20*	*22*	0
Support staff	4	*4*	*0*	0
High-skilled (qualified) workers and employees	19	*0*	*1*	18
Personnel, engaged in the rendering of services	4	*4*	*0*	0
Plant, facilities and machine operators	12	*12*	*0*	0
Low-skilled (unqualified) workers	24	*8*	*6*	10



Losses on the impairment of assets amount to BGN 1 208 thousand and record a decrease of 75,49% compared to the same, incurred in the prior reporting period (2021: BGN 4 928 thousand). Losses on the impairment of assets include BGN 1 000 thousands of losses on the impairment of investments in subsidiaries, BGN 2 thousands of losses on the impairment of receivables and BGN 206 thousands of losses on the impairment of loans (credits). Pursuant to conducted tests on the current financial position and estimates of the future economic benefits that are expected to be obtained, the entity has impaired its investment in Trace BG EAD (LTD), amounting to BGN 1 000 thousand.

Other costs amount to BGN 5 394 thousand and represent 3,70% of the expenses by nature. Such include expenses relating to penalties on commercial transactions and operations (BGN 2 937 thousand); BGN 245 thousands of those have been incurred in Bulgaria and 2 692 thousand – in the Czech Republic, recognised in accordance with a court settlement, concluded with the Prague Airport, Ruzine. Provisions of litigations in Bulgaria, amounting to BGN 739 thousand, were formed during the current reporting year. Cost of business trips in Bulgaria and abroad, at a total amount of BGN 273 thousand, are also included under "other costs". Cost of business trips in Bulgaria and abroad record a significant increase in comparison to the same, incurred in the prior reporting period (2021: BGN 61 thousand) mainly as a result of the expansion of the branches' activities and the fact that different experts from Bulgaria were exported to other locations. Donations, amounting to BGN 905 thousand, are mainly directed to the "Trace for People Foundation" and others, and increase by 49,59% compared to the same, incurred in the comparable (prior reporting) period (2021: BGN 605 thousand).

A "geographical segmentation" analysis conveys that 46,52% of the other costs have been incurred within Bulgaria, 2,35% - within the Republic of Serbia, 1,22 % - within the Republic of Romania and 49,91% - within the Czech Republic.



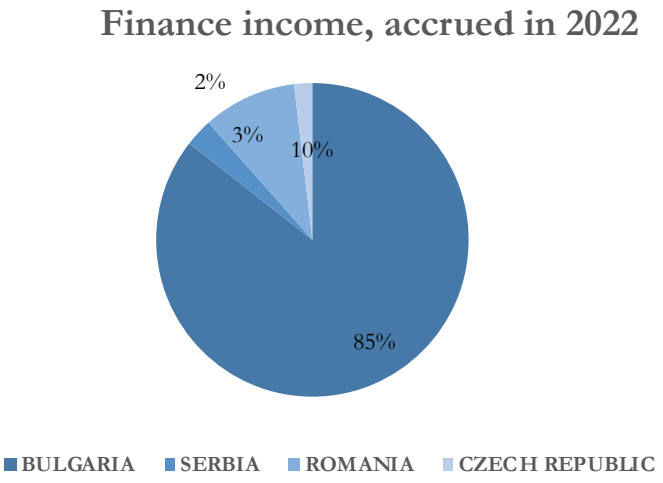
Capitalised costs, amounting to BGN 2 836 thousand, are recognised as allowances. By their nature, such represent costs in the construction of an entity-owned administrative building, located in "Druzhba" Residential District, Sofia.

Finance cost structure

Finance costs amount to BGN 1 605 thousand and record a 13,43 % increase, compared with the same incurred in the comparative (prior reporting) period (31.12.2021: BGN 1 415 thousand). Bank guarantee costs, amounting to BGN 691 thousand, form the most significant share of finance cost (43,05%). 41,10% of those bank guarantee costs have been incurred within Bulgaria and 58,90% - within the Republic of Serbia. Finance costs also include foreign exchange losses, amounting to BGN 522 thousand, which are mainly incurred by the branch in Romania (43,48%), by the branch in the Czech Republic (30,98%), the branch in the Republic of Serbia (19,38%) and in Bulgaria (6,16%). Interest expenses amount to BGN 172 thousand and such have been mainly incurred within Bulgaria (97,09%). 74,42% of those refer to interest, due to banks under investment loans and working capital loans that the entity utilises in Bulgaria. Other finance costs amount to BGN 190 thousand. 85% of those have been incurred within Bulgaria, 18,95% by the branch in the Republic of Serbia. Such include bank fees, fees associated with the servicing of bank credits and others.

Type of finance cost	2022 BGN'000	Relative share 2022	2021 BGN'000	Relative share 2021	% change
Interest expense, including interest expense incurred	***172***	***10,72%***	***142***	***10,04%*** ▲	***21,13 %***
• under commercial loans			3		
• under loans from financial institutions	128		83		
• under leases	40		52		
• under trade payables	-		7		
Losses on transactions in financial instruments	***-***		***12***	***0,85%*** ▼	***(100,00)%***
Foreign exchange losses	***552***	***34,39%***	***456***	***32,23%*** ▲	***21,05 %***
Expenses, related to bank guarantees	***691***	***43,05%***	***501***	***35,41%*** ▲	***37,92 %***
Other finance costs	***190***	***11,84%***	***304***	***21,48%*** ▼	***(37,50)%***
Total	**1605**	**100,00%**	**1415**	**100%** ▲	***13,43 %***

When geographically segmented, 39,81% of the finance costs have been incurred within Bulgaria, 34,51% within the Republic of Serbia, 10,65% within the Czech Republic and 14,95% within the Republic of Romania.



Financial result

To conclude, based on the presented analysis, total income of BGN 150 775 thousand has been realised within the current reporting period and total expense (excluding taxes) of BGN 144 709 thousand have been incurred within the year. The financial results before tax conveys a profit of BGN 6 066 thousand. Tax expenses amount to BGN 959 thousand. The net profit of the entity after taxation amounts to BGN 5 107 thousand.

III. Analysis of financial and non-financial indicators

1. Financial indicators and ratios

The financial position of the entity for the financial reporting 2022 is reflected in the following economic indicators:

№	Indicators	2022	2021	Difference	
		Value	Value	Amount	%
1	Non-current assets (total)	106 862	90 730	16 132	18%
2	Current assets, including	130 414	103 161	27 253	26%
3	Inventories	12 511	2 509	10 002	399%
4	Current receivables	109 424	52 205	57 219	110%
5	Current financial assets	1 996	6 733	(4 737)	-70%
6	Cash and cash equivalents	6 483	41 714	(35 231)	-84%
7	Total assets	237 276	193 891	43 385	22%
8	Equity	136 207	131 568	4 639	4%
9	Financial result	5 107	2 292	2 815	123%
10	Non-current liabilities	10 691	5 672	5 019	88%
11	Current liabilities	90 378	56 651	33 727	60%
12	Total liabilities	101 069	62 323	38 746	62%
13	Total revenue	150 775	83 196	67 579	81%
14	Sales revenue	135 021	67 155	67 866	101%
15	Total expenses	144 709	79 775	64 934	81%

№	Rations	2022	2021	Difference	
		Value	Value	Amount	%
	Profitability:				
1	Return on equity	0.04	0.02	0.02	115%
2	Return on assets	0.02	0.01	0.01	82%
3	Return on liabilities	0.05	0.04	0.01	37%
4	Net profit margin	0.04	0.03	0.00	11%
	Efficiency:				
5	Of costs	1.04	1.04	(0.00)	0%
6	Of income	0.96	0.96	0.00	0%
	Liquidity:				
7	Current ratio	1.44	1.82	(0.38)	-21%
8	Quick ratio	1.30	1.78	(0.47)	-27%
9	Acid test	0.09	0.86	(0.76)	-89%
10	Absolute liquidity	0.07	0.74	(0.66)	-90%
	Financial leverage:				
11	Financial leverage	1.35	2.11	(0.76)	-36%
12	Gearing	0.74	0.47	0.27	57%

Profitability (return) coefficients are subject to investor’s interest as they convey the pace of return on capital. In essence, profitability coefficients reflect the quantitative characteristics of the efficiency of the entity’s sales, equity, assets and liabilities and are computed as a ratio of the financial result to the sales revenue, equity, assets and liabilities, respectively. This is and the reason why such are directly related (depended) to the profit, realised by the entity. The net profit for 2022 amounts to BGN 5 107 thousand and increases by 122,82% compared with the profit, realised in 2021 (2021: BGN 2 292 thousand). Consequently, the profitability ratios increase too. Return on equity is computed at 0,04; return on assets at 0,02; return on liabilities at 0,05; net profit margin – 0,04, decreasing by 0,11 points compared to the prior year.

Efficiency ratios are quantitative characteristics of the interrelation of the entity’s revenues and expenditure. The factor, which mainly influences their alteration is the change in the revenue and expense structure. Based on the current year’s data, the efficiency of cost coefficient amounts to 1,04 and retains its 2021 levels; the same is true for the efficiency of revenue coefficient, which amounts to 0,96.

Liquidity ratios express the entity’s ability to timely settle its debts with the available assets, and present the entity’s ability to convert the readily available assets into liquid such. The current ratio, computed as the ratio of current assets to current liabilities, is levelled to 1,44 and records 0,38 points decrease compared to the same in the comparative period. Typically, it is assumed that at coefficient levels above 1, the risk that the entity will fall into a

state of inability to meet its liabilities is too low. The acid test and absolute liquidity ratios are computed at 0,09 and 0,07, respectively.

Financial leverage coefficient is the ratio of equity to total liabilities. The coefficient is measured at 1,35 and has decreased by 36% in 2022, compared to the same in the prior financial reporting year, due to the fact that the total liabilities increase by 62% and equity increases by just 4%.

Debt ratios show the amount of liabilities, recorded against BGN 1 of equity. The debt ratio is computed as a ratio of total liabilities to total equity. The ratio is calculated to level to 0,74 in 2022, recording an increase of 0,27 points, or 57%, compare to the same in the prior reporting period.

2. Dividends

With the aim of satisfying the shareholders' interest and targeting also reinvestment of the retained profits in order to achieve future growth in the entity's development and increase the price of its shares, the corporate management of "Trace Group Hold" PLC maintains optimal dividend policy. Senior Management strives to take balanced decisions regarding dividends, taking into consideration the available resources, the economic situation and the shareholder's expectations.

The decision for distribution of dividends of "Trace Group Hold" PLC is determined based on what portion of the profits may be distributed, under the form of dividends, without compromising the entity's ability to invest, the latter being defined under the corporate business program for the following year. By a decision of the General Meeting of Shareholders and given the economic situation and the expected difficulties, no dividends from the 2021 profits were distributed in 2022.

3. Corporate Social Responsibility

Environmental protection

"Trace Group Hold" PLC maintains an Integrated Quality Control System, in compliance with the requirements of the international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 39001.

The entity engages in social activities, supporting its principles of protecting the integrity, health, rights and welfare of its employees.

The process control system, affecting the quality, environment, health and safety at work covers: Implementation of projects in Bulgaria, participation in international tenders in Bulgaria and abroad. Construction, maintenance, reconstruction, rehabilitation and awarding of projects: transport infrastructure (roads, highways, airports and rail infrastructure), public utilities infrastructure, hydro technical, water-engineering and environmental landscaping, energy infrastructure, high-rise building construction and the adjoining infrastructure, electronic communications networks and facilities. Consulting and engineering activities. Acquisition and management of interests, and shares, in the capital of entities, based in Bulgaria and abroad.

"Trace Group Hold" PLC applies the international standards for environmental management. The group regards its sustainable development, competitiveness and economic prosperity as closely related to the global efforts for environmental protection.

The Management of "Trace Group Hold" PLC puts efforts to reduce the entity's environmental impact by:

- Efficient use of electricity and heating (energy conservation);
- Waste minimisation;
- Pollution prevention by reducing and minimising harmful air and water emissions;
- Use of new generation techniques and equipment in the execution of the entity's activity;
- Monitoring of air, water and soil pollution;
- Implementation of ERP system for process management and digitalisation;

The corporate governance of "Trace Group Hold" PLC appreciates the importance of preserving the eco balance in nature and pays close attention to the environmental impact of its subsidiaries' production. The holding monitors for events targeting to reduce the harmful effects on the environment that the entities undertake in the course of their activities. All production facilities (crushing plants, asphalt bases, stone powder plants, and others) are provided with filtration systems for capturing toxic exhaust emissions and are complying with the requirements of the control bodies that monitor the environmental protection.

Asphalt mixtures are made using a dry process, without the use of water. Asphalt mixing plants have a highly efficient filtering system that ensures dust collection of dust emissions from exhaust gases, which are subjected to dry purification through an industrial filter. All smokes are absorbed by a powerful aspiration system, pass through a dry dedusting filter and clean exhaust air is released into the atmosphere.

The specialised machinery and trucks meet the European and international standards for environmental protection. Targeting to preserve the eco balance, the entity invests in modern machines and equipment, and aims to introduce innovative productions.

Environmental protection concepts that define the activities for minimising pollution and the harmful effects on the environment are being developed and applied throughout the implementation of all infrastructure projects. The concepts ensure the identification, assessment and management of significant environmental aspects, prevention of environmental pollution in the implementation of the respective public tender. The environmental protection concept complies with the core activities in the project's implementation and the operation of sites at the design, construction and operation stages, namely:

- Approved plan for spatial planning upon land-use change
- Preparation and coordination of the project documentation
- Obtaining building permits
- Realisation of projects and sites
- Putting sites in operation
- Conditions, defined by issued decisions on environmental assessment and / or environmental impact assessment

Procedures are implemented in accordance with the Bulgarian and European environmental legislations, ensuring the prevention of significant negative impacts on the environment and human health in the execution of investment proposals, namely: Environmental assessment of plans and programs with regards to spatial planning and assessment of the environmental impact; Assessment of compatibility with the subject and objectives of preservation of protected areas.

Social corporate activities

The economic dimensions of the responsible social behaviour of "Trace Group Hold" PLC reflect the entity's sustainability in times of crisis, its reputation, better competitive advantage, the attraction of investors.

Through the "Trace for People" Foundation, "Trace Group Hold" supports projects and causes that are in line with the entity's culture, the values that the entity follows and presents to the public. The foundation unites the efforts of all entities within the holding in the field of corporate social responsibility. "Trace" supports and is the initiator of causes that build on the history, culture and Bulgarian spirit. It participates and in educational and sports initiatives and causes

In 2022, "Trace" contributed in upgrading the social and cultural space with the following causes:

In 2022, "Trace" established a special award that is presented to a student, who worthily represents the "Sv. Sv. Kiril and Metodiy" (transl. St. St. Cyril and Methodius) High Scholl, Caribrod. The award is named "Trace – for the power of knowledge". The aforementioned student is nominated by the school teachers and the award is presented to him / her at the end of June, at the official school celebration.

"Trace" continued to support the "Dostoynite Bulgari" (transl. "Worthy Bulgarians") and the "Otlichnitsite na Bulgaria" (transl. "The excellent ones of Bulgaria") initiatives, the "Beroe" Basketball and

Wrestling clubs, the Child and Youth Academy (CYA) of FC "Vereya" in 2022, despite the negative economic consequence of events and the current trends.

4. Presentation of non-financial information

Some entities are obliged to publish non-financial information separately, or as part of annual Management Reports, in compliance with the requirements of Directive 2014/95/EU of the European Parliament on the presentation of non-financial information and the provisions of the Accountancy Act. This requirement is imposed on large enterprises of public interest that at financial year-end (31 December) exceed the criterion of 500 people, employed on average within the entity in the respective financial reporting period (average number of employees criteria). Public interest entities are: public entities and other issuers of securities; credit institutions; financial institutions; insurance and reinsurance, pension insurance companies and the Funds managed by those; investment intermediaries; commercial entities engaging in the production, transmission and sales of electricity and heat; commercial entities engaging in the import, transport, distribution and transition of natural gas; commercial entities that provide water supply, sewerage and telecommunications services; "Bulgarian State Railways" EAD and its subsidiaries.

Entities with net sales revenues of BGN 76 million or more, or with book value of assets of BGN 38 million or more, are defined as large enterprises.

Given the criteria set out in the Accountancy Act, it can be concluded that "Trace Group Hold" PLC does not have an obligation to present non-financial information separately, or as part of the Management Report, as the average number of its personnel within the year does not exceed the 500 employees criteria at 31.12.2022.

IV. Main risks

In the course of its ordinary activities, the entity may be exposed to different financial risks and hence the overall risk management is focused on minimising the potential adverse effects that could impact the financial results.

The entity's activity is influenced by a number of factors, such as the macroeconomic conditions in Bulgaria, the dynamics of the raw material prices, the entity – suppliers relations, any legislative changes, any exchange rates changes and others. In 2022, the entity suffered negative consequences from the increasing, both domestically and on the international arena, prices of electricity and of raw materials.

Inflation risk

Inflation risk refers to the risk of a general rise in prices thus decreasing the value of money, and households and companies potentially suffering losses. The macroeconomic forecasts of the ECB experts, dated December 2022, provide for an annual inflation of 5.3% on average in 2023, 2.9% in 2024 and 2.1% in 2025 – forecasts that are significantly higher than the previously quoted ones. General inflation is expected to decrease below 10,0% in the fourth quarter of 2022 to reach 2,8% in the fourth quarter of 2023; to level to approximately 3,0% in 2024 and then to decrease to the targeted levels of 2,0% by the third quarter of 2025.

Political risk

Political risk refers to the possibility of serious internal political shocks, leading to a negative change in the government's economic program and its economic development priorities, as a result of which the environment in which entities operate will adversely change and investors will suffer losses. In 2022, early elections for an Ordinary National Assembly were once again held in Bulgaria. As a result, the country was governed for a fairly short time by a regularly appointed Cabinet and predominantly – by a caretaker Government. The international political risks for Bulgaria related to commitments made to implement serious structural reforms in the country, as an equal (in rights) member of the EU, to increase social stability, reduce inefficient spending, on the one hand, and the strong destabilisation of the Middle East countries, the increasing threat of terrorist attacks in Europe, the refugee waves and the instability of key countries in the immediate vicinity of Bulgaria, on the other. Bulgaria,

similar to other EU member states in the region, continues to be severely affected by the pan-European problem of intensive refugee flows from the Middle East. Other factors that also affect this risk are the potential legislative changes, in particular those concerning the economic and investment climate in the country. The geopolitical situation in the region has been further complicated by the development of the Russian-Ukrainian crisis, after Russia recognised the independence of the two breakaway regions in eastern Ukraine and sent military forces to Ukraine, with the US and EU imposing economic sanctions on Russia as a response to the latter's actions. It is currently not possible to assess this risk for the Entity in absolute value, as the business activity is not directly focused on neither the Russian, nor the Ukrainian market. Nonetheless, the crisis does indirectly impact the activities. Sanctions against Russia have caused fuel prices to rise, which in turn reflects on commodity prices.

Credit risk

In the course of its ordinary activity, the entity is exposed to credit risk. Credit risk is related to the risk that some of its counterparties will not be in a position to meet their obligations wholly and in the normally expected time periods.

The financial assets of the entity are concentrated in three groups: Cash and Receivables from customers, financial assets – loans granted.

The entity regularly monitors for the non-settlement of liabilities by its customers and other counterparties, established individually or collectively, and uses such information to control the credit risk. Credit rating data is obtained from external sources and / or from the financial statements of customers, and of other counterparties, is gathered and used when the costs to do so are not too high. The Entity's policy is to only engage in transactions with counterparties, who have a good credit rating.

The entity's cash and cash at banks (current accounts) are concentrated in the following banks: "UniCredit Bulbank" AD, "DSK Bank" AD, "UBB" AD. The Management believes that the entity is not exposed to such a risk as long as the servicing banks maintain stable liquidity.

Liquidity risk

Liquidity risk is expressed as the adverse situation where the entity will not be in a position to unconditionally meet all its obligations upon their maturity. A conservative liquidity management policy is applied in order to constantly maintain optimal cash liquidity and a good ability to finance its economic activities. The maturity and timely payment are monitored by the Financial-Accounting Department, on a current basis, while maintaining the necessary information on the available cash and pending payments.

Interest risk

Interest risk is related to possible, potential, negative changes in the interest levels, quoted by financial institutions domiciled in the Republic of Bulgaria. The level of ECB's key interest rates and its benchmark for interest rates increased significantly in 2022 in order to mainly control inflation. Nonetheless, this trend is expected to be delayed.

Interest risk is the risk that the fair value or the future cash flows of the financial assets and liabilities, held by the entity, will vary as a result of fluctuations in the market interest rates.

Overall, the interest-bearing financial assets and liabilities, representing finance leases receivables and payables, and loans obtained or granted, form a significant portion of the Entity's assets and liabilities structure.

Currency risk

The entity is exposed to currency risk in so far as all branches operate in countries, the national currencies of which are not pegged to the BGN – namely Serbian Dinars, Czech Crones, Romanian Leu. Nerveless, the majority of the entity's transactions and operations are primarily conducted in Bulgarian Leva and / or Euro.

V. Significant events after the reporting period

The following significant events occurred after the reporting period and before the financial statements were authorised for issue:

- On 06.01.2023, "Trace Group Hold" PLC concluded an Agreement for the awarding of a public tender with subject: "New construction, major repairs, rehabilitation, reconstruction, current repairs of the street network, of Municipal roads, of State roads / subject to a Memorandum of Understanding with the Republic Road Fund Infrastructure/, ongoing repairs and new construction of asphalt pavements on the territory of the Municipality of Stara Zagora". The contract is valued at BGN 25 000 000, exclusive of VAT. The term of the Agreement is 3 (three) years.

- On 16.01.2022, "OPALCHENSKA" ALLIANCE, with TRACE GROUP HOLD PLC as its leading partner, concluded a contract for the awarding of a public tender with subject: Reconstruction of "Opalchenska" Str, from "Todor Aleksandrov" Blvd. to "Slivnitsa" Blvd. The contract is values at BGN 12 143 702,96. The term of the Agreement is 225 calendar days.

- On 23.02.2022, "GARA PLISKA" ALLIANCE, with "Trace Group Hold" PLC as its leading partner, concluded a contract for the awarding of a public tender with subject: "Restoration of the project parameters at Gara Pliska (transl. "Pliska" station), from km 129+040 to km 130+190, at length 1 150 meters, along the IX railway line". The contract is valued at BGN 11 764 506,96, exclusive of VAT. The term of the Agreement is 216 (two hundred and sixteen) calendar days.

- "Trace Group Hold" PLC registered a branch in the General E-Commercial Registry of Greece on 03.03.203. The newly established entity was registered with regards to the implementation of upcoming infrastructure projects and was entered at the General E-Commercial Registry with the following identification data:

TRACE GROUP HOLD PLC GREECE BRANCH

Address of registered office: 350, "Singrou" Blvd., 17674, Athens

Unique Registration Code: 347386, dated 03.03.2023

Serial number at the Commercial Registry: 169177801001, dated 03.03.2023

European Unique Identifier (EUID) ELGEMI.169177801001

Principal activity: road construction, construction of highways, construction of residential buildings and projects.

VI. Future opportunities and development

"Trace Group Hold" PLC shall continue to strengthen its market positions, both domestically and in the countries in which it operates, by retaining and developing the entity's human resources.

In Bulgaria, the entity will participate in tenders for the implementation of infrastructure projects, included in the program period of the Operational Programs of the European Union with an emphasis on: railway and road construction; subway (metro) construction, water sector, waste depots and dumping grounds, Public works and community development procedures, co-financed by the State budget and European programs; High-rise construction projects and projects for rehabilitation of buildings, targeting to improve their energy efficiency;

Initiatives with private investors with an interest in infrastructure, logistics and industrial construction, as well as in public – private projects.

High-rise construction shall continue to be of great importance within the structure, both as an investment and operational activity. The modern, functional "Atana" city complex, located in "Druzhba" Residential District, Sofia, is under construction. In the short term, the Holding intends to participate in the construction of residential, administrative and office buildings in Bulgaria and in the other countries, where the group is established.

"Trace Group Hold" PLC strengthened its position in the field of road maintenance in Serbia, in particular – maintenance and rehabilitation of road infrastructure in the South-Eastern parts in Serbia. In 2022, the entity continued its solid establishment within the railway construction sector in Serbia and it is currently continuing with the implementation of the project of rehabilitating a large section of the "Nis – Brestovac" railway line. A contract for the rehabilitation of the railway section from Nis to Dimitrovgrad (Caribrod) was concluded towards the end of the year. Other than the road and railway infrastructure sector, the entity intents to enter the high-rise construction sector. The construction of a multiple-purpose-use building in Belgrade, Serbia, is expected to begin soon; activities under this project that were delayed by heavy administrative procedures.

The initiatives to penetrate the market in the neighbouring Romania are successfully developing too. The entity has already signed a construction contract for the construction of a section of the "Ploiesti – Buzau" Highway. The entity continues to look into opportunities to participate in future tender procedures for infrastructure projects in Romania.

The international division of the holding shall continue to research the Central and East European markets.

VII. Research and Development

The entity does not engage in any Research and Development.

VIII. Information, disclosed in accordance with the provisions of the Commercial Act

1. Treasury shares. Share repurchases

The decision and terms to repurchase own shares of the entity's capital (treasury shares) was taken on the grounds of Art. 187b of the Commercial Act, Art. 111, paragraph 5 and paragraph 6 of the Public Offering of Securities Act and pursuant to a decision of the General Meeting of Shareholders, held on 26.06.2019. After the completion of the first procedure on 31.12.2021, the Managing Board of "Trace Group Hold" PLC announced the start of the next procedure under the same conditions and new parameters for its term:

- Number of shares, subject to repurchase – up to 2.07% of the capital or up to 500 000 (five hundred thousand) shares.
- Date of commencement of the repurchase procedure – 06.01.2022.
- Deadline to complete the repurchase, including and payment of the treasury shares – 26.06.2024, as of 06.01.2022.

The procedure to repurchase shall be terminated as successfully completed upon the exhaustion of the specified number of shares, namely if the entity repurchases 500 000 (five hundred thousand) shares.

"Trace Group Hold" PLC holds a total of 6 279 treasury shares at 31.12.2022.

2. Information on the members of the Supervisory Board and the Managing Board

"Trace Group Hold" PLC is managed by a Supervisory Board and a Managing Board under a two-tier management system.

The Supervisory Board consists of:
Nikolay Ganchev Mihaylov – Chairman of the SB
Manol Peychev Denev – Member of the SB
Mariela Ivanova Rounteva – Independent Member of the SB
The Managing Board consists of:
Desislava Ivanova Lyubenova – Chairman of the MB
Boyan Stoyanov Delchev – Member of the MB and Executive Director
Rositsa Yordanova Dineva – Georgieva – Member of the MB
The Supervisory and Managing Boards have a term of office until 2025.

The Supervisory Board establishes and controls the entity's strategic development guidelines, it provides guidance in defining the vision and controls their implementation. It provides guidance to the Managing Board in the establishment of a risk management system, including internal control and internal audit, the financial information system and controls their operations. It controls the regulatory compliance, stipulated in the entity's statutes. The Supervisory Board treats equally all shareholders and works to protect their interests. The Supervisory Board appoints and controls the entity's Managing Board.

The Managing Board of "Trace Group Hold" PLC manages the Entity in an independent and responsible manner, in accordance with the established vision, objectives, corporate strategies and in consideration of the shareholders' interests. It coordinates its activities, related with the business plan of the Entity, the transactions of a substantial nature, as well as other activities established in its statutes, with the Supervisory Board. The Managing Board has defined and monitors for compliance with the Entity's disclosure policy and the investor relations policy. It provides shareholders with the required information, in the time and format defined under the Entity's statutes. During their term of office, the members of the Managing Board are guided by their generally accepted principles of integrity and managerial and professional competence. The Managing Board adheres to the Code of Ethics.

Information on the purchase and ownership of the entity's shares by members of the Managing Bodies.

	Number of shares	Value	% share
Nikolay Ganchev Mihaylov	16 276 755	16 276 755	67.26%
Desislava Ivanova Lyubenova	1 202 056	1 202 056	4.97%

No privileges or exclusive rights to acquire entity's shares and bonds are provided for the members of the Managing Bodies.

The members of the Managing Bodies are not involved as general partners (unlimited liable partners) in commercial entities, other than in the entities, presented in the table hereafter.

The tables hereafter provide information on the interests of the members of the SB and the MB in the management of other entities and information on the held by them more than 25% of the capital of other entities.

Supervisory Board

Entity	Nikolay Mihaylov	Manol Denev
"Trace Group Hold" PLC	Chairman of the SB, holding 67.26% of the entity's capital	Deputy Chairman of the SB
"Galini" EOOD (LTD)	Sole owner and Manager	
"Galini – N" EOOD (LTD)	Sole owner and Manager	
"Injproekt" OOD (LTD)	Holds indirectly over 25% of the entity's capital	
Trace Group Hold PLC – Prague branch	Holds indirectly over 25% of the entity's capital	Manager
Trace Group Hold PLC – Kiev branch	Holds indirectly over 25% of the entity's capital	Manager
Trace Group Hold PLC – Skopje branch	Holds indirectly over 25% of the entity's capital	
Trace Group Hold PLC – Belgrade branch	Holds indirectly over 25% of the entity's capital	
Trace Group Hold PLC – Bucharest branch	Holds indirectly over 25% of the entity's capital	
"New Alliance" OOD (LTD)	Holds directly over 25% of the entity's capital	
"Infra Commerce" EOOD (LTD)	Holds indirectly over 25% of the entity's capital	
"Trace Properties" EOOD (LTD)	Holds indirectly over 25% of the entity's capital	
"USM" AD (JSC)	Holds indirectly over 25% of the entity's capital	
"Trace Mechanization" EAD (JSC)	Holds indirectly over 25% of the entity's capital	
"Trace BG" EOOD (LTD)	Holds indirectly over 25% of the entity's capital	
"Trace Yambol" AD (JSC)	Holds indirectly over 25% of the entity's capital	
"Asphalt Commerce" EOOD (LTD)	Holds indirectly over 25% of the entity's capital	
"Trace Serbia" EAD (JSC)	Holds indirectly over 25% of the entity's capital	
"Trace Build" EOOD (LTD)	Holds indirectly over 25% of the entity's capital	

Managing Board

Entity	Desislava Lyubenova
"Trace Group Hold" PLC	Chairman of the MB
SBAL "Grabnachen centar (transl. Specialised Hospital for Active Treatment "Spinal Centre")	Holds over 25% of the entity's capital; Executive Director
"Trace for People" Foundation	Executive Director
Novita AD (JSC)	Holds directly over 25% of the entity's capital
Bordoni EOOD (LTD)	Holds directly over 25% of the entity's capital
Aero plaza AD (JSC)	Holds directly over 25% of the entity's capital
Diginalitics OOD (LTD)	Holds directly over 25% of the entity's capital
Road design AD (JSC)	Holds directly over 25% of the entity's capital
Lepitsa Land OOD (LTD)	Holds directly over 25% of the entity's capital
Krameks AD (JSC)	Holds directly over 25% of the entity's capital
Treskavets OOD (LTD)	Holds directly over 25% of the entity's capital
Himik AD (JSC)	Holds directly over 25% of the entity's capital
Evilard Bulgaria EOOD (LTD)	Holds indirectly over 25% of the entity's capital
Sintermetali EOOD (LTD)	Holds indirectly over 25% of the entity's capital

IX. Corporate Governance Statement pursuant to Art. 100 n, paragraph 8, in conjunction with paragraph 7, item 1 of POSA

The Statement is disclosed in a separate Annex to the Management Report.

X. Additional information under Annex 2 of Ordinance №2 of the Financial Supervision Commission

1. Information, presented quantitative and qualitative wise, regarding the main categories of goods, products and / or rendered services, stating their share in the revenue from sales of the issuer as a whole and the changes, which incurred during the financial reporting period.

Information on the services rendered is disclosed under section II, 3. Operating results.

2. Information on the revenue, allocated to the different categories of activities, internal and external markets, as well as information on the sources for the supply of materials, required in the production of goods, or in the rendering of services, reflecting the degree of dependency of the separate seller and buyer / user, and information on each person, separately, on his / her share in the sales or purchases and his relation to the issuer, in the cases where the relative share of any of those exceeds 10 per cent of the costs of sales or the sales income:

Information on the revenue allocation per categories of activities and markets is disclosed under section II, 3. Operating results.

Sofia Municipality, "Metropolitan" EAD , Stara Zagora Municipality, Nationalna Kompania Zhelezopatna infrastruktura (transl. National Railway Infrastructure Company), the Ministry of Finance of the Republic of Servia, "Koridori Srbije" d.o.o., J.P. "Putevi Srbije" Beograd, CNAIR Romania (National Company for Management of Road Infrastructure, Romania) are the entity's leading clients.

The contracts for building and construction works, concluded with the disclosed assignors, have been signed by the Entity, its branches and companies under the Law on Obligations and Contracts in which Trace Group Hold PLC is a leading partner and alliance leader.

"Infra Commerce" EOOD (LTD), "Asphalt Commerce" EOOD (LTD), "Transport story" AD, "Hidrobeton" OOD (LTD), HSV doo, Millennium Team are the entity's main suppliers of materials in 2022.

3. Information on significant agreements concluded.

The following construction contracts that are significant to the activities of "Trace Group Hold" PLC, were concluded in 2022:

- Engineering – design and construction of a site under project: Construction of a sewerage network in "Dragalevtsi" district, "Vitosha" region. The activities under the contract are valued at BGN 34 590 700,00 exclusive of VAT. The deadline to complete the project is 198 calendar days. The Municipality of Sofia is the contracting authority. The project is financed by the Operational Program "Environment 2014-2020", co-financed by the European Union through the European Structural and Investment Funds. "Dragalevtsi 2021" Alliance, whereby "Trace Group Hold" PLC and "Bulstroy – Montazhi" EOOD (LTD) are partners, is appointed as executor under the project.

- Construction of a business - residential building, located at the "Panair Leskovac (transl. Leskovac fair)" complex, Leskovac, Republic of Serbia. The contract activities are valued at EUR 5 861 093, exclusive of VAT. The deadline for the project's execution is 10 months. LESKOVAČKI SAJAM d.o.o. Leskovac is the contracting authority under the project and "Trace Group Hold" PLC –Belgrade branch is appointed as executor.

- Implementation of construction works on the "Ploiesti – Buzau" Highway, LOT 2: "Mizil – Pietroasele" km 21+000 – km 49+350, Romania. The section is 28.35 km long and includes the construction of 20 bridge structures. The contract activities are valued at 1 249 994 527 Romanian lei, exclusive of VAT. The implementation period is 20 months. CNAIR S.A. (National Road Infrastructure Management Company, Romania) is the contracting authority under the project and "Trace Group Hold" PLC implements the project together with the Romanian company SC CONI SRL.

- Construction, restoration and renovation of public areas in the central part of Sofia, under LOT 2 – Construction, restoration and renovation of public areas in the central part of Sofia – Zone 4, in implementation of the project "Construction, restoration and renovation of the public areas in the central part of Sofia", under the Operational Program "Regions in Development" 2014 - 2020. The activities under the contract are valued at BGN 16 572 892,06, exclusive of VAT. The contract's term (deadline) is 300 calendar days. The Municipality of Sofia is the contracting authority.

- Construction – installation works on: Road II-56 "p.v. Skobeleva Maika" – Road II-86 (south-eastern bypass of the city of Plovdiv), bringing the project from design gauge G10.50 to gauge G20 on the section from km 98+000 to km 102+820". The activities, implemented under the contract are valued at BGN 34 525 000,48,

exclusive of VAT. The implementation deadline is 18 months. The "Road Infrastructure" Agency is the contracting authority.

- Consortium partners CONSORZIO ARMATORI FERROVIARI S.C.p.A, Italy and START-ENGINEERING AD, Republic of Bulgaria and "Trace Group Hold" PLC as the leading partner, concluded an agreement for "Reconstruction and modernisation of the "Nis-Dimitrovgrad" railway line – "Prosek (Sichevo) – Dimitrovgrad" section, Reference number: EIB-GtP/ 1/2021/3.3" on 12.10.2022. The activities, implemented under the contract, are valued at EUR 169 681 433,21 euros, exclusive of VAT. The implementation deadline is 1276 calendar days. Joint stock company for public railway infrastructure management: "Serbian Railways Infrastructure" JSC, Nemanjina street 6, 11000 Belgrade, Serbia is the contracting authority.

- "PODDARZHANE (transl. MAINTENANCE) 2022" – a Company under the Law on Obligations and Contracts, whereby "Trace Group Hold" PLC is leading partner and "Trace BG" EOOD (LTD) is a partner, concluded two contracts with the Contracting Authority Road Infrastructure Agency on 28.10.2022, namely:

- Contract for the awarding of a public tender, with the subject: "Determining a contractor to perform winter maintenance and restoration work in emergency situations on the national roads, located in the territory of the SOUTH-EAST REGION, for LOTs: LOT 3 - RRM STARA ZAGORA, valued at BGN 10 264 370 (ten million two hundred sixty-four thousand three hundred and seventy Bulgarian Leva). The term of the Agreement is 7 months.

- Contract for the awarding of a public tender, with the subject: "Determining a contractor to perform winter maintenance and restoration work in emergency situations on the national roads, located in the territory of the SOUTH-EAST REGION, for LOTs: LOT 4 - RRM YAMBOL, valued at BGN 5 323 717 (five million three hundred and twenty-three thousand seven hundred and seventeen Bulgarian Leva). The term of the Agreement is 7 months.

- Contract, concluded with the contracting authority "Sveti Velikomachenik Georgi Pobedonosets" (transl. "Saint Great Martyr George the Victorious") Monastery, with subject: "Implementation of the CRR and BCW on: "Kremikovsky Monastery – the spiritual centre of the Sofia Holy Mountain" in the amount of BGN 8 785 124,49. The deadline for implementation is 320 calendar days.

- Contract for the awarding of a public tender with the subject: Design and construction of a section of the third metro line, from "Shapka" Str., through "Slatina" residential district, to "Tsarigradsko Shose" Blvd., with six metro stations, under LOTs:

LOT 2 – Design and construction of a metro section from km. 1+904,00 to km 3+460,00 with two underground metro stations (MS3 and MS4) and an interstation ventilation system, valued at BGN 75 055 777,65, exclusive of VAT. The contract's term is 48 months.

- Contract for the awarding of a public tender with the subject: Design and construction of a section of the third metro line, from "Shapka" Str., through "Slatina" residential district, to "Tsarigradsko Shose" Blvd., with six metro stations, under LOTs:

LOT 1 – Design and construction of a metro section from km. 0+000,00 to km 1+904,00 with two underground metro stations (MS1 and MS2) and an interstation ventilation system, valued at BGN 93 333 377,75, exclusive of VAT. The contract's term is 48 months.

4. Information on the transactions, concluded by and between "Trace Group Hold" PLC and related parties within the current reporting period, proposals to conclude such transactions, as well

as transactions that fall outside the scope of its ordinary activity or significantly deviate from the market conditions under which the issuer, or its subsidiary, is a party, indicating the value of the transactions, the nature of connectivity and any information, necessary to assess the impact on the issuer's financial condition.

Information on related party transactions is disclosed in the explanatory notes to the annual separate financial statements for 2022, under "Other disclosures", "Related party transactions and balances" note.

There are no transactions that fall outside the scope of the entity's ordinary activities, or transactions that deviate significantly from market conditions to which "Trace Group Hold" PLC, or any of its subsidiaries, is a party.

5. Information on events and indicators, of unusual for "Trace Group Hold" PLC nature, having significant impact on its business activities, and the realised by such revenues and expenses incurred; assessment of their impact on the current year's results.

The challenges that all economic sectors have faced over the past two years as a result of the restrictions imposed pursuant to the world-wide spread of COVID-19 pandemic began to subside; but then military operations began in Ukraine and the consequence were both unexpected and complex. The economy continued to be in a crisis, cash flows were destabilised. The crisis further deepened in 2022, with inflation affecting the price levels of direct material. The deteriorating economic situation has had a negative impact on the investment projects of "Trace", both in Bulgaria and in Serbia. The expected efficiency was not achieved. The launch of major (large) projects was delayed and the deadlines for conducting tender procedures was postponed. Contracts under tenders, awarded in 2021, were concluded at the end of 2022, or in some cases – even in the beginning of 2023.

Funds, allocated to infrastructure, have declined in the last two years as much of the unutilised funds under the European Structural and Investment Funds have been diverted to measures, aiming to tackle other issues.

The opportunities for the achievement of the set goals and strategy of the entity were also influenced by the political situation in Bulgaria. Early elections for Ordinary National Assembly were once again held in Bulgaria in 2022. As a result, the country was governed predominantly by a caretaker Government. This led to delays in the approval of new operational programs, as well as a lack of large, state-funded infrastructure projects.

This was followed by a significant increase in the prices of fuels and raw materials on the global market-place, resulting to financial losses and accelerated inflation. Bitumen, fuels and steel are direct materials and raw materials for the activity of "Trace Group Hold" PLC. At the end of 2022, the prices of those materials have not recorded a significant increase, compared to the same at beginning of the year. This is illustrated in the tables below, without though such indicating the high price levels that were maintained throughout:

Change in the prices of direct materials and raw materials, requisite in the activities of "Trace" in Bulgaria

Material / Raw material	Price	Jan.22	Dec.22	% change compared to 01.2022	Feb.23	% change compared to 01.2022
Bitumen 50/70	BGN / t.	954,68	866,68	-9,22	923,75	-3,24
Bitumen-cationic emulsion	BGN / t.	950	950	0	1150	21,05
Diesel	BGN / t.	1,94	2,33	20,10	2,13	9,79
Rebar	BGN / t.	1660	1625	-2,11	1610	-3,01

Change in the prices of direct materials and raw materials, requisite in the activities of "Trace" in Serbia

Material / Raw material	Price	Jan.22	Dec.22	% change compared to 01.2022	Feb.23	% change compared to 01.2022
Bitumen	BGN./kg	960	1 100	14,58	950	-1,04
Diesel	BGN./l.	2,17	2,79	28,57	2,63	21,20

In the case of bitumen – a direct raw material in road construction –we see a price decrease of nearly 9% at the end of 2022 in Bulgaria, compared to price of the latter in January of the same year. In the first two months of 2023, the price nearly reached its January 2022 levels. The price increase of diesel was even greater – an increase of over 20% at the end 2022 and an increase of approximately 10% at the end of February 2023, compared to the same in January 2022.

The situation in Serbia is similar to the above described. The price of bitumen increased by 15% at the end of December 2022, compared to the same in January 2022; that of diesel – by nearly 30%, and at the end of February the increase exceeded 20%.

As a result of the recorded increases in the prices of fuels and direct materials, the entity records a significant increase in the cost of materials in 2022.

6. Information on transactions, carried off-balance sheet – nature and business purpose –, indicating the financial impact of transactions on the activities, if the risks and benefits of these transactions are material to the issuer and if the disclosure of such information is significant for the assessment of the issuer's financial position.

No transactions were carried off-balance sheet in 2022.

7. Information on the interests of "Trace Group Hold" PLC. Information on its major investments in Bulgaria and abroad (in securities, financial instruments, intangible assets and property), as well as investments in equity securities, other than within its economic group as per the meaning of the Accountancy Act and the sources / methods of financing these investments.

"Trace Group Hold" PLC invests mainly in securities and equity interests in Bulgarian and foreign entities, as well as in real estate.

Investments in subsidiaries – capital entities

Type	31.12.2022
	Volume
Trace BG EAD (LTD), Bulgaria	100.00%
Trace Properties EOOD (LTD), Bulgaria	100.00%
Trace Serbia EAD (JSC), Serbia	100.00%
Infra Commerce EOOD (LTD), Bulgaria	100.00%
Asphalt Commerce EOOD (LTD), Bulgaria	
Trace Yambol AS (JSC), Bulgaria	99.48%
USM AD (JSC), Bulgaria	99.69%
Trace Mechanization EAD (JSC)	100.00%
Trace Build EOOD (LTD), Serbia	100.00%

The following changes in the shareholding interest of "Trace Group Hold" PLC occurred in 2022:

"Trace Group Hold" PLC sold its treasury shares, representing 60% of the capital of "Aria Residence" OOD (LTD) on 07.10.2022. "Tereks Investments" OOD (LTD), an unrelated entity registered in the Commercial Registry under UIC 206222732, was the acquirer under the aforementioned transaction. The transaction was valued at 600 (six hundred) Bulgarian Leva.

8. Information on the contracts, concluded by "Trace Group Hold" PLC, its subsidiaries, in their capacity of creditors. Information on the credit agreements, disclosing the agreements' specific terms and conditions, including and the maturity of each agreement, as well as information on the placed

guarantees and the undertaken commitments.

Loans (credits) obtained by "Trace Group Hold" PLC

	Type of loan (credit)	Amount/ BGN' 000/	Unpaid and outstanding principal / Utilised limit at 31.12.2022 /BGN' 000/	Repayment / Utilisation term	Interest rate %	Security
UniCredit Bulbank AD	Bank guarantees	65 000	24 024	03.09.2037	0,70%	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts, cash
UniCredit Bulbank AD	Revolving	13 000	0	02.08.2023	1 m. ADI + 2,95%	Mortgages, pledges of non-current tangible asset, pledges of receivables, pledges of accounts
UniCredit Bulbank AD	Bank guarantees	13 000	0	02.02.2029	0,70%	Mortgages, pledges of non-current tangible asset, pledges of receivables, pledges of accounts
UniCredit Bulbank AD	Bank guarantees	4 890	0	29.03.2029	1,00%	Mortgages, pledges of accounts
DSK Bank AD	Bank guarantees	5 868	1 252	28.02.2034	1,20%	Mortgages, pledges of non-current tangible asset, pledges of receivables, pledges of accounts
DSK Bank AD	Investment	5 000	1 904	25.06.2025	1m.Euribor + 2,869%	Mortgage, pledge of receivables, pledge of an account
DSK Bank AD (Expressbank AD)	Bank guarantees	2 058	2 058	17.02.2036	1,20%	Mortgages, pledges of non-current tangible asset, pledges of receivables, pledges of accounts, cash
UBB AD	Bank guarantees	17 000	11 886	30.09.2028	0,70%	Mortgages, pledges of non-current tangible asset, pledges of receivables, pledges of accounts
UBB AD	Revolving	3 000	0	30.09.2023	1m.RIR+2. % BGN /1m. Euribor+2. 5% EUR	Mortgages, pledges of non-current tangible asset, pledges of receivables, pledges of accounts

UBB AD	Bank guarantees	3 000	0	30.09.2028	0,70%	Mortgages, pledges of non-current tangible asset, pledges of receivables, pledges of accounts
UBB AD	Investment	900	118	20.10.2023	1m.RIR+3, 15%	Mortgage, pledge of receivables, pledge of accounts
UniCredit Bulbank Serbia AD	Bank guarantee advance payment	11 706	11 706	29.02.2024	1,00%	Bank guarantee, promissory notes, pledge of receivables

Loans obtained by "Trace Serbia" JSC

	Type of credit	Amount /BGN' 000/	Unpaid and outstanding principal/ Utilised limit at 31.12.2022 / BGN' 000/	Repayment / Utilisation term	Interest rate %	Security
UniCredit Bulbank Serbia AD	Bank guarantees	9 779	0	28.07.2023	0,70%	Bank guarantees, mortgages, pledges of non-current tangible assets, promissory notes, pledges of receivables
UniCredit Bulbank Serbia AD	Bank guarantees	8 801	5 849	27.06.2023	0,60%	Mortgages, pledges of non-current tangible assets, promissory notes, pledges of receivables
Bank Intesa AD Serbia	Bank guarantees with a sublimit for overdrafts	5 867	1 296	10.06.2023	3M Euribor + 2,40%	Cash, promissory notes, pledges of receivables

Loans between related parties

Lender	**Borrower**	**Type of loan**	**Amount BGN' 000**	**Date of the contract / Annex to the contract**	**Repayment term**	**Interest rate %**	**Unpaid and outstanding principal as at 31.12.2022 BGN' 000**
"Trace Group Hold" PLC	Infra Commerce EOOD (LTD) UIC 175029440	Commercial	1 800	19.10.2017 29.11.2021- extension of the term	30.11.2023	4,00%	572,00
"Trace Group Hold" PLC	VIK (transl. Water and Sewerage) Stara Zagora – a Company under the Law on	Overdraft, guarantees and advance payment for project	46	18.10.2020 Annex 01.12.2020	31.12.2023	3,00%	20,00

	Obligation and Contracts	implementation					
"Trace Group Hold" PLC	Smart Build Digital EOOD (LTD) UIC 201719627	Revolving	600	16.04.2020 Annex 29.06.2021	30.06.2023	4,50%	444,00
"Trace Group Hold" PLC	Asphalt Commerce EOOD (LTD)	Working capital	2 000	11.04.2022	31.12.2023	4,00%	412,00
"Trace Group Hold" PLC – Belgrade branch	Trace Build EOOD (LTD)	Working capital	589,58	15.03.2021 Annex 26.12.2022	31.12.2023	3,39%	589,58

9. Information on the loans granted by "Trace Group Hold" PLC, or its subsidiaries, provision of guarantees or undertaken commitments, total, to one individual or entity or its subsidiary, including and to related parties by disclosing their names or corporate name and UIC, the nature of the issuer's or its subsidiary relation with the creditor, the amount of the outstanding principal, interest rate, date of conclusion of the contract, deadline for repayment, amount of the undertaken commitment, specific terms and conditions, as well as the purpose for which the funds are granted, if such are concluded as "tied".

Loans granted by subsidiaries at 31.12.2022

Lender	Borrower	Type of loan	Amount BGN' 000	Date of the contract / Annex	Repayment term	Interest rate %	Outstanding principal at 31.12.2022 BGN' 000
"Infra Commerce" EOOD (LTD)	BFT Alliance	Working capital	80	21.1.2020	31.3.2020	6,30%	80
"Infra Commerce" EOOD (LTD)	Todorov AD (JSC) UIC 130078447	Working capital	100,00	11.6.2015	Seized accounts of "Todorov" AD (JSC)	20%	81,00 impairment
"Infra Commerce" EOOD (LTD)	FC Vereya NGO B	Working capital	10,00	25.4.2017	30.06.2017 - payable	6,50%	7,00 impairment
Trace Serbia AD (JSC)	FC Dinamo Vranja	Working capital	25	8.9.2016	8.10.2016	11,00%	17
Trace Serbia AD (JSC)	Trace Build EOOD (LTD)	Working capital	1917	1.9.2022	31.12.2023	3,12%	1725

10. Information on the utilisation of funds, raised from new emissions of securities, conducted within the reporting period.

No new shares were emitted in 2022.

11. Ratio analysis of the financial results achieved that are reflected in the financial statements for the financial reporting period and previously disclosed estimates of these results.

Since 2011, "Trace Group Hold" PLC publishes revenue forecasts on a quarterly basis, reporting also the results achieved in the respective quarter. The analysis conveys that the published forecasts fairly reflect the financial results achieved later on, including in the annual financial statements of the entity.

12. Analysis and evaluation of the financial resources management policy, stating the ability to settle obligations, the possible threats and measures, which the issuer has taken or is about to undertake to eliminate those.

"Trace Group Hold" PLC ensures the regular collectability of its receivables and settlement of its obligations. The holding controls the cash flows in its structure in order to optimise the group's resources and to ensure financial independence. When the available resources are not sufficient, the holding ensures external financing from banking institutions. The available recourses are channelled to finance the structure's development in accordance with the Management's strategic decisions. The group uses resources from financial institutions to finance part of the investments.

13. Evaluation of the feasibility of investment intentions, indicating the amount of the available funds and reflecting the possible changes in the funding structure of these activities.

The investment decisions within the holding are mainly realised by utilisation of the holding's own resources, as well as by funds, obtained from bank institutions and leasing companies.

14. Information on the changes in the core management principles of "Trace Group Hold" PLC and its economic group, within the meaning of the Accountancy Act, which occurred within the reporting period.

There is no change in the core management principles of "Trace Group Hold" PLC and its economic group in 2022. The process of the group's restructuring continued with the implementation of the strategy for merging similar activities into a single organisational system and management in order to increase competitiveness.

The transformations mainly target to achieve better economic results by:

- Optimisation of the construction processes and production by pooling assets and personnel;
- Elimination of duplicated activities and operations;
- Ensuring a better workload of the entity's own assets and achievement of a positive financial result (profit) by introducing a centralised management policy;
- Improving the supply management of raw materials and external services by centralising the processes;
- Reducing the administrative staff and optimising the administrative expenses;
- Creating a unified cash and resource management;

Information on the changes within the economic group are disclosed in the section "Investment portfolio".

15. Information on the key features of the internal control system and risk management system, implemented by "Trace Group Hold" PLC in the preparation of financial statements.

The process of preparing the financial statements of "Trace Group Hold" PLC follows several core principles:

- Internal control through the current reporting of the projects' implementation and monthly control, and analysis, of the realisation of the business programs of subsidiaries;
- Problem identification and measures to eliminate such;
- Identifying risks in the execution of the business programme
- Independent financial audit.
- Financial audit through the Audit Committee;

The current financial and accounting activities of the entity are subject to periodic control and analysis, performed by the Management and the Managing Board. The entity has an established internal financial control system, which ensures the effective operation of the financial reporting and disclosure systems, identifies the entity's operational risks and assesses their efficient management.

A unified integrated software system for resource planning and management has been developed and implemented in the structure of "Trace" in order to ensure a solid basis for making informed timely decisions faster. The system covers all departments and units, as well as the processes that take place in therein, and it is implemented by all subsidiaries. The main advantage for the management is the creation of opportunities for real-time information analysis, mobility, ability to currently control processes and ability to plan and grow.

The effectiveness of internal control and risk management processes are monitored by the Audit Committee. The Audit Committee is comprised of three persons, who are independent from the Managing and Supervisory Boards and have the requisite qualifications and professional experience.

In order to ensure an independent and objective evaluation of the financial statements, the annual audit on the activities of "Trace Group Hold" PLC is conducted by an independent Registered Auditor (CPA), in compliance with the requirements of the Law on Independent Financial Audit. All sets of financial statements are prepared in accordance with the Accounting Act, the International Accounting Reporting Standards and the POSA.

16. Information on the changes in the Managing and Supervisory Bodies that came in effect during the financial reporting year.

There are no changes in the composition of the Managing and the Supervisory Boards of "Trace Group Hold" PLC in 2022.

The Supervisory Board consists of Prof. Dr.sc.oec. Eng. Nikolay Mihaylov, Manol Denev and Mariela Rounteva.

The Managing Board consists of the following persons: Desislava Lyubenova, Boyan Delchev and Rositsa Dineva – Georgieva.

17. Information on the amount of the remuneration, rewards and / or benefits, paid by "Trace Group Hold" PLC and its subsidiaries, to every member of the managing and control bodies during the financial reporting year, regardless of whether such have been included in the issuer's expenses or if such incurred from profit distributions, including:

- Non-monetary remunerations and the amounts received;

- Contingent or deferred remunerations, accrued within the year, even if the remuneration is due at a later stage;

- Amount, payable by the issuer or its subsidiary for payment of pensions, retirement benefits or other similar compensations.

Type	Amounts accrued for:	
	Remuneration and social security contributions for the period	Other long-term income / revenue
Managing Board	880	40
Supervisory Board	1 307	
Total:	**2 187**	**40** -

Detailed information on the remuneration of the members of the Supervisory and Managing Boards is presented in the Statement for the implementation of the Remuneration Policy – part of the Annual financial statements of the entity.

18. Information on the shares of the issuer held by the members of the managing and control bodies, and by Procurators, including the shares held by each of them individually and as a percentage of the shares of each class, as well as the granted by the issuer options on the securities – type and amount of the securities on which the options are granted, the price of exercising the options, purchase price, if any, and the options' term.

Information under this point is disclosed in the "Information on the members of the Managing Bodies" section of this Report.

The entity has not granted any options on shares.

19. Information on the agreements that have come to the entity's knowledge (including and those after the financial year-end), as a result of which changes may occur, in future periods, in the relative portion of the shares or bonds, held by the current shareholders and bondholders.

The entity is not aware of any agreements as a result of which changes may occur in the relative number of share or bonds, held by the current shareholders and bondholders.

20. Information on pending judicial, administrative or arbitral proceedings, concerning the receivables or payables of the issuer, of at least 10 per cent of its equity; information on each proceeding shall be presented separately if the total amount of the issuer's receivables or payables under all proceedings, exceed 10 per cent of its equity.

Commercial case 1633/2019 at the Varna RC – Trace Group Hold PLC /plaintiff/ against Traffic Holding EOOD (LTD) /defendant/, with a financial interest of BGN 433 702, 35. A counter claim with financial interest of BGN 440 816,06 has been filed by Traffic Holding LTD (plaintiff under the counter claim).

Civil case 11389/2015 per the list of the SCC – Metropolitan EAD (JSC) /plaintiff/ against Trace Group Hold PLC as a third party assistant to the defendant. The case has a financial interest of BGN 500 000.

21. Information on the Investor Relations Expert, including the telephone number and mailing address.

Elisabeta Venchova Yaneva
Tel. 02 / 80 66 700; e-mail: elizabeta.yaneva@trace.bg
12, "Nikola Obrazopisov" Str., 1408, Sofia

22. Changes in the price of the entity's shares

Trade in shares of the entity (Information from the bulletin of BSE JSC and Infostock.bg). The dynamics in the stock exchange value of a share in the period January 2022 – 31 December 2022:



The shares of "Trace Group Hold" PLC are traded on the Bulgarian Stock Exchange (BSE) – Sofia JSC, "Standard" segment.

XI. INFORMATION UNDER ANNEX 3 OF ORDINANCE №2 OF THE FINANCIAL SUPERVISION COMMISSION (FSC)

1. Information on the securities that have not been allowed for trading on the regulated market in the Republic of Bulgaria, or in another member state.

"Trace Group Hold" PLC has not issued any new shares, which have not been admitted to a regulated market.

2. Information on the direct and indirect ownership of 5 percent, or more, of the voting rights at the General Meeting of the entity, including information on the shareholders, the amount of their shareholding interest and the method under which the shares are held.

The persons / entities, holding more than 5% of the shares of "Trace Group Hold" PLC at 31.12.2022 are as follows:

Shareholder at	Shareholder's name/ corporate name	Owns %	Holds number of shares
31.12.2022	Nikolay Ganchev Mihaylov	67,26	16 276 755
31.12.2022	"Galini – N" EOOD (LTD), registered under company file № 15261/2006 at the Sofia City Court, domiciled and having its address of registered office at: №12, "Nikola Obrazopisov" Str., "Lozenets" Residential District, 1408, Sofia	9,00	2 178 000

3. Information on shareholders with special control rights and disclosure of such rights.

Trace Group Hold PLC does not have any shareholders with special control rights.

4. Agreements, concluded by and between the shareholders, which have come to the entity's knowledge and which can result in limitation on the transfer of shares or the voting rights.

The entity is not aware of any agreements, concluded by and between the shareholders, which could result in limitations on the transfer of share or of the voting right.

5. Significant contracts, concluded by the entity, which come in effect, are modified or are terminated as a result of a change in the entity's control in implementing mandatory tender offerings, and the consequences of those, except of cases when the disclosure of such information may result in significant losses to the entity; exceptions to the preceding sentence are allowed in cases where the entity is obliged to disclose such information by the Law.

There are no significant contracts that give rise to actions, are modified or are terminated due to changes in the entity's control in the implementation of a mandatory tender offerings.

XII. INFORMATION UNDER ART. 10, ITEM 4 OF DECREE №2 OF THE FINANCIAL SUPERVISION COMMISSION (FSC)

Electronic link to that part of the public company's website, where the internal information under Art. 7 of Regulation (EU) № 596/2014 of the European Parliament and of the Council, dated 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003 (124/EC, 2003/125/EC and 2004/72/EC (OJ L 173/1, dated 12 June 2014) (Regulation (EU) № 596/2014) on the circumstances of the past year is published, or an electronic link to the news agency or another media, chosen by the issuer, through which the entity publicly discloses internal information.
Internal information under Art. 7 of Regulation (EU) № 596/2014 on the circumstances that have occurred over the past year are available on the website of Extras (www.x3news.com), on the entity's website (www.tracebg.com), under the "For shareholders" section, "Financial Statements" submenu, and under the "News" section.

Executive Director:
Eng. Boyan Delchev

I, Sunny Mileva – Paneva, hereby certify that the above is an exact and accurate translation, to the best of my knowledge and abilities, of the original "Separate Management Report of Trace Group Hold PLC for 2022", consisting of 37 (thirty seven) pages in Bulgarian language, and that I am competent in both English and Bulgarian language to render such a translation.

STATEMENT
ON CORPORATE GOVERNANCE
IN ACCORDANCE WITH ART. 100 (N) PARAGRAPH 8, IN CONJUNCTION WITH PARAGRAPH 7, ITEM 1 OF POSA

I. Information on whether "Trace Group Hold" PLC complies, as appropriate, with the Corporate Governance Code, approved by the Deputy Chairman of the Financial Supervision Commission (FSC), or any other corporate governance code.

"Trace Group Hold" PLC complies, as appropriate, with the National Corporate Governance Code and executes its activity in accordance with the principles and provisions of the Code.

II. Information on the corporate governance practices, applied by "Trace Group Hold" PLC in addition to (over and above) the National Corporate Governance Code.

"Trace Group Hold" PLC does not apply any other corporate governance practices in addition to (over and above) the National Corporate Governance Code.

III. Explanation, provided by "Trace Group Hold" PLC, on which sections of the National Corporate Governance Code are not observed and the grounds for such non-observance.

The activities of the Corporate Management bodies of "Trace Group Hold" PLC in 2022 are executed in compliance with the statutory requirements, stipulated under POSA and its implementation acts, in the entity's Articles of Incorporation and in the National Corporate Governance Code.
The entity applies the Code on the "observe or explain" principle – in other words, the entity adheres to the Code and the entity's Management is required to clarify the reasons for any non-observance to the latter.

Corporate Management Bodies

"Trace Group Hold" PLC is an entity, managed by a Managing Board and a Supervisory Board under a two-tier management system.

Managing Board

As at 31.12.2022, the Managing Board is comprised of:

Desislava Lyubenova – Chairman of the MB;
Boyan Delchev – Executive member of the MB;
Rositsa Dineva – member of. The MB

The Managing Board manages the entity in accordance with the established strategies and objectives set on the entity, and in consideration of the shareholders' interests. It monitors and analyses the performance results, and initiates changes in the organisation and management, if necessary. The Managing Board treats all shareholders equally and acts in their interest. The members of the MB are guided by the generally accepted principles of integrity and managerial, and professional competences. The entity adheres to the adopted Code of Ethics.

In execution of its duties, the Managing Board strives to achieve the set objectives for sustainable development. Core principles of relations with stakeholders are established within the entity and the entity monitors for compliance with such. The rules of conduct, followed in accounting their interests and the actions thereto, are disclosed in the internal acts adopted – the Code of Ethics, the Rules for Organising and Holding General Meetings of Shareholders, the Information Disclosure Policy, the Internal Regulations and others.

The Managing Board ensures and monitors the design and operation of the risk management system, including internal control and internal audit, and timely informs the Supervisory Board on its actions.

The Managing Board encourages the implementation of, and observes the subsidiaries' compliance with, the generally accepted principles for sustainable development within the group.

It designs the Financial Information System of the entity in compliance with the guidelines, provided by the Supervisory Board, and ensures the system's reliable operation. It coordinates its actions, related to the entity's business plan, with the Supervisory Board, it monitors transactions of substantial nature and all other transactions and activities, stipulated in the entity's statutes.

The Managing Board informs, and reports on its activities before, the Supervisory Board, within the established deadlines and in the specified formats.

The structure and number of members of the Managing Board are defined in the entity's Articles of Incorporation, and ensure its effective and efficient operations. The principles of compliance of the candidates' competence with the entity's activity are adhered to upon the election of new members of the Managing Board. The obligations, tasks and duties, the remuneration criteria and the grounds for dismissal are regulated in the management contracts, concluded with each of the members of the Managing Board. The competencies, rights and obligations of the members of the Managing Board follow the statutory requirements, the operational rules and administrative acts, and the standards on good professional and managerial practise.

The amount and structure of the remuneration of the members of the Managing Board are defined by the General Meeting of Shareholders and take into account the obligations, duties and contribution of each member in the entity's activity and performance results; the ability to select and retain qualifies and loyal employees at managerial positions; the need to reconcile the interests of the members of the Managing Board with the long-term interests of the entity.

The General Meeting of Shareholders adopted the Remuneration Policy for the Members of the Managing and Supervisory Boards, which aims to support the long-term business goals of the company and to promote behaviour that encourages value creation for shareholders, while at the same time provides competitive remuneration that is sufficient to attract and retain directors, who possess the qualities, requisite for the entity's effective management and development. The Remuneration Policy clearly specifies the additional incentives, which are linked to clear result indicators and performance criteria. Information on the remuneration of the members of the Managing Board is disclosed in the annual financial statements of the entity, in accordance with the statutory requirements and the entity's Articles of Incorporation. The policy defines the principles for computing the amount and the structure of remunerations.

Supervisory Board

At 31.12.2022, the Supervisory Board of "Trace Group Hold" PLC is comprised of three members and consists of:

Prof. Nikolay Ganchev Mihaylov – Chairman
Manol Peychev Denev – Deputy Chairman
Mariela Ivanova Rounteva – Independent Member

The Supervisory Board appoints, guides and supervises the Managing Board of the entity in accordance with the distribution of functions within a two-tier structure. It provides guidelines in defining the vision, the objectives and strategy of the entity, and the interest of the latter' shareholders and stakeholders, including within the context of sustainable development, and monitors their implementation.

The Supervisory Board provides the Managing Board with guidelines in the establishment of a risk management system, including the internal control and internal audit systems, the Financial Information System, and monitors their operations.

The Supervisory Board monitors for adherences with the laws and regulations, stipulated in the entity's statutes and other internal acts, and periodically assesses the Managing Board's activity.

The Supervisory Board treats all shareholders and stakeholders equally, and acts loyally in their interest, with due care.

The Supervisory Board appoints and dismisses the members of the Managing Board in compliance with the statutory requirements, the entity's statutes, the principles of continuity and sustainability of the work of the Managing Board, and the principles of good corporate governance.

The number of members of the Supervisory Board, including the independent members, is specified in the Articles of Incorporation of the entity, and the distribution of their duties and tasks is regulated by the internal organisational acts. Independent members are not restricted in terms of consecutive mandated – i.e., they can have unlimited number of mandates. Nevertheless, the principles of loyalty and independence are respected in all proposals for member's elections.

The members of the Supervisory Board meet the knowledge and experience criteria that are requisite for the position that each of them holds, including the requirement of financial competence.

The entity's Articles of Incorporation do not specify the number of entities in which the members of the Supervisory Board may hold managerial positions as it is considered inappropriate to restrict the rights of the persons concerned. The company relies on the conscientious and responsible behaviour of the Supervisory Board; behaviour that is consistent with the principles of loyalty and professional ethics.

The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders, and the Remuneration Policy for the remuneration of the members of the Managing and Supervisory Boards, designed by the Supervisory Board and adopted by the General Meeting of Shareholders, defines the principles for computing such (remuneration). The remuneration of the members of the Supervisory Board is in line with their activities, obligations and duties. Information on the remuneration of the members of the Supervisory Board is disclosed in annual financial statements of the entity.

The Corporate Management of "Trace Group Hold" PLC avoids and prevents any actual or potential conflict of interest. The entity does not have a specifically designed procedure to avoid conflict of interest in transactions with stakeholders and disclose information in the event of such (conflict of interest). Nonetheless, the Supervisory Board monitors the conclusion of significant transactions by voting and approving such. The procedures to avoid and disclose any conflict of interest are regulated by the Entity's Articles of Incorporation.

The members of the Corporate Management disclose any conflict of interest immediately upon the occurrence of such and ensure shareholders with access to information on transactions between them and the entity, or affiliated with the entity parties, by submitting Statements under Art. 114 (b) of POSA.

Committees

An Audit Committee is operating within the entity. In compliance with the statutory requirements of the currently effective legislation and based on the criteria therein, the Managing Board, pursuant to the approval of the Supervisory Board, proposes to the entity's General Meeting of Shareholders to elect and appoint an Audit Committee in a composition that meets the legal requirements and the entity's specific needs.

The structure, the scope of engagements, the operation and the reporting procedures of the Audit Committee are described in detail in the Audit Committee Statute.

Audit and internal control

The Audit Committee supports the Corporate Management bodies of the entity. The Audit Committee reasons, in writing, its proposal for the election of an independent auditor and presents this motivated proposal before the General Meeting of Shareholders. Any such proposals are guided by the established requirements on professional behaviour. Corporate Management, with the support of the Audit Committee, ensures compliance with the applicable legislation on independent financial audit. The rotation principle applies in the appointment of external auditors. The auditor, appointed to audit the financial statements of the entity, remained unchanged in 2022 (no new auditor was appointed).

The Audit Committee supervises the internal audit activities and monitors the overall relationship with the external (independent) auditors, including the nature of non-audit services rendered by the respective (external, independent) auditor to the entity.

An internal control system that ensures the effective operation of the reporting and disclosure systems is implemented within "Trace Group Hold" PLC. The internal control system is designed and operates to also identify the risks, inherent to the Entity's activity, and assists in their efficient management. A description of the key characteristic of the internal control and risk management systems is disclosed under "IV – Description of the key characteristic of the internal control and risk management systems of "Trace Group Hold" PLC, with regards to the financial reporting process", part of this Statement on Corporate Governance.

Safeguarding shareholders' rights

The Corporate Management ensures equal treatment of all shareholders, including of minority and foreign-based shareholders, by protecting their rights. Corporate Management facilitates the exercise of shareholders' rights within the limits, permitted by the enacting laws and in accordance with the provisions of the entity's statutes.
Invitations for the General Meeting contain information, requisite under the Commercial Act and POSA, as well as additional information on the exercising of the right to vote and the ability to add additional items on the Agenda under Art. 223 (a) of the Commercial Act.

All shareholders are informed about their rights and the rules for convening and holding General Meetings through information, published on the entity's website, the published Articles of Incorporation of the entity and the invitation to each separate General Meeting of Shareholders.

Corporate Management provides sufficient and timely information on matters that shall be considered and voted at the General Meeting.

Invitations and materials for the General Meeting of Shareholders are disclosed to the public, the Financial Market and Regulated Securities Market Commission via the "X3 News" and the website of "Trace Group Hold" PLC.

Corporate Management and the elected Chairman of the General Meeting of Shareholders ensure all shareholders with the right to express their opinion and ask questions during the Meeting.

Shareholders, entitled to vote, have the option to exercise their voting right at the General Meeting in person or by proxies. A template of a Power of Attorney and the Rules for voting by proxy are disclosed as part of the material for the General Meeting of Shareholders.

The Managing Board has prepared and adopted rules for the organisation and conduct of the regular and extraordinary General Meeting of Shareholders that ensure equal treatment of all shareholders and the right of each individual shareholder to express his / her opinion on the items on the Agenda. The procedures and order of holding a General Meeting are organised in a way that does not make the voting complicated or unnecessarily expensive.

The majority of members of the Corporate Management attend the General Meeting of Shareholders.

The content (text) of the materials of the General Meetings is specific and clear, and do not mislead shareholders. All proposals for major corporate events are presented as separate items on the Agenda of the General Meeting, including proposals for profit distribution.

By publishing the Protocol of the General Meeting of Shareholders on the "X3 News" and the entity's website, the Corporate Management ensures the right of shareholders to be informed about the decisions, taken at the General Meeting of Shareholders.

In accordance with the Articles of Incorporation and the statutes, and internal acts, of the entity, all shareholders of one class are treated equally and all shares within one class entitle shareholders of that same class with equal rights.

Corporate Management does not prevent shareholders, including institutional shareholders, from consulting each other on matters that relate to their fundamental shareholders' rights, given that such actions do not tolerate any abusive practise.

Corporate Management does not allow transactions with shareholders with controlling rights that violate the rights and / or legitimate interest of the other shareholders, including under the terms of negotiation with oneself.

Disclosure of financial and non-financial information

"Trace Group Hold" PLC has an established policy on, and system to, disclose information in compliance with the statutory requirements and the entity's statues. It ensures equality of information to the addressees and prevents misuse of internal information. The information disclosure system ensures complete, timely, accurate and comprehendible information that allows for objective and informed decisions and assessments. The entity has implemented internal rules for the preparation of the annual and interim financial statements, and a procedure to disclose information. Information is being disclosed via the "X3 News" system that provides users with equal and timely access to the respective relevant information. Such information is also (simultaneously) published on the entity's website, in the same format as the one published via the "X3 News" system.

The entity maintains a website, containing information on the entity, the management bodies, the structure and entities within the "Trace" group. The "Shareholders" Section contains the internal administrative acts, information about the rights of shareholders, materials for the upcoming General Meetings of Shareholders and information regarding decisions, taken by the GMS, the financial statements for the past 10 years. The "News" Section provides information on events, contracts that are to be executed, as well as any important information, related to the entity's activity.

The entity publishes annual corporate calendars that indicate the specific dates for disclosure of regulated information, as well as disclosures, relating to the convening and holding of General Meeting of Shareholders.

The entity promptly discloses the capital structure and agreements that lead to exercising control according to its disclosure rules. Such information is disclosed in compliance with POSA and its implementing acts, as well as the applicable European regulations.

By controlling the implementation of the disclosure policy, the Corporate Management ensures that the rules and procedures, according to which corporate control is being acquired and extraordinary transactions are conducted, such as mergers and sales of significant portion of the assets, are timely and clearly disclosed.

Some entities are obliged to publish non-financial information separately, or as part of annual their Management Reports, in compliance with the requirements of Directive 2014/95/EU of the European Parliament on the presentation of non-financial information and the provisions of the Accountancy Act. This requirement is imposed on large enterprises of public interest (public companies, credit institutions and financial institutions, and others), which at financial year-end (31 December) exceed the criterion of 500 people, employed on average within the entity in the respective financial reporting period ("average number of employees" criteria). Entities with net sales revenues of BGN 76 million or more, or with book value of assets of BGN 38 million or more, are defined as large enterprises. "Trace Group Hold" PLC, as an entity that employs less than 500 people, does not disclose non-financial information in its annual Management Report.

The non-financial information, disclosed by the entity, refers to circumstances and events, related to the progress of the contracts, changes in the business environment, social corporate activities and others.

In 2022, the entity disclosed regulated information within the deadlines and in accordance with the procedure provided for in POSA and its implementing acts. Non-financial information is disclosed (as required by the Law) as unregulated information and via the website of the "Trace for People" Foundation" – the conduit of the entity's social policy.

The Corporate Management of "Trace Group Hold" PLC believes that their activities in the financial reporting 2022 have ensured sufficient transparency in their relations with the investors, the financial media and financial market analysts.

Stakeholders. Sustainable development

The Corporate Management of "Trace Group Hold" PLC strives to comply with the established social and ecological principles for achieving sustainable development. While the entity has not developed an independent sustainable development policy, the activity complies with the statutory requirements for environmental protection and human rights. The internal acts, rules and regulations are subject to the generally acceptable sustainable development principles.

All parties, who are interested in the economic prosperity of "Trace Group HOLD" PLC (shareholders, potential investors, workers and employees, customers, suppliers, assignors / contracting authorities – Ministries, Municipalities, agencies, financial institutions, public organisations, users and the public as a whole), are identified by the entity as stakeholders (interested parties).

Corporate management ensures respecting the rights of stakeholders, established by Law or by virtue of mutual agreements with the company, and applies the principles of transparency, accountability and business ethics and protection of human rights in its interaction with such.

Information is exchanged with stakeholders during meetings, in conversations and via the information disclosure channels that the entity uses. The interests of stakeholders are considered based on officially obtained information in the form of letters, opinions, references and others.

Environmental protection

"Trace Group Hold" PLC applies the international environmental management standards. The entity regards its sustainable development, competitiveness and economic prosperity as closely linked to the global efforts for environmental protection.

The Management of "Trace Group Hold" PLC concentrates its efforts in reducing the entity's environmental impact by:

- Efficient use of electricity and heating (energy consumption);
- Waste minimisation;
- Preventing pollution by reducing and minimising harmful air and water emissions;
- Use of new generation technologies and equipment in the execution of the entity's activity;
- Monitoring of air, water and soil pollution;

Paper use, consumables for printers and copy machines, and electricity consumption is reduced pursuant to the implementation of ERP digitalisation and process management system. Information is mainly exchanged electronically. Rules for separate waste collection have been established.

Cars undergo technical inspections on an annual basis and their systems for reducing harmful emissions and gas are being monitored.

"Trace Group Hold" PLC maintains an Integrated Quality Management system in accordance with the requirements of international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 39001.

Environmental protection concepts that define the activities for minimising pollution and the harmful effects on the environment are being developed and applied throughout the implementation of all infrastructure projects. The concepts ensure the identification, assessment and management of significant environmental aspects, prevention of environmental pollution in the implementation of the respective public tender. The environmental protection concept complies with the core activities in the project's implementation and the operation of sites at the design, construction and operation stages, namely:

- Approved plan for spatial planning upon land-use changes
- Preparation and coordination of the project documentation
- Obtaining building permits
- Implementation of projects
- Putting sites in operation
- Conditions, defined by issued decisions on environmental assessment and / or environmental impact assessment

Procedures are implemented in accordance with the Bulgarian and European environmental legislations, ensuring the prevention of significant negative impacts on the environment and human health in the execution of investment proposals, namely: Environmental assessment of plans and programs with regards to spatial planning and assessment of the environmental impact; Assessment of compatibility with the subject and the objectives of preservation of protected areas.

The economic dimensions of the responsible social behaviour of "Trace" reflect the company's sustainability in times of crisis, its reputation, better competitive advantage, the attraction of investors.

Providing a safe and comfortable working environment for employees, and due care for the health of the entity's personnel

The Entity engages in social activities, supporting its principles of protection the integrity, health, the rights and welfare of its employees.

Salaries and social security contributions are paid regularly and without any delays. Food vouchers are provided to all employees twice per year. Employees undergo preventative medical examinations on an annual basis.

Social activities

The company engages in social activities in the fields of culture and sports through the "Trace for People" Foundation. In 2022, the Foundation supported the following events:

In 2022, "Trace" established a special award that is presented to a student, who worthily represents the "Sv. Sv. Kiril and Metodiy" (transl. St. St. Cyril and Methodius) High Scholl, Caribrod. The award is named "Trace – for the power of knowledge". The aforementioned student is nominated by the school teachers and the award is presented to him / her at the end of June, at the official school celebration.

Despite the difficult and complex economic situation, "Trace" continued to support in 2022 the Dostoynite Bulgari" (transl. "Worthy Bulgarians") and the "Otlichnitsite na Bulgaria" (transl. "The excellent ones of Bulgaria") initiatives, the "Beroe" Basketball and Wrestling clubs, the Child and Youth Academy (CYA) of FC "Vereya.

IV. Description of the key characteristics of the internal control and risk management systems, with regards to the financial reporting process

"Trace Group Hold" PLC has an internal control system that ensures the effective functioning of the reporting and disclosure systems. The internal control system has been designed, and operates with the purpose, to also identify the risks, inherent in the activities of the entities within the Group and to support their effective management. The Managing Board bears the principal responsibility and plays the key role in establishing the internal control and risk management system. It performs both management and guidance functions, and current monitoring. The Supervisory Board exercises control over the implementation of the decisions taken.

In "Trace Group Hold" PLC has adopted and applies rules, regulating the effective operation of the reporting and disclosure systems of the entity. The rules describe the different types of information, compiled and disclosed by the entity, the internal document flow process, the different levels of access of the responsible persons to the types of information and the deadlines for processing and managing information flows.

The Corporate Management strives to increase efficiency in risk management by introducing a risk management system, conforming to the best international practices. The risk management system defines the authorities and responsibilities of the structural units in the entity, the organisation and order for interaction in risk management, analysis and assessment of risk related information, and periodic risk management reporting. Risk management is performed by the Heads of Directorates and Heads of Divisions. The established risk management system ensures the effective implementation of internal control in the preparation and processing of all corporate documents, including the financial statements and other regulated information that the entity is required to disclose under the statutory regulations.

A unified integrated resource planning and management software system has been implemented in the entity in order to ensure stable grounds for making informed decisions and analysis. The ERP system covers the main activities in the structure, all departments and units, as well as the processes that are performed thereto.

The risk management policy is implemented in an integrated manner and in accordance with all other policies and principles, regulated in the internal acts of "Trace Group Hold" PLC. A description of the main types of risks, inherent in the activity of "Trace Group Hold" PLC, is disclosed in the annual and interim management reports.

V. Information pursuant to Art. 10, paragraph 1, items (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the European Council, dated 21 April 2004, on takeover bids, in accordance with the provisions of Art. 100 n, paragraph 8, item (4) of POSA

The shareholders, who own 5% or more of the capital at 31.12.2022, are:
Nikolay Ganchev Mihaylov – 67,26% and
"Galini – N" EOOD (LTD) – 9,00%
"Trace Group Hold" PLC does not have any shares, providing special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines to exercise voting rights or systems by which, and through cooperation with the entity, the financial rights granted to securities, are separated from the ownership of the securities with regards to the shares issued by "Trace Group Hold" PLC.

The rules for the election of members of the Supervisory Board of "Trace Group Hold" PLC are regulated in the Entity's Articles of Incorporation. In accordance with Art. 15, paragraph 1 of the Articles of Incorporation of "Trace Group Hold" PLC, members are elected by the General Meeting of Shareholders. The requirements for those, proposed as members, are disclosed under Art. 15, paragraphs 2 – 6.

In accordance with Art. 17, paragraph 1, the members of the Managing Board are elected by the Supervisory Board. The requirements for those people are also disclosed under the same Article.
The authorities of the members of the Supervisory and Managing Boards of "Trace Group Hold" PLC are specified under Art. 15, paragraph 8, Art. 16, Art. 17 and Art. 18 of the Articles of Incorporation of the entity. In accordance with the provisions of Art. 187 (b) of the Commercial Act and Art. 111 of Public Offering of Securities Act, the rights to issue or redeem shares fall within the competence of the General Meeting of Shareholders.

Pursuant to Art. 5, paragraph 4 of the Articles of Incorporation, the entity may also issue preference shares, with the exception of those granting the right to more than one vote or additional dividends, or the right to an additional liquidation share.

VI. Information pursuant to Art. 100 (n), paragraph 8, item 5 of POSA – Composition and operation of the administrative, managing and supervisory bodies, and their committees

"Trace Group Hold" PLC is managed under a two-tie management system, by a Managing Board, comprised of:

Desislava Ivanova Lyubenova
Boyan Stoyanov Delchev
Rositsa Yordanova Dineva – Georgieva

The Managing Board adopts a work manual (Rules of Operation) and elects one of its members to act as Chairman, and another as Deputy Chairman. The Managing Board (MB) convenes regular meetings, at least once every three months, to discuss the entity's position and future development. Any member of the Board may request the Chairman to convene a meeting to discuss other matters.

The Managing Board takes decisions given that at least half of its members are present, or are represented by another Board member. A present member cannot represent more than one absent member. Decisions are taken by simple majority. Minutes of the meetings of the Managing Board are kept and such are signed by all members present.

The Managing Board may take decisions in absentia, by virtue of a protocol, signed by all its members.

The Managing Board of "Trace Group Hold" PLC coordinates its actions with the Supervisory Board when such are associated with the Entity's business plan, the transactions of substantial nature, as well as other activities, stipulated in its statutes.

The activity of the Managing Board is controlled by the Supervisory Board, which is comprised of:
Nikolay Ganchev Mihaylov
Manol Peychev Denev
Mariela Ivanova Rounteva

The Supervisory Board adopts a work manual (Rules of Operation) and elects one of its members to act as Chairman, and another as Deputy Chairman. The Supervisory Board (SB) convenes regular meetings, at least once every three months, to discuss the entity's development strategy. Any member of the Board may request the Chairman to convene a meeting to discuss other matters.

The Supervisory Board takes decisions given that at least half of its members are present, or are represented by another Board member. A present member cannot represent more than one absent member. Decisions are taken by simple majority. Minutes of the meetings of the Supervisory Board are kept and such are signed by all members present.

The Supervisory Board may take decisions in absentia, by virtue of a protocol, signed by all its members.

Committees

An Audit Committee, elected in accordance with the statutory requirements, operates within the Entity. The Audit Committee consists of three people and assists the managing bodies in the execution of their control functions and the risk identification system.

The structure, engagements and work organisation of the Audit Committee are regulated in the Rules of Procedure of the Audit Committee, which are approved by the General Meeting of Shareholders (GMS).

A Financial Board, established based on an internal regulatory act, is an auxiliary body of the Supervisory Board. The Financial Board takes decisions on all financial matters, concerning the entity and its subsidiaries, as well as on current matters that are of significant importance to the entities.

VII. Information, pursuant to Art. 100 (n), paragraph 8, item 6 of POSA – description of the age, gender, education and professional experience diversity policy, applied to the administrative, managing and supervisory bodies of "Trace Group Hold" PLC, the objectives of this policy, the means of its

implementation and the results during the current financial reporting period; when such a policy is not mandatory – the statement shall contain an explanation on the reasons behind this.

The entity does not apply an age, gender, education and professional experience Diversity policy on the managing and supervisory bodies of the entity.

The election of members of the Corporate Management is subject to the statutory requirements and is consistent with the business strategy of the entity.

When nominating candidates for members of the Managing and Supervisory Boards, a balanced policy is applied, based on the candidates' personal and professional qualities and free on any discrimination. Education and qualifications that correspond to the nature of the entity's activity, its long-term objectives and business plan are key criteria. The Entity does not discriminate against members of the Corporate Management on the basis of their age or gender.

The composition of the managing bodies is consistent with the specifics and the scope of the entity's activity, and ensure a high level of general expertise.

The members of the Supervisory and Managing Boards of "Trace Group Hold" PLC have extensive professional experience, obtained during previously held positions and implemented projects in accordance with their personal competencies, whereby they have demonstrated their prominent management skills, high professional and moral qualities. Their professional competences have been acquired through education, training and qualifications.

The Managing Board is comprised of persons, each with different skills and higher education degrees – economic, financial and engineering. Each of those has additional qualification in the field of business management.

31-03-2023

Executive Director:
Eng. Boyan Delchev

I, Sunny Mileva – Paneva, hereby certify that the above is an exact and accurate translation, to the best of my knowledge and abilities, of the original "Statement on Corporate Governance In accordance with Art. 100 (n), paragraph 8, in conjunction with paragraph 7, item 1 of POSA", consisting of 11 (elevent) pages in Bulgarian language, and that I am competent in both English and Bulgarian language to render such a translation.

REPORT

OF THE MANAGING BOARD

OF TRACE GROUP HOLD PLC

ON THE IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE MEMBERS OF THE MANAGING BOARD AND THE SUPERVISORY BOARD OF THE ENTITY IN 2022

This report has been prepared by the Managing Board of Trace Group Hold PLC, in accordance with the provisions of Art. 12, paragraph 1 of ORDINANCE № 48 of the FSC, dated 20 March 2013, on requirements to remuneration. The report contains a review of how the Remuneration Policy was implemented in 2022, as well as information on the implementation of the Remuneration Policy in the next financial reporting year 2023.

1. Information on the decision making process in determining the "Remuneration Policy", including, if applicable, information on the term of office and composition of the Remuneration Committee, the external consultants, whose services have been used in determining the "Remuneration Policy"

The "Remuneration Policy for the members of the SB and the MB of TRACE GROUP HOLD" PLC, as well as any amendments and supplements therein, is developed by the Supervisory Board of the entity and is approved by the General Meeting of Shareholders.

The currently effective Policy has been developed by the Supervisory Board of the entity and was adopted at the General Meeting of Shareholders, at an extraordinary meeting, held on 06.11.2020 and was amended by the ordinary General Meeting of Shareholders, held on 30.06.2021.

All regulatory requirements, as well as the recommendations of the National Corporate Governance Code, have been taken into consideration when developing the "Remuneration Policy for the members of the SB and the MB of TRACE GROUP HOLD PLC".

No Remuneration Committee has been established within the entity in accordance with the currently enacting "Remuneration Policy for the members of the SB and the MB of TRACE GROUP HOLD PLC".

The "Remuneration Policy for the members of the SB and the MB of TRACE GROUP HOLD PLC" aims at identifying objective criteria for determining the remunerations of the entity's corporate management in order to attract and retain qualified and loyal members of the Boards, and to motivate them to work in the interest of the company and of shareholders, avoiding any potential and actual conflicts of interest.

During the financial reporting year, TRACE GROUP HOLD PLC has applied the "Remuneration Policy for the members of the SB and the MB" in accordance with the statutory requirements for public companies, the decisions taken by the GMS, the objectives, long-term interests and future development strategy of the entity, as well as its financial and economic position in the context of the national and the European economic reality, taking into account the recommendations of the National Code of Corporate Governance.

2. Information on the relative weight of the variable and fixed remuneration of the members of the Managing and Supervisory Bodies

Fixed remuneration refers to fixed monthly remuneration that is consistent with the economic conditions and management trends, the skills and professional experience, and competences, of each member of the Managing Body, the market employee benefit levels, the basic salaries and wages paid by other entities with similar activities and of similar scale in Bulgaria and by such that engage in international activities.

During the financial reporting year, the entity has paid to the members of the SB and the MB fixed remuneration, the specific amount of which has been approved by the General Meeting of Shareholders.

The Members of the SB and the MB of the entity are entitled to variable remuneration, defined in accordance with each Member's obligations and his / her personal contribution in the entity's activity and the performance results achieved.

Variable remuneration aims to stimulate the achievement of the entity's annual financial and economic goals, and ensures focus on the key financial indicators and the implementation of the entity's Business Programme. Variable remuneration is defined by a decision of the GMS and pursuant to a

proposal by the SB, and is paid to the members of the SB and the MB, given that the entity realises gross profit. The total variable remuneration for all members of the MB and the SB can be up to 15% (fifteen percent) of the gross profit for the year for which it refers.

The ratio of the fixed to the variable remuneration, paid for 2022, is 51,41/48,59. Variable remuneration for 2022 is defined on the basis of the 2021 indicators, and represents 6,14% of the gross profit for 2021.

3. Information on the performance criteria (criteria for achieved results), based on which options on shares, shares of the entity and other types of variable remuneration are granted, and an explanation of how the criteria under Art. 14, paragraph 2 and 3 of Ordinance 48 contributes to the long-term interest of the entity

The entity does not envisage payment of any variable remuneration, in the form of shares, to the members of the Managing and Supervisory Bodies.

4. Explanation of the applied methods, used to assess whether the performance criteria have been met

The assessment methods on whether the performance criteria has been met, include: Review and audit of the separate financial statements, performed by a registered auditor (CPA); Review and discussion of the audit findings; Discharge of the members of the MB and the SB under Art. 240, paragraph 3 of the Commercial Act; Net profit (amount) for the prior financial reporting year; Significant contribution of a member of the MB, or the SB, in the design and implementation of the management strategies and business plans of the parent and its subsidiaries in Bulgaria and abroad; Significant contribution in the organisation, management and execution of the production and construction activities, implemented by the public company and its subsidiaries; Exceptional contribution in the achievement of additional (over and above) financial results in the implementation of a given project.

5. Explanation on the interrelation of remuneration and the results achieved

Variable remuneration is determined given that net profit has been realised in the prior financial reporting year. Furthermore, the cumulative fulfilment of several of the following conditions is accounted for: significant contribution in the achievement of additional (over and above) financial results in the implementation of a specific project; significant contribution in the organisation, management and execution of the production and construction activities, implemented by the public company and its subsidiaries; significant contribution in the implementation of the business plans of the parent and its subsidiaries in Bulgaria and abroad. The more of the aforementioned conditions that are met, the greater the amount of the respective variable remuneration shall be, the latter subject to the limitations of the in-force policy.

The financial indicators for 2021 reveal the following changes, compared to the same in the prior financial reporting year:

Indicators	2021	2020	Change
Gross profit	3 421	19 779	-82.70%
Net profit	2 292	16 521	-86.13%
Current ratio	0.70	0.36	91.25%
Net profit margin	0.96	0.85	13.14%
Total assets	193 891	224 809	-13.75%

6. Principal payments and substantiation of the annual bonus scheme and / or of all other additional non-cash remuneration

The variable remuneration, paid to the Executive Director, amounts to BGN 210 thousand and represents 6,14% of the gross financial result for the financial reporting 2021.

7. Description of the key characteristics of the supplementary voluntary pension insurance scheme and information on the contributions, paid and / or due by the entity in respect of the members of the SB, or the MB, for the respective financial reporting year, when applicable

The entity has no commitments for supplementary voluntary pension insurance of the members of the SB or the MB, and the entity has no obligation to contribute instalments on behalf of the directors for the financial reporting year.

8. Information on the periods of deferral of variable remuneration payments

In accordance with the enacting Policy, the payment of 40% (forty percent) of the defined variable remuneration is deferred for a period of three years, with the deferred amount being paid by the entity proportionally, for each year, according to the terms and conditions determined by the GMS. The entity has the right to adjust the amount according to the actual results achieved. In such a case, the entity needs to notify the respective person concerned of its substantiated decision in a timely manner. Deferred variable remuneration may be refundable or may not be paid in the following cases:
- When the entity, for which the supplementary remuneration has been defined, suffers economic damages (losses) as a result of activities that fall within the competences of the respective person (i.e., due to reasons for which he / she is responsible);
- Upon a decrease of more than 50% (fifty percent) of the entity's profit before tax in two consecutive reporting years;
- Upon termination of the legal relations with the entity and engaging in activities, of any form, with a competitor, within the period for which the remuneration has been deferred.
- In the event of hidden, and subsequently revealed, adverse amendments in the financial statements for the reporting period for which the remuneration refers (was paid), and for which adverse amendments the respective member is responsible.

9. Information on the termination benefits policy

In accordance with the requirement of Art. 16, paragraph 2 of Ordinance 48 and Section IV of the effective "Remuneration Policy for the members of the SB and the MB of TRACE GROUP HOLD PLC", the following terms and compensations have been stipulated upon termination of a contract, concluded with a member of the MB or the SB

- The entity shall not owe any compensation upon termination of a contract, concluded with a member of the SB or the MB of Trace Group Hold PLC, when such a contract is terminated due to the expiration and non-renewal of the term of office for which the member had been elected.
- No compensation is due in the event of an early termination of a contract, concluded with a member of the SB or the MB of Trace Group Hold PLC, when such a contract is terminated due to non-observance of the clause, prohibiting competitive activities.

- No compensation is due in the event of an early termination of a contract, concluded with a member of the SB, or the MB, when such a contract is terminated on the grounds of unsatisfactory results and / or the culpable behaviour of the member of the Managing Board or the Supervisory Board, respectively.
- Compensation may be paid to a member of the MB, who is authorised to represent the entity, if the concluded with him / her contract terminated without cause. Such a compensation may be paid pursuant to a decision of the SB and for the period restricting engagement in any competitive activities, for the respective number of years, and may sum to an amount equal to or less than 1/3 of his / her fixed annual remuneration. Such a compensation is paid insofar as all criteria for defining and paying variable remuneration have been met in the last reporting period.

10. Information on the non-transferability period of shares and of the periods in which stock options cannot be exercised for variable share-based remuneration

Not applicable

11. Information on the policy to retain a certain number of shares until the end of the term of office of the members of the Managing and Control Bodies and after the expiration of the period under item (10)

Not applicable

12. Information on the contracts of the members of the Managing and Control Bodies, including the expiry date of each contract, the notice period and details on compensations and / or other payables in the event of early termination

The management contracts, concluded with all members of the SB and the MB, are for a period of 5 years, effective as of the date on which the respective members were elected. Details of the stipulated compensations and / or other payments, due in the event of early termination, are presented under item 9 of this Report.

Contracts are terminated as of the date on which the respective person is discharged from his / her position held as a member of the SB or the MB in the following cases, whereby the parties are not held responsible (have no fault):

1. Upon the Entity's restructuring or termination;

2. In case of the person's death or placement under guardianship, or respectively – in the case where the Entity is declared insolvent;

3. Pursuant to a decision of the Entity's GMS, made in the best interest of business and for which the latter cannot be held responsible;

4. At the written request of the respective person, presented before the Entity, with a notice period of three months;

5. Upon occurrence of a circumstance, which pursuant to a legal act, constitutes a prohibition or restriction for the person to act under the respective function.

Contracts are terminated as of the date on which the respective person is discharged as a member of the Supervisory or the Managing Board, for reasons defined as "his / her responsibility (fault)", in the following cases:

1. Upon the person's violation of the law in the course of, or related with, the fulfilment of his / her obligations under the management contract;

2. Upon the person's actions, or inactions, which have led in deterioration of the Entity's financial result, or because of which the Entity suffers damages (losses), or have resulted in unsatisfactory results according to the approved business plans and strategies of the Entity;

3. Upon submission of incorrect information on the Entity's status, presented by the person before the General Meeting or to the Managing / Supervisory Board, or his / hers compile and approval of documents of biased content;

4. Upon a crime, committed by the person, with an effective sentence imposed for that crime;

5. Upon the failure to implement of the decisions of the Entity's shareholders.

The persons, elected as members of the SB or the MB, are obliged to submit a guarantee for their management in the amount of their quarterly gross remuneration within 7 (seven) calendar days as of the day of the decision of the GMS to elect them as members of the Supervisory Board, or the Managing Board.

13. The full amount of the remuneration and other financial incentives for the members of the SB or the MB for the respective financial year

The full amount of the remuneration, received by /paid to/ the members of the Managing and Supervisory Boards of the entity in 2022 are as follows:

- Nikolay Mihaylov, Chairman of the SB – BGN 1 266 thousand gross (BGN 1 138 thousand net)
- Manol Denev, Member of the SB – BGN 96 thousand gross (BGN 79 thousand net)
- Mariela Rounteva, Member of the SB – BGN 41 thousand gross (BGN 32 thousand net)
- Desislava Lyubenova, Chairman of the MB – BGN 417 thousand gross (BGN 368 thousand net)
- Boyan Delchev, Member of the MB and Executive Director – BGN 414 thousand gross (BGN 252 thousand net)
- Rositsa Dineva – Georgieva – Member of the MB – BGN 97 thousand gross (BGN 81 thousand net)

No shares of "Trace Group Hold" PLC have been provided to the members of the SB, or of the MB, as part of the supplementary remuneration in 2022.

14. Information on the remuneration received by each individual, who has been a member of the Managing or Control Bodies of a public company for a specific period of time within the respective financial year:

In 2022, remunerations were accrued in respect of the following individuals, who have been members of the SB, or the MB, of "Trace Group Hold" PLC:

1. Nikolay Mihaylov, Chairman of the SB – BGN 1 170 thousand, including fixed remuneration in the amount of BGN 360 thousand and remuneration under labour contract(s) (labour relations) in the amount of BGN 810 thousand;
2. Manol Denev, Member of the SB – BGN 96 thousand, including fixed remuneration in the amount of BGN 41 thousand, remuneration under labour contract(s) (labour relations) in the amount of BGN 55 thousand
3. Mariela Rounteva, Member of the SB – fixed remuneration in the amount of BGN 41 thousand
4. Desislava Lyubenova, Chairman of the MB – BGN 390 thousand, including fixed remuneration in the amount of BGN 120 thousand and remuneration under labour contract(s) (labour relations) in the amount of BGN 270 thousand

5. Boyan Delchev, Member of the MB and Executive Director – BGN 432 thousand, including fixed remuneration in the amount of BGN 222 thousand and variable remuneration in the amount of BGN 210 thousand;
6. Rositsa Dineva – Georgieva – Member of the MB – BGN 97 thousand, including fixed remuneration in the amount of BGN 40 thousand, remuneration under labour contract(s) (labour relations) in the amount of BGN 57 thousand.

TRACE GROUP HOLD PLC does not owe any amounts, due for pension instalments or retirement benefits, at 31.12.2022.

b) Remuneration and other financial and non-financial incentives, received by the persons in the entities within the (same) group

In 2022, Rositsa Dineva – Georgieva, member of the MB of the entity, received remuneration as Member of the Board of Directors of Trace Yambol JSC in the amount of BGN 1 thousand.

No remunerations have been paid by subsidiaries to the remaining members of Supervisory and Managing Boards.

c) Remuneration, received by individuals in the form of profit distributions and / or bonuses, and the grounds for granting such.

Information on the variable remuneration, accrued in 2022:

1. Boyan Delchev, Member of the MB and Executive Director – variable remuneration in the amount of BGN 210 thousand, representing 6,14% of the gross financial result for 2021

The total amount of deferred variable remuneration amounts to BGN 210 thousand (gross).

d) All additional payments for services, rendered by individuals, which are different from his / hers ordinary duties and when such payments are eligible under the concluded with him / her contract

Not applicable

e) Compensations to individuals upon termination of his / her duties (termination benefits), paid and / or accrued over the past financial year

No compensations have been accrued on the grounds of terminating functions of members of the SB, or the MB, of TRACE GROUP HOLD PLC in 2022.

f) An overall assessment of all non-cash benefits, obtained in the form of remuneration, other than those referred to under items (a) to (e)

No member of the SB, nor the MB, of TRACE GROUP HOLD PLC has received non-cash benefits as remuneration, other than those disclosed under items (a) to (e) in 2022.

g) Information on all loans granted, payments of social and welfare expenses, and guarantees, placed by the entity or its subsidiaries, or other entities, that are subject to consolidation in the entity's annual financial statements, including details on the outstanding amount and interest

No member of the SB, nor of the MB, has received loans, payments of social and welfare expenses, and guarantees, by the entity or its subsidiaries, or other entities, that are subject to consolidation in its annual financial statements.

15. Information with regards to shares and / or share options, and / or other share-based incentive schemes:

a) The number of share options offered, or the number of shares granted by the entity, during the respective financial reporting year, and the conditions under which such were offered or granted;

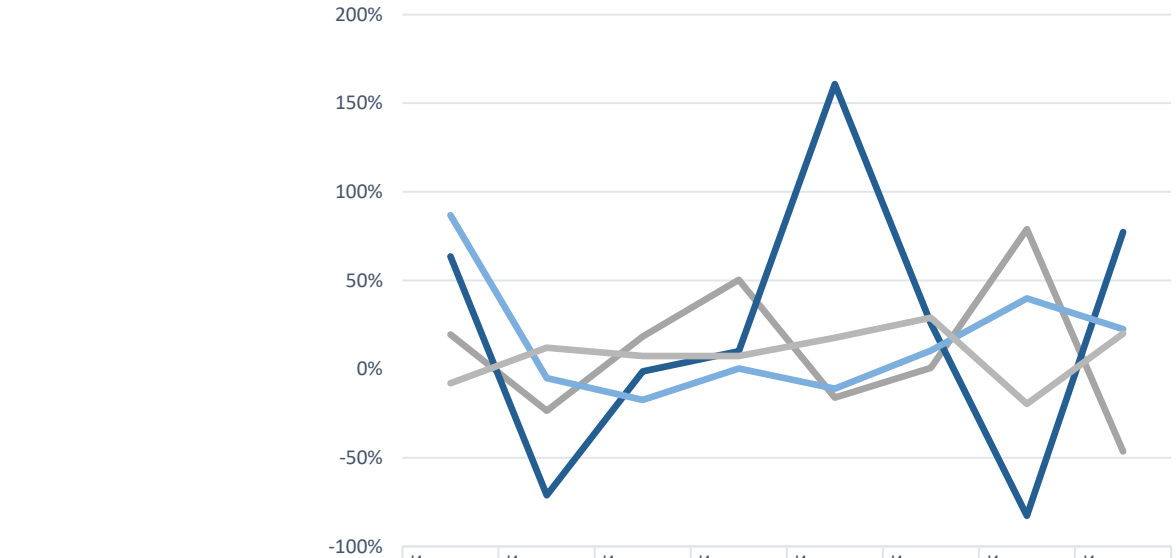
b) The number of options exercised over shares during the respective financial reporting year and for each of them – the number of shares and the price of exercising the option or the value of the interest under the share-based incentive scheme at the end of the financial reporting year;

c) The number of unexercised share options at the end of the financial reporting year, including information on their price and date on which options were exercised, and significant conditions for exercising such rights;

d) Any changes to the terms and conditions of existing share options, adopted during the financial reporting year;

Not applicable

16. Annual change (increase / decrease) in the remuneration, the entity's performance and the average remuneration based on the remunerations of full-time employees, who are not appointed as directors in the entity, for the past five financial reporting years or more, presented together in a way that allows comparison.



	Изменение 2015г. спрямо 2014г.	Изменение 2016г. спрямо 2015г.	Изменение 2017г. спрямо 2016г.	Изменение 2018г. спрямо 2017г.	Изменение 2019г. спрямо 2018г.	Изменение 2020г. спрямо 2019г.	Изменение 2021г. спрямо 2020г.	Изменение 2022г. спрямо 2021г.
Разходи за възнаграждения на всички членове на Управителни органи (брутно възн.)	20%	-23%	18%	50%	-16%	1%	79%	-46%
Брутен финансов резултат	64%	-71%	-1%	10%	161%	26%	-83%	77%
Разходи за възнаграждения на служителите в дружеството на пълно работно време,	87%	-5%	-17%	0%	-11%	10%	40%	23%
Ср. Размер на разходите за възнаграждения на служителите на дружеството на пълно работно време	-8%	12%	7%	7%	18%	29%	-20%	20%

Indicators	Change in 2015 compared to 2014	Change in 2016 compared to 2015	Change in 2017 compared to 2016	Change in 2018 compared to 2017	Change in 2019 compared to 2018	Change in 2020 compared to 2019	Change in 2021 compared to 2020	Change in 2021 compared to 2020
Remuneration (expense, incurred) for all members of the Managing Bodies (gross remuneration)	20%	-23%	18%	50%	-16%	1%	*79%*	*-46%*
Gross financial result	64%	-71%	-1%	10%	161%	26%	-83%	77%
Remuneration (expense, incurred) for the full-time personnel, employed within the entity	87%	-5%	-17%	0%	-11%	10%	*40%*	*23%*
Average amount of the remuneration expenses, incurred in respect of the full-time personnel, employed within the entity	-8%	12%	7%	7%	18%	29%	*-19%*	*20%*

17. Information on exercising the option to demand refund of the variable remuneration

There have been no grounds for Board members to exercise the option to demand refund of the variable remuneration in 2022.

18. Information on all cases of departure from the implementation of the "Remuneration Policy" with regards to the extraordinary circumstances, specified under Art. 11, paragraph 13, including

and an explanation of the nature of the extraordinary circumstances and identification of the specific components that were not implemented (if the policy provides for extraordinary circumstances).

Not applicable

19. Information on the implementation of the "Remuneration Policy for the Members of the SB and the MB of TRACE GROUP HOLD PLC" in the next financial reporting year

The Policy is adapted to the adopted management system and reflects the responsibilities and duties of the Managing and Supervisory Boards. The criteria for determining remuneration, defined in the Policy, comply with the statutory requirements and the good corporate governance principles. The Entity shall continue to follow the criteria and rules, set under the current Policy, in 2023.

This report was approved by the entity's Managing Board on 31.03.2022.

Executive Director:

/Eng. Boyan Delchev /

I, Sunny Mileva – Paneva, hereby certify that the above is an exact and accurate translation, to the best of my knowledge and abilities, of the original "Report on the implementation of the Remuneration Policy for the members of the Supervisory Board and the Management Board of Trace Group Hols PLC in 2022", consisting of 10 (ten) pages in Bulgarian language, and that I am competent in both English and Bulgarian language to render such a translation.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS

OF "TRACE GROUP HOLD" PLC

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of "TRACE GROUP HOLD" PLC ("the Entity"), which comprise the separate statement of financial position as at 31 December 2022, the separate income statement and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion the accompanying separate financial statements present fairly, in all material respects, the financial position of the Entity as at 31 December 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (IAS). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report. We are independent of the Entity in accordance with the International Code of Ethics for Professional Accountants (IESBA Code) (including the International Independence Standards) of the International Ethics Standards Board, together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgement were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*

Revenue from contracts with customers – Revenue from construction contracts (BGN 133 792 thousand in 2022)	• Our audit procedures in this field include, but are not limited to:
Note I.2.22.1 and Note II.2.1.1. to the separate financial statements The Entity's revenue from contracts with customers comprises mainly revenue from construction contracts. Such amount to a total of BGN 133 792 thousand in 2022 and form 89% of the total revenue, realised by the Entity within the period. Assets that are controlled by the customers are created and / or enhanced in the implementation of construction contracts and the Entity identifies performance obligations satisfied over time, respectively. The Entity recognises the revenue that it expects to be entitled to in accordance with the satisfied performance obligations. The Entity recognises revenue from satisfied performance obligations under construction contracts, only if the Entity can reasonably measure the progress towards complete satisfaction of those performance obligations. Depending on the specific circumstances and the terms and conditions of the contracts, the Entity uses input methods and / or output methods to measure the progress towards complete satisfaction of performance obligations under construction contracts. Estimations of revenue from construction contracts involve significant uncertainty as it requires Management to make key judgements and subjective assumptions. Given the above-stated, we believe that the determination of revenue from construction contracts is a key audit matter.	• Assessment of whether the accounting policies, applied by the Entity in the recognition and measurement of revenue from construction contracts, are adequate and complete; • Evaluation of the methods used, their consistency and appropriateness given the specific type of contract, as well as the related input data and assumptions, by reviewing the available actual and forecast information, remeasurement and preparation of comparative analysis; • Comparison of the key assumptions, used in the estimation of revenue, with the terms of similar contracts, historical data and others; • Review of selected data that have been used as a basis for assessment of progress towards complete satisfaction of performance obligations, including estimates and budgets, statements and reports, and direct assessment of transferred goods and services, in terms of their accuracy, reliability and completeness; • Review the adequacy and completeness of the disclosures to the separate financial statements of the Entity regarding the measurement of revenue from construction contracts, included under Note I.2.22.1. and Note II.2.1.1. to the separate financial statements.

Additional information, other than the separate financial statements and the auditor's report thereon

The Management is responsible for the additional information. The additional information, which we have obtained prior to the date of our auditor's report, comprises a management report, a statement on corporate governance and a report on the implementation of the remuneration policy, prepared by the Management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the additional information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the separate financial statements, our responsibility is to read the additional information and, in doing so, consider whether the additional information is materially inconsistent with the separate financial statements or our knowledge, obtained in the course of our audit, or whether it otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this additional information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Management and those charged with governance for the separate financial statement

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for monitoring the Entity's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on these financial statements. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit, conducted in accordance with IAS, 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 users' economic decisions, taken on the basis of these financial statements.

As part of an audit in accordance with IAS, we exercise professional judgements and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate 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 the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations, statements to mislead the auditor, or neglecting or overriding internal control.
- Obtain an understanding of internal control relevant to the 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the 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 Entity'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 separate 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosure notes to the financial statements, and whether the separate financial statements present fairly the significant transactions and events.

Among other matters, we communicate with those charged with governance the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we have identified in the course of our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and that we will communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions undertaken to eliminate the threads or the safeguards implemented.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless any law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our

report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Additional matters to be reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with IAS, described above in the "Additional information, other than the separate financial statements and the auditor's report thereon" section, we have also performed procedures with regards to the management report, the statement on corporate governance and the report on the implementation of the remuneration policy. In accordance with the "Guidelines on new and expanded auditor reporting and auditor communication" of the professional organisation of certified public accountants and registered auditors in Bulgaria – the Institute of Certified Public Accountants (ICPA)", such procedures are additional to those required under IAS. These procedures refer to testing the existence, form and content of this additional information, so to assist us in forming opinions about whether the additional information includes the disclosures and reporting, provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100 (n), paragraph 10 of POSA in conjunction with Art. 100 (n), paragraph 8, items (3) and (4) of POSA, as well as Art. (n), paragraph 13 of POSA in conjunction with Art. 116 (c), paragraph 1 of POSA), applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information, included in the management report for the financial reporting year for which the separate financial statements have been prepared, is consistent with those financial statements;
b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100 (n), paragraph 7 of the Public Offering of Securities Act;
c) The statement on corporate governance for the financial reporting year for which the separate financial statements have been prepared provides the information, required in accordance with Chapter Seven of the Accountancy Act and Art. 100 (n), paragraph 8 of the Public Offering of Securities Act;
d) The report on the implementation of the remuneration policy for the financial reporting year for which the separate financial statements have been prepared is provided and prepared in accordance with the requirements of Art. 116 c, paragraph 1 of the Public Offering of Securities Act.

Opinion in connection with Art. 100 (n), paragraph 10 in conjunction with Art. 100 (n), paragraph 8, items (3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about the entity's activity and the environment in which it operates, the description of the main characteristics of the Entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the statement on corporate governance) and the information under Art. 10. paragraph 1 (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council, dated 21 April 2004, on Takeover Bids, do not contain, in our opinion, any material misrepresentations.

Additional reporting on the audit of the separate financial statements in connection with Art. 100 (n), paragraph 4, item 3 of the Public Offering of Securities Act

Statement in connection with Art. 100 (n), paragraph 4, item 3, note "b" of the Public Offering of Securities Act

Information on related party transactions is disclosed in Note II.3.3 to the separate financial statements. Based on the audit procedures that we performed on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our knowledge so as to conclude that related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2022 in all material respects and in accordance with the requirements of IAS 24 "Related Party Disclosures". We have addressed the results of our audit procedures on related party transactions in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing separate opinion on related party transactions.

Statement in connection with Art. 100 (n), paragraph 4, item 3 (c) of the Public Offering of Securities Act

Our responsibilities for the audit of the financial statements as a whole, described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report, include evaluation as to whether the separate financial statements present fairly the significant transactions and events. Based on the audit procedures that we performed on the significant transactions underlying the separate financial statements for the year ended 31 December 2022, no facts, circumstances or other information have come to our knowledge so as to conclude that there are material misstatements and disclosures in accordance to the requirements of the applicable IFRS, adopted by the European Union. We have reviewed the results of our audit procedures on significant transactions and events within the Entity in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing separate opinion on these significant transactions.

Report on other legal and regulatory requirements

Reporting on the compliance of the electronic reporting format of the separate financial statements, included in the annual separate financial statements for the activities under Art. 100 (n), paragraph 4 of POSA, with the requirements of the ESEF Regulation

In addition to our responsibilities and reporting in accordance with IAS, described hereabove in the "Auditor's responsibilities for the audit of the separate financial statements" section, we have performed the procedures under "Guidelines on expressing an audit opinion on the implementation of the European Single Electronic Formal (ESEF) for financial statements of entities, whose securities are admitted to trading on a regulated market in the European Union (EU)" of the professional organisation of certified public accountants and registered auditors in Bulgaria, the Institute of Certified Public Accountants (ICPA)". These procedures relate to verifying that the form and content of the readable part of this electronic format corresponds to the audited separate financial statements, and expressing an opinion on the compliance of the electronic format of the separate financial statements of "TRACE GROUP HOLD" PLC for the year ended 31 December 2022, attached in the electronic file "8945006KNJB87NPK6P55-20221231-BG-SEP.zip", with the requirements of the Commission's Delegated Regulation (EU) 2019/815 of 17 December 2018, supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards for the determination of the European single electronic reporting format ("ESEF Regulation"). According to these requirements, the electronic format of the separate financial statements, included in the annual separate financial statements for the activities under Art. 100 (n), paragraph 4 of POSA, should be presented in an XHTML format.

The Entity's Management is responsible for complying with the requirements of the ESEF Regulation in preparing separate financial statements in an XHTML format.

Our opinion is limited only to the electronic reporting format of the separate financial statements, attached in the „8945006KNJB87NPK6P55-20221231-BG-SEP.zip" electronic file, and does not cover the additional information, included in the annual separate financial statements for the activities under Art. 100 (n), paragraph 4 of POSA.

In our opinion, based on the procedures that we have performed, the electronic reporting format of the separate financial statements of the Entity for the year ended 31 December 2022 that are part of the attached electronic file – „8945006KNJB87NPK6P55-20221231-BG-SEP.zip" – have been prepared, in all material respects, in compliance with the requirements of the ESEF Regulation.

Reporting in accordance with Art. 10 of Regulation (EU) № 537/2014 with regards to the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act with regards to Art. 10 of Regulation (EU) № 537/2014, we further report the disclosed hereafter information.

- We are appointed as statutory auditor of the financial statements of "TRACE GROUP HOLD" PLC ("the Entity") for the year ended 31 December 2022. We were appointed by the General Meeting of Shareholders, held on 28 June 2022 for a period of one year;
- The audit of the Entity's financial statements for the year ended 31 December 2022 is the second complete, continuous, statutory audit engagement, which we have conducted for this entity;
- We hereby confirm that the audit opinion expressed is consistent with the additional report, submitted to the Audit Committee of the Entity, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act;
- We confirm that other than the audit services rendered, we have not provided any prohibited services as stated under Art. 64 of the Independent Financial Audit Act;
- We hereby confirm that in conducting our audit we have remained independent from the Entity;
- In the period, subject to the conducted by us statutory audit, we have not rendered any services to the Entity, including such which are to be disclosed in the management report and / or the financial statements of the Entity, other than the performed audit.

Registered Auditor (CPA)

Kalin Apostolov

31 March 2023

Sofia

I, Sunny Mileva – Paneva, hereby certify that the above is an exact and accurate translation, to the best of my knowledge and abilities, of the original "Independent Auditor's Report on the separate financial statements of "Trace Group Hold" PLC for the year ended 31 December 2022", consisting of 8 (eight) pages in Bulgarian language, and that I am competent in both English and Bulgarian language to render such a translation.

Sunny Mileva-Paneva
Sworn Translator
Сани Милева-Панева
Заклет преводач

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