CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL REPORTING 2021

TRACE GROUP HOLD PLC

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TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31.12.2021

	Note	31.12.2021	31.12.2020
ASSETS		**BGN'000**	**BGN'000**
Non-current assets			
Property, plant, machinery and equipment	1.1.	76 284	72 863
Investment property	1.2.	7 357	7 168
Non-current intangible assets	1.3.	1 311	1 442
Non-current financial assets	1.4.	-	10
Investments recognised under the equity method	1.5.	1	410
Non-current trade receivables	1.6.	4 332	2 097
Other non-current receivables and assets	1.7.	932	1 284
Deferred tax assets	1.8.	3 251	4 150
Total non-current assets		**93 468**	**89 424**
Current assets			
Inventories	1.10.	17 067	10 022
Current trade receivables	1.11.	54 526	104 270
Other current receivables and assets	1.12.	7 872	9 360
Current financial assets	1.13.	686	702
Cash and cash equivalents	1.14.	68 586	40 467
Total current assets		**148 737**	**164 821**
Total assets		**242 205**	**254 245**

The notes on pages 7 to 114 are an integral part of these consolidated financial statements.

The consolidated financial statements, pages 1 to 114, were approved for issue by the Managing Board and signed on 02 May 2022 by:

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31.12.2021 - continued

EQUITY AND LIABILITIES	Note	31.12.2021 BGN'000	31.12.2020 BGN'000
Equity			
Share capital	1.15.1.	**24 179**	**24 179**
Registered capital		24 200	24 200
Repurchased shares		(21)	(21)
Share premium	1.15.2.	**21 739**	**21 739**
Translation reserve	1.15.3.	**(612)**	**(191)**
Reserves	1.15.4.	**81 836**	**74 426**
Financial result	1.15.5.	**6 104**	**11 991**
Accumulated profit / (loss)		(276)	(293)
Current year's profit /(loss)		6 380	12 284
Equity attributable to the shareholders of the parent		**133 246**	**132 144**
Non-controlling interests		**(111)**	**(100)**
Total equity		**133 135**	**132 044**
Non-current liabilities			
Non-current financial liabilities	1.17.	3 771	5 215
Non-current trade payables	1.18.	4 289	1 066
Non-current provisions	1.19.	2 473	11 843
Deferred tax liabilities	1.20.	1 102	926
Other non-current payables and liabilities	1.21.	1 627	2 290
Total non-current liabilities		**13 262**	**21 340**
Current liabilities			
Current financial liabilities	1.22.	2 296	2 345
Current trade payables	1.23.	72 222	81 904
Tax payables	1.24.	3 256	3 952
Employee benefit payables	1.25.	3 363	2 987
Current provisions	1.26.	10 145	8 347
Other current payables and liabilities	1.27.	4 526	1 326
Total current liabilities		**95 808**	**100 861**
Total equity and liabilities		**242 205**	**254 245**

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TRACE GROUP HOLD PLC

CONSOLIDATED INCOME STATEMENT for 2021

	Note	2021 BGN'000	2020 BGN'000
Income			
Revenue from contracts with customers	2.1.1.	**151 650**	**221 635**
Revenue from construction contracts		131 904	198 283
Revenue from finished products		9 950	14 808
Revenue from sales of goods		9 513	8 270
Revenue from sales of services		283	274
Other operating income/(loss), net	2.1.2.	**11 551**	**2 437**
Finance income	2.1.3.	**514**	**858**
Total Income		**163 715**	**224 930**
Expenses			
Expenses by nature		**(151 931)**	**(201 358)**
Raw materials, materials and consumables	2.2.1.	(34 520)	(36 773)
Cost of external services	2.2.2.	(77 008)	(116 004)
Depreciation and amortisation	2.2.3.	(5 927)	(6 017)
Employee benefits	2.2.4.	(28 918)	(26 822)
Impairment of assets	2.2.5.	(396)	(456)
Other costs	2.2.6.	(5 162)	(15 286)
Allowances	2.2.7.	**(965)**	**(6 632)**
Net book value of assets disposed (excluding production)		(8 302)	(6 995)
Capitalised costs		5 386	-
Changes in inventories of finished goods and work in progress		1 951	363
Finance costs	2.2.8.	**(1 779)**	**(1 283)**
Total expenses, excluding tax expenses		**(154 675)**	**(209 273)**
Gain/(Loss) from associates	2.2.9.	**-**	**513**
Profit / (Loss) before income tax		**9 040**	**16 170**
Tax expense	2.2.10.	**(2 654)**	**(3 916)**
Current tax expense		(1 578)	(4 793)
Deferred tax changes		(1 076)	877
Profit / (Loss) from continuing operations		**6 386**	**12 254**
Profit / (Loss)		**6 386**	**12 254**
to shareholders of the parent		**6 380**	**12 284**
to non-controlling interests		**6**	**(30)**

		2021 BGN	2020 BGN
Primary Net Earnings per Share		**0,26**	**0,51**
from continuing operations	1.15.5	0,26	0,51

The notes on pages 7 to 114 are an integral part of these consolidated financial statements.

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TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for 2021

	Note	2021 BGN'000	2020 BGN'000
Profit / (Loss)		**6 386**	**12 254**
Other comprehensive income	2.3.1.	**(439)**	**537**
Items that are not subject to subsequent reclassification in profit or loss, including:		***(18)***	***81***
Actuarial gains / (losses)		(18)	81
Items that are not subject to subsequent reclassification in profit or loss, including:		***(421)***	***456***
Gains / (Losses) from foreign currency translations		(421)	456
Total comprehensive income		**5 947**	**12 791**
attributable to the shareholders of the parent		**5 941**	**12 821**
attributable to non-controlling interests		**6**	**(30)**

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TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF CASH FLOWS for 2021

	2021 BGN'000	2020 BGN'000
Cash flows from operating activities		
Proceeds from contractors	221 832	290 191
Payments to contractors	(149 670)	(227 414)
Net cash flows for employee benefits (salaries and wages, and social insurance contributions	(29 364)	(26 691)
Tax paid (excluding corporate income tax)	(5 833)	(10 796)
Proceeds from tax reimbursed (excluding corporate income tax)	469	1 726
Corporate income tax paid	(4 868)	(4 409)
Payments under profit distribution	(1 203)	(1 125)
Payments of guarantees	(549)	(473)
Net foreign exchange gains / (losses)	7	(12)
Government grants received	418	1 113
Cash collaterals	(235)	(2 791)
Other cash flows from operating activities	38	137
Net cash flows from operating activities	**31 042**	**19 456**
Cash flows from investing activities		
Payments under acquisitions of non-current assets	(6 281)	(2 967)
Proceeds from disposals of non-current assets	373	196
Proceeds from sales of financial assets, net of cash	401	366
Acquisition of subsidiaries, net of cash received	-	(14)
Payments of loans granted	(124)	(622)
Proceeds from loans granted	130	1 394
Proceeds from interest on loans granted	-	24
Payments under cession contracts	-	(6 282)
Proceeds from dividends received	-	-
Other cash flows from investing activities	2	-
Net Cash flows from investing activities	**(5 499)**	**(7 905)**
Cash flows from financing activities		
Proceeds from the issue of shares and other capital instruments	-	4
Payments for repurchases of shares and other capital instruments bought back in the entity	-	(10)
Payments of dividends to non-controlling interests	(5)	-
Proceeds under loans received	220	28
Payments under loans received	(1 013)	(1 432)
Payments of interest on loans received	(83)	(231)
Lease payments	(1 935)	(2 305)
Other cash flows from financing activities	(12)	12
Net Cash flows from financing activities	**(2 828)**	**(3 934)**
Net cash increase / (decrease) in cash and cash equivalents	**22 715**	**7 617**
Cash and cash equivalents at 1 January	**40 577**	**32 960**
Effect of application of IFRS 9	**(54)**	**(110)**
Cash and cash equivalents at 31 December	**63 238**	**40 467**

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TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as at 31.12.2021

	Share capital	*Share premium*	*Translation reserve*	*General and other reserves*	*Accumulated profit / (loss)*	*Total Equity for the Group*	*Total Equity for the non-controlling interests*	*Total Equity*
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 31.12.2019	**24 184**	**21 739**	**(794)**	**55 888**	**18 210**	**119 227**	**132**	**119 359**
Changes in equity for the financial reporting 2020	**(5)**	**-**	**603**	**18 538**	**(6 219)**	**12 917**	**(232)**	**12 685**
Other comprehensive income	***-***	***-***	***456***	***-***	***81***	***537***	***-***	***537***
Actuarial gains / (losses)					81	***81***		***81***
Translation of foreign activities			456			**456**		**456**
Profit / (loss) for the period					***12 284***	***12 284***	***(30)***	***12 254***
Total Comprehensive Income for 2020	**-**	**-**	**456**	**-**	**12 365**	**12 821**	**(30)**	**12 791**
Treasury shares	***(5)***					***(5)***		***(5)***
Dividends						***-***	***(7)***	***(7)***
Profit distribution				***18 478***	***(18 478)***	***-***		***-***
Acquired/Disposed subsidiaries						***-***	***(170)***	***(170)***
Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control					***(2)***	***(2)***	***(25)***	***(27)***
Other changes at equity			***147***	***60***	***(104)***	***103***		***103***
Balance at 31.12.2020	**24 179**	**21 739**	**(191)**	**74 426**	**11 991**	**132 144**	**(100)**	**132 044**
Changes in equity for the financial reporting 2021	**-**	**-**	**(421)**	**7 410**	**(5 887)**	**1 102**	**(11)**	**1 091**
Other comprehensive income	***-***	***-***	***(421)***	***-***	***(18)***	***(439)***	***-***	***(439)***
Actuarial gains / (losses)					(18)	***(18)***		***(18)***
Translation of foreign activities			(421)			***(421)***		***(421)***
Profit / (loss) for the period					***6 380***	***6 380***	***6***	***6 386***
Total Comprehensive Income for 2021	**-**	**-**	**(421)**	**-**	**6 362**	**5 941**	**6**	**5 947**
Dividends					***(4 839)***	***(4 839)***	***(17)***	***(4 856)***
Reserves distribution				***7 410***	***(7 410)***	***-***		***-***
Balance at 31.12.2021	**24 179**	**21 739**	**(612)**	**81 836**	**6 104**	**133 246**	**(111)**	**133 135**

The notes on pages 7 to 114 are an integral part of these consolidated financial statements.

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General information, accounting policies, baseline

1. General information on the Group

"Trace Group Hold" PLC group (the Group) comprises the parent and its subsidiaries.

Parent

Trace Group Hold PLC (Parent) 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 it is domiciled, and has its address of registered office, at: №12 "Nikola Obrazopisov" Str., 1408, Sofia. There have been no changes in the data, compared to those presented in the prior reporting period.

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 of entities in which the holding company has interest; design, construction, reconstruction, rehabilitation and overhaul of roads, road facilities, highway, road and street facilities (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; execution of all types of building and construction works, consulting services, trading activities and rental (sublease) of non-current assets.

The principal activity of the entities within the Group is concentrated in the construction sector, with the exception of some entities, whose principal activity is in the fields of trading, rental and lease of assets, and investments.

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, Romania, Ukraine and North Macedonia.

The structure of the Group comprises Trace Group Hold PLC, as the parent, and the subsidiaries, disclosed hereafter:

Subsidiaries, domiciled in Bulgaria	**31.12.2021** ***Participating interest*** **%**	**31.12.2020** ***Participating interest*** **%**	***Date of gaining control***	***Date of loss of control / Merger***
Trace BG JSC	100.00	100.00	-	-
Trace Yambol JSC	99.48	99.48	-	-
Infra Commerce LTD	100.00	100.00	-	-
USM JSC	99.69	99.69	-	-
Trace Mechanization JSC	100.00	-	04.03.2021	-
Trace Properties LTD	100.00	100.00	-	-
Trace Svilengrad LTD**	99.48	99.48	-	-
Aria Residence LTD	60.00	60.00	02.10.2020	-

** Effective percentage of participating interest*

*** indirect participating interest*

Subsidiaries, domiciled abroad	**31.12.2021** ***Participating interest*** **%**	**31.12.2020** ***Participating interest*** **%**	***Date of gaining control***	***Date of loss of control / Merger***
Trace Serbia, Serbia	100.00	100.00	-	-
Trace Build, Serbia**	100.00	100.00	03.12.2020	-
Trace Company, Moldova – in liquidation proceeding–	-	100.00	01.04.2020	16.12.2021

** Effective percentage of participating interest*

*** indirect participating interest*

Subsidiaries

The following entities (with principal activity disclosed hereafter too) are subsidiaries of the group at 31.12.2021:

- TRACE – BG JSC, SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC
  Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure;
- TRACE YAMBOL JSC, YAMBOL, BULGARIA – 99.48% owned by Trace Group Hold PLC
  Principal activity: Construction and reconstruction of roads and road facilities;
- INFRA COMMERCE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
  The entity has an established branch in the Republic of Serbia.
  Principal activity: Trade activities in Bulgaria and aboard, trade representation and trade intermediation;
- USM JSC, STARA ZAGORA, BULGARIA – 99.69% owned by Trace Group Hold PLC
  Principal activity: Rendering of building and construction mechanical services;
- TRACE MECHANIZATION JSC, STARA ZAGORA, BULGARIA – 100.00% owned by Trace Group Hold PLC as of its establishment, by its separation from USM JSC, on 04.03.2021.
  Principal activity: Rendering of building and construction mechanical services;
- TRACE PROPERTIES LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
  Principal activity: Property management, as well as all types of auxiliary services, and any other activities;
- TRACE SVILENGRAD LTD, SOFIA, BULGARIA – 100% owned by Trace Yambol JSC
  Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure;
- ARIA RESIDENCE LTD, BOURGAS, BULGARIA – 60% owned by Trace Group Hold PLC
  Principal activity: Investments in property, with the purpose of realising projects in the real estate sector: purchase, construction and / or furnishing, and others;
- TRACE SERBIA LTD, SERBIA – 100% owned by Trace Group Hold PLC
  Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- TRACE BUILD, SERBIA – 100% owned by Trace Serbia
  Principal activities: Investments in property, with the purpose of realising projects in the real estate sector: purchase, construction and / or furnishing, and others;

Entities and Alliances under the Law on Obligations and Contracts:

- METRO TRACE ALLIANCE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace Group Hold PLC and 15% participating interest of Trace BG JSC
  Principal activity: Other specialised construction activities;
- METRO MLADOST ALLIANCE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace BG JSC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- MAGISTRALA TRACE (TRANSL. TRACE HIGHWAY), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 75% participating interest of Trace Group Hold PLC and 10% participating interest of Trace BG JSC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- KARDZHALI 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participating interest of Trace BG JSC and 24% participating interest of Trace Yambol JSC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- STARA ZAGORA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace BG JSC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE BOURGAS – SK-13 TRANSSTROY, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace BG JSC
  Principal activity: Construction of electrical installations;
- SOFIA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participating interest of Trace BG JSC
  Principal activity: Construction of residential and non-residential buildings;
- HEMUS A2, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE SVOGE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE SOP, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC and 20% participating interest of Trace BG JSC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- LYULIN TRACE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace Group Hold PLC and 5% participating interest of Trace BG JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA –100% participating interest of Trace BG JSC
  Principal activity: Overall construction of buildings and construction premises;

- PS 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace BG JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- TMA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 100% participating interest of Trace BG JSC
  Principal activity: Construction of other premises, not classified elsewhere;
- TSARIGRADSKO, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- CHEPELARE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE PRIBOR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC, 19% participating interest of Trace BG JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- PB – MARK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace BG JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- MARKIROVKA (TRANSL. MARKING) 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 84.99% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- SAMARA 2015, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace Group Hold PLC
  Principal activity: Construction of other premises, not classified elsewhere;
- GABROVO CENTAR (TRANSL. CENTER), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace BG JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- EE KYUSTENDIL BLOCK 27, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 91% participating interest of Trace BG JSC
  Principal activity: Construction of other premises, not classified elsewhere;
- EE KYUSTENDIL BLOCK 82 AND BLOCK 83, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace BG JSC
  Principal activity: Construction of residential and non-residential buildings;
- TRACE ALFA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace BG JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- EE LUKOVIT, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace BG JSC
  Principal activity: Construction of residential and non-residential buildings;

- ZHELEZOPATNA INFRASTUKTURA (TRANSL. RAILWAY INFRASTRUCTURE), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50.5% participating interest of Trace Group Hold PLC
  Principal activity: Construction of underground and overground railways;
- MARAZH 2018, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 77% participating interest of Trace Yambol JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- VIK (TRANSL. WATER SUPPLY AND SEWERAGE) STROY – GOURKOVO 2018, A COMPANY UNDER THE LAW ON OBLIGATION AND CONTRACTS, BULGARIA – 90% participating interest of Trace BG JSC
  Principal activity: Construction of transmission and distribution pipelines;
- METRO STROITELSTVO (TRANSL. CONSTRUCTION), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 97.99% participating interest of Trace Group Hold PLC
  Principal activity: Construction of underground and overground railways;
- TRACE BUILD, A COMPANY UNDER THE LAW ON OBLIGATION AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- VODOPROVODI (TRANSL. WATER MAINS) KARLOVO 2019, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace BG JSC
  Principal activity: Construction of other premises, not classified elsewhere;
- PROEKT (TRANSL. PROJECT) PLOVDIV, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Group Hold PLC
  Principal activity: Construction of underground and overground railways;
- ULITSI (TRANSL. STREETS) IVAYLOVGRAD, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace BG JSC
  Principal activity: Other specialised construction activities, not classified elsewhere;
- TRACE ZONA 1 (TRANSL. ZONE 1), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99.99% participating interest of Trace Group Hold PLC
  Principal activity: Other specialised construction activities, not classified elsewhere;
- OBEDINENIE ULITSI BOROVAN (TRANSL. BOROVAN STREETS ALLIANCE), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace Group Hold PLC
  Principal activity: Participation in a public tender procedure for the awarding of a public tender for: "Repairs and rehabilitation of streets within the Municipality of Borovan";
- VIK (TRANSL. WATER SUPPLY AND SEWERAGE) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60.40% participating interest of Trace Group Hold PLC
  Principal activity: Engineering (Design, copy right supervision and construction) – Reconstruction of the water supply and sewerage network of Stara Zagora;

- SOD ZONA 3 (TRANSL. ZONE 3), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99.99% participating interest of Trace Group Hold PLC
  Principal activity: Other specialised construction activities, not classified elsewhere;
- POMORIE 2018, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 59.99% participating interest of Trace Group Hold PLC as of 09.02.2021
  Principal activity: Construction of highways, roads and aircraft runways;
- ULITSI (TRANSL. STREETS) LOM, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99.99% participating interest of Trace BG JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRZP STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 87.00% participating interest of Trace BG JSC
  Principal activity: Other specialised construction activities, not classified elsewhere;
- KR SVOGE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50.00% participating interest of Trace Group Hold PLC
  Principal activity: Other specialised construction activities, not classified elsewhere;
- POMORIE 2020, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS – 50.00% participating interest of Trace Group Hold PLC
  Principal activity: Execution of building and construction works under the project "Rehabilitation and reconstruction of street network in the towns of Acheloy and Kableshkovo, Pomorie Municipality";
- DRAGALEVTSI 2021, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS – 50.00% participating interest of Trace Group Hold PLC
  Principal activity: Construction of other premises, not classified elsewhere;
- POMORIE 2018, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS – 59.99% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;

New companies under the Law on Obligations and Contracts (subsidiaries, joint ventures and associates) were established together with partners (entities within the Group and external, unrelated parties) in the current and prior reporting periods. Such have not engaged in any operations at year-end. Entities that were established under already completed projects have been terminated.

The restructuring of USM JSC – a subsidiary of "Trace Group Hold" PLC –, through a spinoff, was entered in the Commercial Register and Register of Non-Profit Legal Entities (CRRNPLE) on 04.03.2021. The principal activity of the newly established entity – Trace Mechanization JSC – involves: Rental (lease) of mechanisation, rendering of mechanical services, as well as other activities not prohibited by the law; the activities, subject to licensing or permits, shall be executed after obtaining the respective licenses or permits. "Trace Group Hold" PLC is sole capital owner.

A branch of "Trace Group Hold" PLC was registered in Bucharest (Romania) on 23.04.2021. The branch is domiciled and has its address of registered office at №9, "Parincele Galeriu" Str., Sector 2, Bucharest. The principal activity of the branch involves construction of roads, highways and railway construction.

The liquidation proceedings of "Trace Company", Moldova, entered in the Public Register of the Republic of Moldova began on 27.07.2021. The procedure was completed and the company was deleted on 16.12.2021.

A change in the capital of "Trace Build", Belgrade, was entered in the Commercial Register of the Republic of Serbia on 03.09.2021. The entity's capital was increased and now amounts to 258 714 846 Serbian Dinars. "Trace Serbia" JSC – a subsidiary of "Trace Group Hold" PLC – is sole capital owner of "Trace Build" LTD.

Joint ventures

The Group does not hold any participating interest in joint ventures at 31.12.2021.

Associates

The following entities (with principal activity disclosed hereafter too) are associates at 31.12.2021:

- VODEN PROEKT (TRANSL. WATER PROJECT) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 30% participating interest of Trace Group Hold PLC and 4% participating interest of Trace – Road Construction JSC
  Principal activity: General construction of buildings and construction premises;

The termination of the activity of "GT Trans BG" OOD (LTD) – an associate of "Trace Group Hold" PLC – and the beginning of liquidation proceedings were entered in the Commercial Register on 11.05.2021. An invitation was sent to creditors to file claims (for the amounts of their receivables from the entity) within a six month period, beginning as of that same date. The liquidation proceedings were completed and the entity was deleted on 22.12.2021.

1.1. Ownership and management of the parent

The share capital is distributed among 24 200 000 non-cash, non-bearer shares, with nominal value of BGN 1 each. The entity does not have an ultimate parent; instead, it has a majority shareholder.

Ownership at 31.12.2021 is distributed as follows:

	%
Nikolay Mihaylov	67,26%
Galini – N LTD	9,00%
Trace Group Hold PLC (repurchased shares; 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 31.12.2021:

Nikolay Mihaylov	Chairman
Manol Denev	Member
Mariela Rounteva	Member

Members of the Managing Board at 31.12.2021:

Desislava Lyubenova	Chairman
Boyan Delchev	Member
Rositsa Dineva – Georgieva	Member

At 31.12.2021, the parent is managed and represented by the Executive Director – Eng. Boyan Delchev.

Members of the Audit Committee at 31.12.2021:

Hristo Savchev	Chairman
Hristina Nikolova	Member
Diana Deyanova – Rangelova	Member

1.2. Other information

Compiler of the annual consolidated financial statements: Boyan Hristov

Lawyers: Hristina Arihteva

Auditor: Kalin Apostolov, CPA

Servicing banks: UniCredit Bulbank AD, United Bulgarian Bank AD, DSK EAD, Eurobank Bulgaria AD

At the date of these annual consolidated financial statements, the personnel employed within the Group amounts to 816 workers and employees.

2. Accounting policies

2.1. Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ending 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union Committee. These are comprised of 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 Interpretations of the Standing Interpretations Committee (SIC Interpretations), endorsed 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 consolidated 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 consolidated financial statements.

These estimates, accruals and assumptions are based on the information, available at the date of the consolidated financial statements, and therefore future actual results could differ. Items that involve a higher degree of subjective or complex judgement, and assumptions and accounting estimates that are material to the consolidated financial statements, are disclosed in *Note № 2.32*.

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 within 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, domiciled within the Republic of Bulgaria, and annual reporting periods beginning on or after 1 January 2021, 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:

Amendments to **IFRS 9 Financial Instruments, IAS 39 Financial instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases,** relating to the Interest Rate Benchmark Reform – Phase 2, effective for annual periods beginning on or after 01.01.2021, adopted by the EC

The amendments to the Standards, related to Interest Rate Benchmark Reform – Phase 2, mainly introduce two practical expedients: a) in determining and assessing changes to contractual cash flows of financial assets, financial liabilities and lease liabilities – with changes in the base interest rates being recognised by updating the effective interest rate; and b) in recognising hedging relationships – allowing for a change (revisions) in the determination of a hedging relationship and the valuation of the hedged item on the basis of cash flows, arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments are applied retrospectively.

Amendments to **IFRS 4 Insurance Contracts**, effective for annual periods beginning on or after 01.01.2021, adopted by the EC.

The amendments permit entities, whose activities are predominantly connected with insurance, to defer the effective date of IFRS 9 Financial Instruments from 01 January 2021 to 01 January 2023; instead, such entities may continue to apply IAS 39 Financial Instruments: Recognition and Measurement. The purpose of the amendment is to harmonise the effective date of IFRS 9 with the new IFRS 17 in order to overcome the temporary accounting consequences of the different effective dates of the two standards. The amendment also introduces a temporary exemption from the specific requirements in IAS 28 Investments in Associates and Joint Ventures with regards to the implementation of a single policy for entities, using the equity method under IAS 28.

Amendments to **IFRS 16 Leases**, effective for annual periods beginning on or after 01.04.2021, adopted by the EC.

The amendments: a) permit lessees to apply the practical expedient, regarding COVID-19-related rent concessions, to rent concessions for which any reduction in lease payments affects only payments, originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021); b) require

lessees applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and c) specify that, in the reporting period in which the lessee first applied the amendment, the lessee is not required to disclose the information required by paragraph 28 (f) of IAS 28.

Amendments to **IFRS 16 Leases**, effective for annual periods beginning on or after 01.06.2021, adopted by the EC.

These amendments introduce a practical expedient, which allows a lessee not to assess whether a lease concession occurring as a direct consequence of the COVID-19 pandemic is a lease modification. The practical expedient would apply and only if all of the following conditions are met: a) the change in the lease payments results in revised consideration for the lease that is the same as, or less than the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (the term was extended by the subsequent amendment of the Standard from 01.04.2021 to 30 June 2022); and c) there is no substantive change to other terms and conditions of the lease. The lessee applying the practical expedient shall account for any change in the lease payments that is not a lease modification in the same way as it would have been accounted for in applying IFRS 16.

At the date of issue for approval of these consolidated financial statements, several new Standards and Interpretations have been published but have not yet become effective for annual periods beginning on or after 01 January 2021, as well as amendments to existing Standards and Interpretations that have not been adopted for early application by the Group. The Management has determined that the following Standards and Interpretations could have a potential effect in future periods – for changes in the accounting policies and the classification, and the values of reporting items in the financial statements of the Group for future periods, namely:

IAS 16 Property, Plant and Equipment, effective date: 01 January 2022

The amendments prohibit entities from deducting net proceeds from sales of any output, produced in bringing the asset to the location and condition, necessary for it to be capable of operating in the manner intended by the Management, from the costs of "testing whether the asset is functioning properly" that are part of the directly attributable costs related to bringing the asset to that location and condition. Instead, the entity recognises sales proceeds for such items, and the related costs, in profit or loss for the period, in accordance with the requirements of the other applicable standards. The amendments specify that testing whether an asset functions properly is in fact an assessment of whether the technical and physical status, and demonstrated performance of the asset are such that it can be used for its intended purpose in the manufacture, supply of goods or services, leasing or for administrative purposes. In addition, entities must disclose separately the amounts of income and expenses related to manufactured items that are not a result of the entity's ordinary activities.

IFRS 3 Business Combinations, effective date: 01 January 2022

The amendments update IFRS 3, replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to its latest version, dated 2018. They also add an exemption to the principle of recognising liabilities and contingent liabilities that fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and / or IFRIC 21 Levies, also explicitly clarifying that contingent assets are not recognised as the acquisition date. The amendments are applied prospectively.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets, effective date: 01 January 2022

The amendments explicitly clarify that the costs of fulfilling the obligations under an onerous contract are the costs that are directly related to that contract, including: a) direct labour costs and direct material costs; and b) additional costs that are directly attributable to the performance of the contract through allocation, such as the allocation of depreciation of property, plant and equipment, used in fulfilling the respective contract. Administrative and other general costs are excluded, unless they are explicitly chargeable to the contractor under the contract. The amendments also make a minor adjustment to the clarifications on the recognition of any impairment losses on assets before establishing a separate provision for an onerous contract, emphasising that these are assets used in the performance of the contract and not assets dedicated to that contract, as was required until the effective date of the amendments.

IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 01.01.2023, adopted by the EC.

This Standard is an entirely new Accounting Standard for all types of insurance contracts, including for some guarantees and financial instruments, establishing principles for their recognition and measurement, presentation and disclosure. The Standard will replace the effective until now Standard on Insurance Contracts – IFRS 4. It establishes a new comprehensive accounting model for insurance contracts, covering all relevant accounting aspects.

Annual improvements to the IFRS 2018 – 2020 Cycle to **IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments**, Illustrative example 13 to **IFRS 16 Leases** and **IAS 41 Agriculture**, effective for annual periods beginning on or after 01.01.2022, adopted by the EC.

These improvements introduce partial amendments to the following Standards:

- **IFRS 1** provides an exemption for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent. In its separate financial statements, the subsidiary measures its assets and liabilities at the carrying amounts at which the parent acquired the subsidiary and which would be recognised in the consolidated financial statements of the parent. If not no adjustments were made for consolidation purposes and for the effects of the business combination in which the parent acquired the subsidiary, the subsidiary is permitted to recognise, in its financial statements, the cumulative translation differences of all foreign activities at the carrying amount that would be included in the consolidated financial statements of the parent, based on the parent's date of transition to IFRSs. This amendment will also apply to associates and joint ventures that have applied the same exemption under IFRS 1. An entity shall apply this amendment for annual periods beginning on or after 1 January 2022. Early application is permitted;

- **IFRS 9** clarifies the fees to be included in the "10 per cent" test for derecognition of financial liabilities that have been modified or exchanged, when assessing whether the terms of the new or modified financial liability are substantially different from the terms of the original financial liability. According to the amendments in the determination of these fees, the entity includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The entity shall apply those amendments to financial liabilities that are modified or exchanged at the beginning, or after the beginning, of the annual reporting period in which the entity first applies the amendments;

- In Illustrative Example 13 accompanying **IFRS 16**, the illustration of the reimbursement of leasehold improvements by the lessor has been removed in order to resolve any potential confusion regarding the treatment of lease incentives. Since the amendment refers to an illustrative example (amends material) that accompanies, but does not form part of, the Standard, no effective date is stated;

- **IAS 41** removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of biological assets and agricultural products.

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

Amendments to **IAS 1 Presentation of Financial Statements** and IFRS Practice Statement 2, effective for annual periods beginning on or after 01.01.2023; not adopted by the EC.

The amendments: a) require the disclosure of "material" accounting policy information, instead of disclosure of "significant" accounting policies. b) explain how an entity can identify a material accounting policy information and give examples of when accounting policy information is likely to be material; c) clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; d) clarify that accounting policy information is material, if users of the entity's financial statements would need it to understand other material information in the financial statements; and e) clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to **IAS 1 Presentation of Financial Statements**, effective for annual periods beginning on or after 01.01.2023; not adopted by the EC.

The amendments focus on the criteria for classification of liabilities as current and non-current. According to them, the entity classifies its liabilities as current, or non-current, based on the rights that are in existence at the end of the reporting period and is unaffected by expectations about whether the entity will exercise its right to defer the settlement of these liabilities, or not. The amendments make clear that "settlement" of liabilities refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to **IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors**, effective for annual periods beginning on or after 01.01.2023; not adopted by the EC.

The amendments focus primarily on estimates and are related to: a) the "definition of a change in accounting estimates" is replaced with a "definition of accounting estimates". Under the new definition, accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty; b) the entity develops accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty; c) a clarification that a change in accounting estimate that results from new information or new developments is not the correction of an error; and d) a change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods.

IAS 12 Income Taxes, effective for annual periods beginning on or after 01.01.2023; not adopted by the EC.

Amendments to IAS 12 Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction. The amendments narrow the scope of the initial recognition exemption (to recognise deferred tax liabilities) so that the initial recognition exemption does not apply to transactions that give rise to both taxable and deductible temporary differences to the extend the amounts recognised for the temporary difference are the same. Such transactions are the recognition of "right of use assets" and lease liabilities by lessees at the lease commencement date, as well as the accrual of liabilities for dismantling, relocation and restoration included in the cost of the asset. After the amendments to the Standard become effective, entities shall recognise each deferred tax asset (to the extent that it is probable that taxable profit will be available against which deductible

temporary differences can be utilised) and deferred tax liabilities (for all taxable temporary differences) in accordance with the criteria in IAS 12 for transactions involving assets and liabilities arising from single transactions on or after the beginning of the earliest comparative period presented in the financial statements.

Amendments to **IFRS 17 Insurance Contracts**, effective for annual periods beginning on or after 01.01.2023; not adopted by the EC.

The amendments relate to the initial application of IFRS 17 and IFRS 9 – comparative information. They introduce transition options relating to the presentation of comparative information on financial assets, presented on initial application of IFRS 17, in order to avoid temporary accounting mismatches between financial assets and insurance contract liabilities arising in the comparative information presented on initial application of IFRS 17 and IFRS 9. The application of the amendments is optional and relates only to the presentation of comparative information on initial application of IFRS 17.

IFRS 10 (amended) – **Consolidated Financial Statements** and **IAS 28** (amended) – **Investments in Associates and Joint Ventures** – regarding sales or in-kind contribution of assets between an investor and its associates or joint ventures (with the effective date being deferred; the date is to be determined from the IASB).

These amendments are aimed at resolving the accounting treatment of sales and contributions in-kind between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or the non-monetary assets contributed by nature constitute (or not) a "business", as defined in IFRS 3. If these assets as a whole do not meet the definition of "business", the investor recognises profit or loss up to the percentage of the participating interest, corresponding to the share of other unrelated investors in the associate or joint venture. In cases when assets are sold, or non-monetary assets are contributed, which are defined as "business" as a whole, the investor fully recognises the profit or loss from the transaction.

2.2. Going concern

The financial statements of the Group for the year ended at 31 December 2021 have been prepared on a going concern basis.

The Management is monitoring, on a current basis, the possible business and financial risks, and considers and / or takes appropriate actions depending on the assessment of their significance for the Group's development.

The Group has reviewed its assessment of going concern, taking into account all factors individually and reviewing all available information about future developments, such as performance and financial forecasts for at least twelve months after the date of these financial statements. Pursuant to the conducted elasticity analysis and assessment of the going concern, and the results received thereto, the Group concluded that it is appropriate to prepare the financial statements on a "going concern" basis and despite the identified uncertainties and factors, there are no material such that could cast significant doubt on the Group's ability to continue as a going concern in the year, following the financial reporting year of these financial statements. In light of the continuing uncertainty arising from the COVID-19 pandemic and the military conflict that has arisen between Russia and Ukraine, the Group monitors closely the development of those events and analyses the risks to its financial results, economic status and cash flows, and applies additional mitigation measures when deemed necessary.

2.3. Changes in the accounting policies

The adopted accounting policies 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 Group has fully complied.

2.4. Reporting currency and recognising foreign exchange gains / (losses)

The accounting registers have been prepared in Bulgarian Lev (BGN) in compliance with the requirements of the Bulgarian legislation.

The figures, disclosed in the financial statements, are in thousands of Bulgarian Lev (BGN '000), unless otherwise explicitly disclosed.

The Bulgarian Lev (BGN) is the functional currency of the entities within the Group, domiciled in Bulgaria, and the reporting currency of the Group. The Bulgarian Lev is pegged to the Euro, under the Law on the Bulgarian National Bank (BNB), in a ratio BGN 1.95583:EUR 1.

Translations of foreign activities and foreign-based entities from their functional currency to the reporting currency are carried out in accordance with IAS 21 – Effects of Changes in Foreign Exchange Rates (*Note №2.21*).

2.5. Comparative information

In these consolidated financial statements, the Group presents comparative information for one prior financial year, or at the end of the prior reporting period. When necessary, comparative information is reclassified (and restated) to achieve comparability with any changes in the current year's presentation.

2.6. Consolidated financial statements

Parent

This is the entity, including a non-legal (unincorporated) entity such as a partnership, that controls one or more other entities in which it has invested. Ownership control means that an investor is exposed to, or has rights to, the variable return on its interest in the investee and has the power over the investee to affect the amount of that return.

Trace Group Hold PLC, Bulgaria, is the parent (*Note №1*).

Subsidiary

A subsidiary is an entity, or another form of undertaking, that is controlled directly or indirectly by the parent.

Subsidiaries are consolidated from the date on which effective control is acquired by the Group and cease to be consolidated from the date that control is deemed to have ceased and is transferred outside the Group. The full consolidation method is applied for their consolidation.

The subsidiaries of the Group are disclosed under *Note №1*.

Joint venture

A joint venture is such an entity, or another form of business arrangement, established under a contractual agreement between the parent (as an investor) and one or more other parties (entities), which undertake joint economic activity and over which the venturers (including the parent having such a status) exercise joint control. Joint control exists only when the strategic financial and operational decisions relating to the joint venture are contractually established to be adopted with the unanimous consent (consensus) of the venturers. The latter have rights to the net assets of the joint venture.

The joint venture is included in the consolidated financial statements of the Group by applying the equity method from the date on which joint control is acquired by the venturer (in particular – the parent) and cease to be consolidated under this method from the date when the joint venture is transformed into a subsidiary, or from the date that it is assumed that joint control is transferred from the venturer to third parties.

The joint ventures of the Group are disclosed in *Note №1*.

Associate

Associates are entities over which the Group has significant influence, evidenced by the power to participate in in the financial and operating decisions of the entity in which the Group has invested (investee), but without exercising control or joint control over such decisions. Typically, significant influence is associated with the direct or indirect ownership of between 20% and 50% of the voting shares. Investments in associates are accounted under the equity method and are initially recognised at acquisition cost.

The carrying amount in the Consolidated Statement of Financial Position is increased, or decreased, to recognise the investor's share in the subsequent (after the acquisition date) profit or loss of the associate. The Group's share in the profit or loss of the associate is recognised in the Consolidated Income Statement, in profit or loss. Distributions (of dividends) received from an associate reduce the carrying amount of the investment. The carrying amount of the investment is also adjusted and subsequent to changes in the Group's proportionate interest in the associate (investee) arising from changes in the investee's other comprehensive income. The Group' share of these changes is recognised in other comprehensive income.

Unrealised gains, resulting from transactions between the Group and its associates, are eliminated to the amount of the Group's interest in the associate. Unrealised losses are also eliminated, unless the economic transaction does not give evidence of impairment of the transferred assets. The accounting policies of associates are amended in accordance with the accounting policies, adopted by the Group, where deemed necessary.

The associates of the Group are disclosed in *Note №1*.

Non-controlling interest

These are the shares of shareholders (partners) – third parties, other than those of the shareholders of the parent. Such are disclosed separately in the Consolidated Statement of Financial Position, the Consolidated Income Statement and the Consolidated Statement of Changes in Equity.

2.7. Consolidation principles

The consolidated financial statements include the financial statements of the parent, of the subsidiaries, of the joint ventures and of the associates, prepared at year-end, the latter being the date of the financial reporting period of the Group.

For consolidation purposes, the financial statements of the subsidiaries, joint ventures and associates have been prepared for the same reporting period as the one of the parent and using uniform accounting policies.

2.7.1. Consolidation of subsidiaries

The financial statements of the included subsidiaries are consolidated in the consolidated financial statements using the "full consolidation" method, line-by-line, applying uniform accounting policies for significant like transactions and other events. The investments of the parent are eliminated against the share in the equity of subsidiaries at the acquisition date. Intragroup transactions and accounts are fully eliminated, including unrealised intragroup profit or loss. The effect of deferred tax on these eliminating consolidation entries is also accounted for.

Shares of partners (third parties) in subsidiaries, other than those of the shareholders of the parent, are disclosed separately in the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income and the Statement of Changes in Equity as "non-controlling interest". Non-controlling interest includes: (a) the amount of the share of third party shareholders (partners) at the first consolidation date at the fair value (found value) of all identifiable assets acquired, liabilities assumed and the contingent (crystallised) liabilities of each of the respective subsidiaries, determined (based on the share) under the proportionate method, and (b) the change in the amount of the share of those persons in the equity of each of the respective subsidiaries from their first consolidation and until the end of the current reporting period.

2.7.2. Acquisition of subsidiaries

The acquisition (purchase-sale) method is used when a subsidiary (entity) is being acquired by the Group in a business combination. The transferred consideration includes the fair value at the date of exchange of the assets provided, the liabilities incurred and assumed, and the equity instruments issued by the acquiring entity in exchange of gaining control over the acquired entity. This includes and the fair value of each asset and liability that arises as a result of an agreement for contingent consideration. The direct costs, associated with the acquisition, are recognised as current expenses in the period in which such have been incurred, except of the costs of issue of debt or equity instruments that are recognised as a component of equity.

All identifiable assets acquired, liabilities and contingent (crystallised) liabilities assumed in the business combination are initially measured at their fair value at the date of the exchange. Any excess of the sum of the transferred consideration (measured at fair value), the amount of the non-controlling interest in the acquiree and the fair value of the earliest held capital interest in the acquiree (if the acquisition is concluded in stages), over the identifiable assets acquired (including the intangible assets, recognised in the business combination), the liabilities and the contingent (crystallised) liabilities assumed is treated and recognised as goodwill. If the share of the acquiring entity in the fair value of the net identifiable assets acquired exceeds the acquisition cost of the business combination, the excess is immediately recognised in the Consolidated Income Statement of the Group, under gains / (losses) on the acquisition / (disposal) of subsidiaries. Any non-controlling interest in a business combination is recognised based on the method of "proportionate share in the net assets" of the acquiree.

2.7.3. Sale of subsidiaries

In sales of subsidiaries, or in other forms of loss of control over a subsidiary:

- The subsidiary's assets and liabilities (including goodwill, if there is such) are written-off at their book value at the date on which control is lost;

- The non-controlling interest in this subsidiary is written-off in the Consolidated Statement of Financial Position, at book value, at the date when control is lost, including all components of other comprehensive income, relating to those;
- The consideration received from the transaction, event or circumstances that resulted in the loss of control, is recognised at fair value;
- All components of equity, representing unrealised gains or losses, are reclassified in "profit or loss for the period", or are transferred directly in retain earnings, in accordance with the requirements of the respective IFRSs under the scope of which these components of equity do fall;
- Any gains or losses, attributable to the parent, are recognised in the Consolidated Statement of Comprehensive Income as "gain or loss on the disposal (sale) of a subsidiary".
- The remaining shares held, forming investments in associates, joint ventures or other long-term equity investments are initially measured at fair value at the date of sale and are subsequently measured in accordance with the accounting policies, adopted by the Group.

2.7.4. Non-controlling transaction

The Group treats non-controlling transactions as transactions with parties, who own equity instruments of the Group. The effects of sales of the parent's shares, without loss of control, to owners of non-controlling interests are not treated as components of the Group's current profit or loss, but as modifications, and are recognised directly in equity, usually to the "retained earnings" reserve component. And vice versa – any difference between the amount paid in purchases of the parent, without acquiring control over additional shares of the interest of owners of non-controlling interests, and the respectively acquired share of the book value of the net assets of the subsidiary is recognised too directly in the Consolidated Statement of Equity, usually under "retained earnings" reserve component. When the Group ceases to have control – joint control and significant influence – any remaining minority investment as a share of the respective entity's capital is remeasured at fair value and the difference to carrying amount is recognised in the current year's profit or loss, and respectively all amounts previously recognised in other components of comprehensive income are accounted for in the same way as in the case of direct disposal transactions of all components, related with the initial investment (subsidiary, joint venture or associate).

2.7.5. Consolidation of associates and joint ventures

The equity method is applied for the inclusion of associates and joint ventures in the consolidated financial statements. According to the equity method, the parent's investment is initially recognised at acquisition cost (cost) and is subsequently remeasured to reflect changes in the investor's share (in particular the parent's share) of the net assets of associates and joint ventures after the acquisition. The Group's investment in associates and joint ventures also includes goodwill, identified upon their acquisition and net of any recognised impairments.

The Group's profit or loss after acquisition of associates and joint ventures (by the parent) for the respective reporting period represents its share of their net financial results (after tax) from their economic activity for that period, and this share is recognised and presented in a separate line in the Consolidated Statement of Comprehensive Income. Similarly, the Group's share in modifications of other components of the comprehensive income of associates and joint ventures (entities) after acquisition is also recognised and presented as a modification in the other components of comprehensive income in the Consolidated Statement of Comprehensive Income, and respectively – in the Group's consolidated reserves in the Statement of Changes in Equity. The Group recognises its share of losses of associates and joint ventures to the amount of its investment, including the internally granted to them loans, unless the Group has assumed certain obligations or payments on behalf of the associate or joint venture.

Internal accounts between the Group and the associates and joint ventures are not eliminated. Unrealised gains or losses on transactions between them are eliminated to the percentage of the Group's interest in the associates and joint ventures, and in the event of losses such are also reviewed on whether there are any indications for impairment. The deferred tax effect in such consolidation procedures is also accounted for.

The held by the Group investments in associates and joint ventures, together with the included goodwill, are subject to impairment review at the date of each set of financial statements. Impairment is reflected in the Consolidated Income Statement, if conditions for impairment are evidenced and its amount is defined.

Investments in associates and joint ventures are derecognised when the rights deriving from them are transferred to others (upon the existence of legal grounds for such) and thus the significant or joint effect on the economic benefits of the investment is lost. Gains on their disposal are presented in the Consolidated Income Statement, under the "Finance income from operations in financial instruments" (in the profit or loss for the year).

2.8. Current and non-current assets and liabilities

2.8.1. Current and non-current assets

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

- The Group expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- The Group holds the asset primarily for the purpose of trading;
- The Group 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.

2.8.2. Current and non-current liabilities

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

- The Group expects to settle the liability in its normal operating cycle;
- The Group 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 Group does not have unconditional rights to defer the settlements of the liability for at least twelve months after the reporting period.

A liability is classified as non-current, unless such satisfy the criteria to be classified as current.

A liability is classified as current when it is 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.

2.9. Property, plant and equipment

The property, plant and equipment of the Group 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 (*Note №1.1*).

In accordance with IAS 16, the Group 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	10 – 20
Transport vehicles, excluding cars	15
Cars	7 – 10
All other depreciable assets	7

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

Depreciation of assets ceases at the earliest 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 Group 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. 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 revenue".

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

2.10. 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 (*Note №1.2*). 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 Group 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.

2.11. Intangible assets

The Group 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 Group and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost (i.e., acquisition cost) (*Note №1.3*).

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 Group 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 of 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
Software, software products	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. IFRS 16 applies to disposals by entering into a finance lease or a sale and leaseback.

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 disclosed at their net amounts in the Income Statement, under "Other income", unless IFRS 16 requires otherwise on a sale and leaseback.

2.12. 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 Group's assets are grouped into the smallest identifiable group of assets for which cash flows can be distinguished – a cash-generating unit.

2.13. Goodwill

Goodwill represents the excess of the acquisition cost (the consideration paid) over the fair value of the Group's share of the net identifiable assets of the acquiree at the acquisition date (business combination). In the consolidated financial statements, goodwill is initially measured at acquisition cost (cost) and subsequently – at cost less accumulated impairment losses. Goodwill is not amortised.

Goodwill arising on the acquisition of a subsidiary is presented in the Consolidated Statement of Financial Position, in a separate line, and goodwill arising from the acquisition of joint ventures and associates (entities) is incorporated in the total cost of the investment and is included under "investments in joint ventures" or under "investments in associates", respectively.

Goodwill on the acquisition of joint ventures and associates (entities) is tested as part of the total balance (value) of the investment. Separately recognised goodwill on the acquisition of subsidiaries (entities) is tested for impairment at least ones per annum. Impairment losses on goodwill are not subsequently reversed. Gains or losses on sale (disposal) of a subsidiary (entity) by the Group also include the carrying amount of the goodwill, attributable to the sold (disposed) company (entity).

Any recognised goodwill is identified as being attributable to a cash-generating unit when a business combination is realised and that unit is applied in impairment tests. In determining cash-generating units,

consideration is given to the units from which future economic benefits were expected on acquisition of the business combination and in respect of which the goodwill had arisen.

Impairment losses on goodwill are recognised in the Consolidated Statement of Comprehensive Income (in profit or loss for the year, under "impairment of assets".

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 (*Note №1.9*).

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 costs 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 sales and to the general administrative personnel are not included, but rather are recognised as expenses in the period in which they 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.

The allocation of conditional fixed production overheads to the costs of conversion of the finished products, semi-finished products and work in progress is based on the normal capacity of the production facilities.

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 Group 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 other financial assets from another entity, or to exchange financial instruments with another entity under conditions that are potentially favourable to the Group, or a contract that will be settled in the Group's own equity instruments and is a non-derivative for which the Group 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 Group'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 Group, or a contract that will be settled in the issuer's own equity instruments and is a non-derivative for which the Group is, or may be, obliged to deliver a variable number of its 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 assets, 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 Group recognises a financial asset in its financial statements when, and only when, the Group becomes a party to the contractual provisions of the instrument.

The Group 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 Group, 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 Group 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 compulsorily 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, if they are not measured at fair value through profit or loss – when such are initially recognised net of transaction costs. Trade receivables that do not contain a significant financing component and for which the Group applies the practically expedient measure 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 Group also adopts the respective transaction price as the best evidence of their fair value upon 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 measured at fair value, adjusted to defer the difference, recognised to the extent of a change in a factor, which the market participants would take into account.

2.16.1.3. Subsequent measurement and presentation

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

i. Financial assets at amortised cost

The Group 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 principal amount outstanding.

These financial assets include: cash and cash equivalents, trade receivables, loans receivable, receivables earned through cessions, trade receivables and other receivables whereby the Group has become a party to a contract or an arrangement and which should be settled in net cash.

Subsequent measurement is carried out using the "effective interest" method under which interest revenue 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 for purchased or originated credit-impaired assets and those which subsequently have become credit-impaired financial assets, respectively.

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

ii. Financial assets at fair value through other comprehensive income

The Group 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 principal amount outstanding, and selling those financial assets.

The Group 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 at initial recognition for particular investments in such instruments to be measured at fair value through other comprehensive income. Such financial assets are disclosed in the notes to the financial statements, separately from 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 Group has made an irrecoverable election at initial recognition to be subsequently measured at fair value through other comprehensive income.

This category of instruments is subsequently 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, typically by 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, when 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 principal, and selling those assets, are subject to impairment review at the date of each set of financial statements of the Group. Differences are recognised in profit or loss and the impairment losses are presented 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 Group 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 Group 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 Group include:

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

2.16.1.4. Impairment of financial instruments

The Group measures and recognises loss allowances for expected credit losses and credit impairments for 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 Group 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 contractual cash flows that are due to an 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 may result from those default events on the financial instrument that are possible within 12 months after the reporting date). For 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 that result from all possible default events over the life of the financial instrument (full lifetime expected credit losses).

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

The Group regards a financial instrument as a defaulted financial instrument when the contractual payments are more than 90 days past due. Nonetheless, in certain 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 Group 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 Group applies a simplified approach, in accordance with IFRS 9, for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, which do not contain a significant financing component and for which the Group applies the practically expedient under IFRS 15, recognising loss allowance at an amount equal to lifetime ECLs of the instrument at each reporting date. For this purpose, a practically expedient under IFRS 9 has been applied and a provision matrix has been used to estimate the expected credit losses on trade receivables and assets under contracts with customers. Receivables are classified in arrears and are grouped by type and customer segments with different credit loss models.

The Group 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 forecast of future economic conditions.

Trade receivables and contract assets from contracts with customers are not interest-bearing and are typically settled between 60 and 180 days, and between 180 to 360 days, respectively. The Group regards 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. Nevertheless, 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 Group will receive the full amount of the outstanding contractual considerations. Additionally, the Group 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 – the Group defines ECLs as a basis for the official external 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 for 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 Group has transferred substantially all risks and rewards of ownership, the latter being subject to evaluation.

If the Group retains the rights to receive cash flows from a financial asset, but the Group assumes an obligation to pay cash flows to end recipients without material delay, the financial asset is derecognised, provided that the Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, the Group determines whether it has retained control of the financial asset. If the Group has not retained control, the Group derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations, created or retained in the transfer. If the Group has retained control, the financial asset is recognised to the extent to which the Group 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 measured 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 Group recognises dividends from financial assets in its financial statements, in profit or loss, when the Group'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 Group and the amount of the dividend can be measured reliably.

2.16.2. Financial liabilities

2.16.2.1. Recognition and classification

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

The Group 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 any direct transaction costs, if financial liabilities are not measured at fair value though profit or loss when such are initially measured at fair value. At initial recognition, the Group regards the transaction price (quoted market prices) as best evidence of the fair value of all financial liabilities, acquired in market conditions. 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 differ 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 purpose, 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 Group measures financial liabilities at amortised cost when they do not necessarily fall within any of the other categories, provided for under IFRS 9, and when, at initial recognition, the Group 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 measured at amortised cost" include borrowings, trade payables and other payables under which the Group has become party to a contract, or a commitment, and which should be settled in net cash.

Subsequent measurement is carried out using the "effective interest rate" method. Amortised cost is computed 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 Group measures financial liabilities as financial guarantee contracts, when they satisfy the criteria to be measured as such, namely: when the Group 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 amount of the loss allowance, determined in the same way as a financial asset measured at amortised cost in accordance with the "Impairment of financial instruments" note, and the amount initially recognised less, when appropriate, the cumulative amount of income, recognised in accordance with the principles of IFRS 15.

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

iv. Liabilities arising as a result of the derecognition of a financial assets that does not qualify for derecognition, or when the continuing involvement approach applies

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

The Group 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.

v. Commitments to provide loans at below-market interest rates

The Group measures financial liabilities as commitments to provide loans at below-market interest rates when they satisfy the respective criteria – the Group 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 amount of the loss allowance, determined in the same way as a financial asset measured at amortised cost in accordance with the "Impairment of financial instruments" note and the amount initially recognised less, as appropriate, the cumulative amount of income, recognised in accordance with the principles of IFRS 15.

vi. Composition of the financial liabilities

The financial liabilities of the Group include:

- Borrowings (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 settled, 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 accounted for as an extinguishment of the original liability and a 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 Lev (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 Group 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.

The Group accrues and recognises losses for expected credit losses and credit impairments of bank deposits and current accounts in accordance with the adopted policies and the models for impairment of financial instruments.

For the purposes of the Cash Flow Statement's preparation:

- Cash proceeds from customers and cash payments to suppliers are presented at their gross amounts, inclusive of VAT (20%);
- Lease payments (cash payments of principal and interest on the outstanding principal amount), related to lease liabilities and "right-of-use assets", recognised in the Statement of Financial Position, are disclosed as "cash flows from financing activities", and the payments of short-term lease principals and interest on the outstanding amount of such principals of leases and low-value leased assets, are disclosed as "cash flows from operating activities".
- Proceeds from, and payments of, overdrafts are disclosed by the Group at their net amounts
- Payments of interest under loans obtained are included as "cash flows from financing activities"

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 (*Note №1.13*).

2.18. Equity and reserves

The Group'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 Group 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
- Repurchased (treasury) shares – presented at their acquisition cost.

If the Group repurchases 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 Group 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 of 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 shares of the Group in 2007 as a difference between the issuing value and the nominal value, less costs to repurchased treasury shares in subsequent periods.

2.18.3. Translation reserves

The Group has established and registered branches in the Republic of Serbia, the Czech Republic, North Macedonia, Ukraine 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 translation 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 a decision of the General Meeting of Shareholders.

2.18.5. Financial result

The financial result includes the retained earnings and accumulated (in prior years) losses that are decreased / increased to reflect adjustments of errors, changes in the accounting policies or transitions to new accounting standards, when this is explicitly permitted, as well as the 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. This factor reflects the number of days for which those shares were held, compared with the total number of days within the period.

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

2.20. Employee benefits

The labour and social insurance relations with the workers and employees of the Group follow on the provisions of the Labour Code (LC) and the social insurance legislation effective in Bulgaria (for entities domiciled in the Republic of Bulgaria), the Labour Code and the Collective Labour Agreement effective in Serbia (for entities domiciled in the Republic of Serbia), as well as the provisions of the applicable statutory requirements in respect of labour and social insurance relations in the respective countries in which the Group 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, options for additional voluntary pension and health insurance to a voluntary fund are statutory established.

The Group does not have an established and functioning private voluntary insurance fund.

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

The same applies and for payables to the "Health Insurance" Fund. The Group does not have an established and functioning 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 provided 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 Group, are recognised both as a current expense and as a liability, 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 consolidated financial statements, the Group 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.

i. Bonus schemes

The amounts due to the personnel, including to the key Management, are defined in compliance with the remuneration policies, adopted by the Group. Such remuneration costs are usually current expenses / payables and are recognised in the Income Statement (in profit or loss), under "Employee benefits", and in the Statement of Financial Position, under "Employee benefit payables".

2.20.2. Long-term employee benefits

ii. Defined benefit plans

In compliance with the Labour Code, employers – entities, domiciled in the Republic of Bulgaria – are 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 in the respective entity and may vary between 2 and 6 gross monthly salaries at their amount at the date on which the labour relations are terminated. In compliance with the Labour Code, effective in the Republic of Serbia, employers – entities, domiciled in the Republic of Serbia – are obliged to pay retirement benefits to the personnel upon their retirement. The amount of these retirement benefit obligations should not be less than two average salaries, computed at the time when such are paid.

As per their characteristics, such schemes represent "plans with defined revenue".

Calculations of the amount of such obligations require the appointment of qualified actuaries in order to determine their present value at the date of the financial statements. Such obligations are presented in the Consolidated Statement of Financial Position at their present value and respectively – any changes in their values are presented in the Consolidated Income Statement as: (a) current and past labour costs, interest expense and the effects of redundancies and set-offs are recognised immediately, in the period in which such are incurred, and are presented in the current period's profit or loss, under "Employee benefits – salaries and wages, and social insurance contribution costs"; and (b) the effects of subsequent estimates of payables that are essentially actuarial gains and losses, are recognised immediately in the period in which such are incurred and are presented in the other components of comprehensive income, under "actuarial gains and losses"'. Actuarial gains and losses arise from changes in actuarial assumptions and from past experience.

At the date of each set of annual consolidated financial statements, the entities within the Group appoint certified actuarial, who issue a report of their calculations on the non-current payables to the personnel – non-current retirement benefits.

The present value of the defined benefit payable is computed by discounting the future cash flows that are expected to be paid within the maturity of that payable and using the interest rates of non-current government securities with similar maturity, quoted in the respective country in which that entity operates.

iii. Share-based payments

Share-based payments to hired personnel and other parties, who provide similar services, are computed at the fair value of the equity instruments at the date on which such are provided.

iv. Termination benefits

In accordance with the provisions of the local Labour Code and social insurance legislation, effective in the countries where the entities within the Group operate, employers are obliged to pay certain types of benefits upon termination of labour agreements before retirement.

When a bidding commitment, based on an announced plan, including a restructuring plan, is evidenced in order to irrevocably terminate labour agreements with the respective employees, or when documents for voluntary termination are formally issued, the Group recognises payables to the personnel, due for termination benefits before retirement.

2.21. Effects 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 transaction date.

Foreign exchange gains and losses, arising in the settlement of cash items or in translation of the Group's cash items at exchange rates, different from those at which they were translated upon their initial recognition within the period, or in prior financial statements, are recognised as profit or loss 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 the net investment in a reporting economic unit, denominated in a foreign currency.

A foreign exchange gain (or loss) occurs 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 IFRSs 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 Group revalues foreign currency items currently, during the reporting period, and at year-end.

The functional currency of the entities in Serbia is the Serbian Dinar, in Ukraine – the Ukrainian Hryvnia; in the Czech Republic – the Czech Koruna; in Romania – the Romanian Leu, in North Macedonia – the Macedonian Denar.

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.

For the purposes of each set of consolidated financial statements, the reporting currency of the subsidiaries, established abroad, is translated from the functional currency of the respective foreign subsidiary to the presentation currency (BGN), adopted in the consolidated financial statements, and:

a) all assets and liabilities are translated into the Group's currency at the closing exchange rate of the local currency to the presentation currency at year-end, or at the date on which the entity is sold / disposed;

b) all income and expense items are translated into the Group's currency at the average exchange rate of the local currency to the presentation currency at the date of the financial statements;

c) all foreign exchange gains and losses, arising from translations, are recognised and presented as a separate component of equity in the Consolidated Statement of Financial Position – "Translation reserves from translation of foreign activities into the presentation currency", and

d) foreign exchange gains and losses, arising from translation of the net investments in the foreign-based entities (domiciled outside Bulgaria), together with the loans and other currency instruments, adopted as hedge of these investments, are presented directly in equity.

When a foreign activity (foreign-based entity) is disposed (sold), the cumulative amount, obtained / incurred on the disposal (sale), of the foreign exchange gains and losses that have been reported directly as a separate equity component are recognised as part of the profit or loss in the Consolidated Statement of Comprehensive Income.

Goodwill and adjustments to fair value, arising in the acquisition of a foreign-based entity (domiciled outside Bulgaria), are treated in the same way as are the assets and liabilities of that entity, and are translated in the presentation currency at the closing exchange rate.

Translation gains and losses are recognised as a component of other comprehensive income in the Statement of Comprehensive Income and under "Translation reserve".

2.22. Revenue, other income, finance income

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

2.22.1. Revenue from contracts with customers

The Group 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 Group to obtain goods or services that are outputs of its ordinary activities in exchange for consideration.

The ordinary activities of the Group are related to: construction, repairs, reconstruction and maintenance of infrastructure and other projects and sites of general purpose; sales of output and goods including: construction materials, machinery and equipment, fuel and oil; as well as services including project and site management, commissions, transport, mechanisation, design, geodesy, laboratory analysis and others related to construction.

The Group is a principal in its revenue arrangements as it typically controls the goods or services before transferring them to the customer, including and particularly for construction contracts as 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

v. Construction contracts

Construction services for building and construction, repairs, maintenance and reconstruction of infrastructure, and other projects and sites, are rendered in respect of assets that are not owned by the Group, 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. Some contracts for repairs and maintenance are framework agreements; the goods and services are transferred in series and are part of one or more performance obligations that are satisfied over time.

vi. Sales of output, goods or services

Sales of output, goods or services are performed separately, and some of those output, goods or services do not replace, modify or adapt other output, goods or services. The Group 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, mechanical services, 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 Group's activities simultaneously.

2.22.1.2. Identifying performance obligations

i. Construction contracts

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

ii. Sales of output, goods or services

Separate performance obligations, which are distinct from others, are identified in sales in which the output, 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 Group 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 price – determination and allocation

i. Construction contracts

Transaction price is the amount of the consideration, which the Group 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 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 output, goods or services

Transaction price for sales of output, goods or services is the amount of the consideration that the Group expects to be entitled to in exchange for those output, goods or services. Goods and services are sold separately and / or in series and may, thereby, form a separate performance obligation or are 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 output, 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 regarded as terminated. Price changes that do not affect the scope of the contracts are allocated to performance obligations that are unsatisfied or are partially satisfied. 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 Group recognises contract revenue, earned under construction contracts on the basis of the performance obligation satisfied over time, only if the Group 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. Output methods, based on direct estimates of the goods or services transferred and (which estimates are) conducted by research of the performance completed at the respective reporting dates and / or achieved stages, are typically applied, as appropriate in compliance with the respective accounting framework, to measure the progress of contracts for repairs and reconstruction. The Group believes that the output methods, used to measure the progress under these contracts, are appropriate in so far as estimated and reliable up-to-date information on the value and amount of the goods and services transferred to customers is available. Output methods, through direct estimates of the performed activities and / or delivered units at the respective reporting dates, are applied for framework agreements for repairs and maintenance, as and when appropriate, given the specific type of the contract in question and the applicable accounting framework. The Group believes that such provide reliable information in so far as the obligations under tasks, including specific parameters that are subject to identification and reliable measurement, are satisfied.

The Group recognises revenue for a performance obligation satisfied over time only to the extent of the costs incurred, if the Group cannot reasonably measure its progress towards complete satisfaction but the Group

expects to recover the costs incurred, and when the costs incurred are not proportionate to the Group's progress in satisfying the performance obligation with a view to a faithful depiction of the performance.

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

ii. Sales of output, goods or services

Revenue from sales of output, 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 Group 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, while for the measurement of the progress of services – methods accounting for and resources, these being: direct estimates of the outputs, goods or services transferred, based on the produced and delivered units, or the devoted time; 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 Group believes that the methods used are appropriate, in so far as the Group 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 Group 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 Group 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 Group expects to recover the costs incurred in satisfying the performance obligation, and when the costs incurred are not proportionate to the progress with a view of a faithful depiction of the performance.

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

2.22.1.5. Contract costs

The Group recognises non-current assets for the incremental costs of obtaining a contract with a customer, only if it is possible that the Group 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 disclosed separately in the explanatory notes to the financial statements. The Group applies the practical expedient, provided for in IFRS 15, and it does not recognise assets from the incremental costs of obtaining a contract, if the expected amortisation period of the asset that would otherwise have to be recognised is one year or less.

The Group 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 Group recognises and presents any unconditional rights to considerations as contact receivables from contracts with customers. If the customer pays consideration, or the Group 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 Group 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. Contract assets and contract liabilities from contracts with customers are presented in the Statement of Financial Position under receivables and / or payables, respectively. Contract assets and contract liabilities arising from / incurred under a contract with a customer are presented in the Statement of Financial Position, at their net amount.

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 under contracts with customers are subject to impairment review, in compliance with note "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 output, goods or services. Under construction contracts, the Group 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 – 180 days and 180 – 360 days, respectively. Typically, sales of output, 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 Group 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 Group, retained by the assignor for a certain period – typically between 12 and 24 months. The Group 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 Group 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".

Advance payments are mainly stipulated under construction contracts. The Group believes that there is no significant component of financing under such contracts, in so far as the contracts with customers do not contain such clauses and the price is fixed, and there are no discrepancies between the promised consideration and the selling price in cash. Furthermore, performance obligations are satisfied over time and the advance payments are agreed and deducted, typically within one year, and such represent 10% - 20% of the transaction price, and do not exceed the value of the goods or services transferred for a given period, which makes the potential effect of a financing component insignificant to the contracts. In some cases, the contract deadlines (especially the deadlines of construction contracts) are extended for reasons beyond the Group's control, and payments are 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 Group 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 an originally expected term of one year, or less, disclosing also the expected time of recognising the revenue accrued thereon. This, typically, refers only to construction contracts, since in sales of output, goods or services, the consideration to which the Group 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 from the revenue realised from the Group's ordinary activity 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, as well as income from sales of materials and gains on 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. Other income also comprises the derecognised and non-payable liabilities, including financial liabilities and others that are terminated or have expired, 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 Group, 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, 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 Group's expenses 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 and other similar, and are presented in the Statement of Financial Position, under "Other assets and receivables".

2.23.1. Operating expenses

The Group 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, respectively the transaction price, when this is permitted.

2.23.2. Finance costs

Interest expenses on all financial instruments of the Group, recognised using the effective interest rate method, and the effects under contracts with customers that include 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, 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 Group recognises all elements of income and expenses during the period in profit or loss, unless otherwise required or permitted under the applicable IFRSs.

Some IFRSs define circumstances, under which the Group recognises specific items outside profit or loss in the current period. Other IFRSs 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 income 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 prior tax periods 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 current 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) that are enacting at the end of the reporting period.

Current income tax payable by the entities of the Group that are domiciled in the Republic of Bulgaria is determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Tax Act. The tax rate, applicable in Bulgaria for the reporting 2021, is 10% (2020: 10%).

Subsidiaries, associates, joint ventures and branches, domiciled abroad, are subject to the requirements of the tax legislations, enacting in the respective countries in which they operate, and the following tax rates are applied:

Country	Tax rate 2021
Serbia	15%
Ukraine	18%
Czech Republic	19%
North Macedonia	10%
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 a liability and its tax base. Temporary differences may be either:

- Taxable temporary differences – temporary differences that 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 that 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 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 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 profits 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 Group 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 liability, in a transaction which:
- Is not a business combination;
- At the time of the transaction, affects neither the accounting profit, nor the taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to such (types of) transaction and in the period when the assets are realised, or the liabilities are settled (paid), based on tax laws that are enacting, or are reasonably expected to enact, and the tax rate, applicable in the country in whose jurisdiction the respective deferred tax asset or liability is expected to be realised.

Deferred tax assets of an entity within the Group are presented net of the deferred tax liabilities of that same entity, when it (the entity) is tax liable for such under the respective jurisdiction, and if and only if, the entity has a legal right to pay or receive net payments for current tax liabilities or income tax receivables.

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 it is appropriate; or
- A business combination representing an acquisition.

2.26. Government grants

Government grants are various forms of funding (grants) from the State (local and central authorities and institutions) and / or intergovernmental agreements and organisations.

Government grants (municipal, state and international, including the utilisation of European Funds and Programs) are initially recognised as deferred income (funding) when there is reasonable assurance that such will be received by the entity and that the entity has complied, and complies, with the terms and conditions (and requirements) of the grant.

Government grants intended to compensate expenses incurred are recognised in the current profit or loss, on a systematic basis, over the same period in which the expenses (that the grants are intended to compensate) are recognised.

Government grants intended to compensate investment costs incurred for the acquisition of assets are recognised in the current profit or loss, on a systematic basis, over the asset's useful life, proportionate to the amount of the recognised depreciation costs.

2.27. Provisions, contingent assets and contingent liabilities

2.27.1. Provisions

Provisions are liabilities of uncertain timing and amount. In accordance with the requirements under IAS 37, provisions are recognised when there are 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 Group that create valid expectations in third parties.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation; and 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 of the expenditure required to settle the present obligation.

The recognised amount of provisions is reviewed and are adjusted to reflect the current best estimate.

2.27.2. 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.

2.28. Leases

At the inception of each contract, the Group 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 a group of assets, for a period of time in exchange for consideration. The Group reviews these assessments in case of contract (lease) modifications.

The Group 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 reasonably

certainty that such options will be exercised, together with all economic incentives in this regard. The lease term, and thereby the certainty of exercising the options, are reviewed when significant events occur that may influence the decisions to do so.

2.28.1. The Group as a lessee

The Group 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 parries – lessors and lessor-manufacturers or traders –, as well as with related parties.

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 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 Group 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	1 year – 8 years
Transport vehicles	3 years – 20 years
All other assets	3 years – 5 years

At the commencement of the lease, the Group 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 Group shall exercise that option;

• Payments of penalties for terminating the lease;

• Residual value guarantee.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or using the Group'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) 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 interest rate for the remaining balance (outstanding principal amount) of the lease liability.

Right-of-use assets are subsequently measured at acquisition cost, less any accumulated depreciation and any accumulated impairment losses, in the same way as the Group'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 the changes in lease payments, including changes in indices, rates or market levels, adjusting, respectively, the values 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 lease.

The leasing activities of the Group, as a lessee, include lease agreements 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 lease of transport vehicles, mainly cars, and the lease payments are fixed, with no variable lease payments being provided. Options to extent 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 Group is a lessee, do not contain residual value guarantees 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 Group 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 the "depreciation costs".

The Group applies the exemptions, provided in IFRS 16, on short-term lease 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 repairs 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 lease agreements are presented in the Income Statement, under "cost of external services", and detailed information on the main assets (per type of asset) is disclosed in the notes to the financial statements.

2.28.2. The Group as a lessor

The Group has adopted the practise to lease its own assets and subleases right-of-use assets. A lease is classified as finance lease, if the lease 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, the leased assets held under finance lease 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 the net investment in the lease are subsequently applied for 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, adding the right-to-use on a fixed asset, and the consideration increases proportionately.

Own assets, leased under operating leases, are recognised according to their type and the accounting policies, adopted by the Group 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 Group leases, under operating leases, mainly real estate, buildings, machinery and equipment, and transport vehicles.

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 income, realised from variable payments and the realised finance income. 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". Own assets, leased under operating leases, are disclosed in the notes to the financial statements, separately from the assets used by the entity.

2.29. Segment reporting

The Group identifies its reportable segments and reports separately, in its consolidated financial statements, information on each segment in accordance with the organisational and reporting structure of the Group. 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 the activities and assessment of performance, and the allocation of the Group'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 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, 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 monitored currently and managed separately, with each operating segment being a separate geographical area, serving different markets and different types of customers, thus 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;
- ✓ Serbia;
- ✓ The Czech Republic;
- ✓ Ukraine;
- ✓ Romania, and
- ✓ North Macedonia;

2.30. Fair value measurement

For financial reporting purposes, some of the Group'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 measured 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 Group 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.

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

The Group allows the use of the three approaches adopted – the market, revenue and 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 3 level fair value hierarchy, namely:

Level 1 - Quoted (unadjusted) market prices in active markets 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; and

Level 3 - Valuation techniques, under which the lowest level of input data used is significantly unobservable.

The Group applies mainly fair value Level 2 and Level 3.

The Group 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.

2.31. Accounting assumptions and accounting estimates, errors

2.31.1. 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 policy, and not as a change in the accounting estimates.

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

The effect of a change in an accounting estimate 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.

2.31.2. Errors

Prior period errors are omissions from, and / or misstatements in, the financial statements of the Group 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 the 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 Group 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.

2.32. Key estimates and Management's judgements, 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 consolidated financial statements. All these have been performed based on the best estimate and information, available to the Management. Actual results could differ from those presented in these consolidated financial statements.

2.32.1. Impairment of property, plant, machinery and equipment, intangible assets and investment property

The Group reviews for impairment non-current tangible assets and non-current intangible assets, and investment property at each financial year-end. Such reviews account for factors related with: any plans for the use the respective assets, their physical state and suitability for use, the impact of any statutory requirements, the negative impact of changes in the economic environment and other factors. Pursuant to such a review, the Management assess whether there are indications for impairments and when such are evident, the Group recognises impairment losses in the Statement of Comprehensive Income (in profit or loss for the year).

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, or of Intangible assets, or of Investment property may be impaired. If any such indications exit, the recoverable amount of the asset is estimated and impairment loss is determined.

2.32.2. Impairment of investments in associates and joint ventures

Joint ventures are those entities over which the Group and the other parties exercise joint control and have rights over the entity's net assets. Associates are those entities over which the Group 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 amount of the potential impairment loss. The Management regards the following as indications for impairment of investments in other entities: a negative value of net assets, a significant excess of payables over receivables, significant limitations in activity. 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 more than one such indicator.

Based on the analysis and assessment, conducted by the Group's Management, it was decided that there have been no indications for impairment of investments at year-end.

2.32.3. Impairment of inventories

The entities within the Group review the available inventories – materials, output, goods – in order to establish whether there are such whose net realisable value is lower than their carrying value. Reviews for impairment of advance payments are also conducted on this basis, in so far as the Group is expected to acquire a non-monetary asset in exchange of those.

No indications for impairment of inventories have been established in such a review as at 31.12.2021 (31.12.2020: BGN 9 thousand) (*Note №2.2.5)*.

2.32.4. Inventories. Normal production capacity

The normal production capacity of each of the manufacturing entities is determined based on the judgements of the respective entity's Management (pursuant to conducted analysis) in respect of the optimal load of their production capacities and the return of investments in those at a product structure that has been approved as normal.

2.32.5. Impairment of financial assets

The Group 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, contract assets from contracts with customers and financial guarantee contracts.

The Management of the Group makes a number of important judgements in the measurement of the above, such as: (a) defying the criterial for identifying and assessing a significant increase in the credit risk; (b) selecting appropriate models and assumptions for measuring expected credit losses; (c) forming groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses; (d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro-indicators in order to reflect the effects of future forecasts on them in the measurement of expected credit losses; (e) specific assumptions and judgments for certain receivables, including from related parties.

The Group holds: financial assets measured at amortised cost, including trade receivables and loans granted; contract assets from contracts with customers and financial guarantee contracts.

The simplified approach, in accordance with IFRS 9, and a provisions matrix 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 Group's historical data for a 5-year period. Objective external information and the accrued credit impairment are taken into account for receivables for which there is sufficient information (*Note №1.10*).

Loans granted are reviewed individually in terms of the expected credit losses. When evaluating credit risk, the Group 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 for 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 guarantee issued with regards to the person for which it is issued.

The Group applies the general "three-step" impairment approach, defined in IFRS 9, to calculate the expected credit losses on cash and cash equivalents at banks. A model based on published bank ratings, set by internationally recognised rating firms, is applied for the purpose.

2.32.6. Revenue from contracts with customers

The Group recognises revenue from construction contracts on the basis of the performance obligation satisfied over time, only if the Group 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 inputs, in particular estimates of the expected and actually incurred costs that the Management considers appropriate. Nevertheless, changes 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 formal approval and / or acceptance by the customer and / or third party – a state body (*Note №2.22.1*).

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 Group is entitled to a consideration equal to the value of the transferred goods to which the Group has a right to invoice. The Management does not believe that any changes in the recognised revenue, 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.

2.32.7. Provisions

The Group recognises the following types of provisions:

- Provisions for construction contracts, relating to assumed guarantees to eliminate possible defaults by the assignor and for other related costs, incurred under concluded construction contracts;
- Provisions for litigation and lawsuit obligations;
- Provisions for land reclamation in the extraction of underground natural resources and the exploitation of mineral raw materials after completion of the activities;
- Provisions for other contractual commitments.

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

Provisions are restated at each consolidation year-end (date of the consolidated financial statements) based on the current best estimate of the settlement of the liability. Changes in estimates may result from changes in the amounts or the timing of cash outflows, or from changes in the interest rates (discounting factors).(*Notes №1.18 and 1.25*).

2.32.7.1. Provisions for construction contracts

In accordance with the concluded contracts for building and construction works, the Group 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 Group has assumed such a commitment, provisions for construction contracts are estimated based on prior experience with similar projects and / or sites by internal specialists, who have the requisite qualifications and experience. When determining provisions for construction contracts, the Management is required to assess the

costs to remove possible defaults, on behalf of the assignor, at the date of the Consolidated Statement of Financial Position. The best estimate of the requisite provision for construction contracts with regard to the provided guarantees to remove possible defaults and other related costs, amounts to BGN 11 314 thousand at 31.12.2021 (31.12.2020: BGN 18 917 thousand). The presented provisions at 31.12.2020 include and the estimated costs and payables to complete construction contracts, amounting the BGN 7 411 thousand and referring to undertaken commitments to pay goods and services obtained that have not yet been invoiced, or which are subject to an official agreements with the supplier, including amounts due to the personnel and others in respect of which the Management believes that there is no sufficient certainty on their incurrence date (period) and valuation.

2.32.7.2. Provisions for land reclamation

The Group, via two of its subsidiaries (Trace BG JSC and Trace Yambol JSC), has concluded concessions contracts for extraction of underground natural resources on the territory of Bulgaria. After the completion of the concession contracts, the Group has the obligation to perform, at its own cost, technological and biological reclamation of the affected plots. The value of the technological and biological reclamation is determined at each year-end, based on the reclamation amounts, defined under the concession contracts, which should be transferred by the entities to special escrow accounts.

Pursuant to an approval obtained from the Mining and Energy Ministry of the Republic of Serbia, the Group, through its subsidiary Trace Serbia, exploits mineral raw materials from its own land in Serbia and has an obligation to refine and re-cultivate the land after the completion of the mining activities. The value of technological and biological reclamation is determined at each year-end on the basis of an approved technical design for site reclamation.

The measurement of provisions for land reclamation in the extraction of underground natural resources and the exploitation of mineral raw materials after completion of the activities requires the Management to make an assessment of the costs of reclamation and post-exploitation care of the land at the date of the Consolidated Statement of Financial Position. The best estimate of the necessary provisions for land reclamation amounts to BGN 586 thousand at 31.12.2021 (31.12.2020: BGN 559 thousand).

2.32.7.3. Provisions for obligations under litigations and lawsuits

The Group is a party in litigations and legal proceedings for which provisions have been recognised or contingent liabilities have been disclosed.

Due to the inherent uncertainty on the end result of legal claims and proceedings, and the complexity of the aforementioned, the Management, with the support of internal legal experts and hired external lawyers, is required to make significant assumptions and employ judgement when assessing the potential effects of litigations and legal proceedings (i.e., whether the obligation should be recognised or a contingent liability should be disclosed, or whether the potential outflow of resources can be measured reliably). The outcome of these litigations and legal proceedings is uncertain and the actual resources, required to settle the obligations may differ from the amounts recognised.

There are no accrued provisions for litigation claims, filed against the Group at 31.12.2021 (31.12.2020: none).

2.32.8. 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, which are based on judgements of the Group's Management. Information on the useful life of assets is disclosed in *Notes №2.9, 2.10 and 2.11*.

No changes in the defined useful life and residual values of property, plant and equipment, and of investment property, have been made in 2021.

2.32.9. 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 wages and salaries, and a discounting factor. These assumptions are regarded by the Management as reasonable and appropriate for the Group (*Note №1.18.1*).

2.32.10. 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.

Based on this approach, the Management has decided to recognise a deferred tax asset for the tax loss that is to be carried forward in the amount of BGN 112 thousand at 31.12.2021 (31.12.2020: BGN 520 thousand) in so far as the conducted estimates and forecasts provide reasonable certainty that the Group will be able to generate sufficient taxable profits over the next five years against which the tax loss, incurred in prior periods, to be utilised (*Notes №1.8 and 1.19*).

2.32.11. Impairment of goodwill

The Group's Management has conducted the necessary procedures for performing the mandatory impairment test of the goodwill in the acquisition of a subsidiary, recognised in the Annual Consolidated Statement of Financial Position. For this purpose, it is assumed that the entity appears as a "cash-generating unit".

The calculations are made by the Management. A detailed review of whether events and facts have occurred, indicating changes in the assumptions and judgments is also performed.

Financial budgets, developed by the Management of the respective entity and of the Group as a whole, covering a three to five year period, and other medium-term and long-term plans and intentions for the development and restructuring of the activities within the Group, are used as a basis for the estimated cash flows (before taxes). The recoverable amount of each cash-generating unit is determined on a "value in use" basis.

The key assumptions, used in the calculations are specifically determined for the entity that carries the goodwill, which is treated as a separate cash-generating unit, and are in accordance with its specific activities, business environment and risks.

The tests and judgments of the Group's Management for the impairment of the recognised goodwill are made in the light of its estimates and intentions regarding the future economic benefits that the Group expects to obtain from the subsidiary, including and through the use of its commercial and industrial experience and the revenue generated, and expected to be generated by it in future, securing positions on the Bulgarian and foreign markets (development and maintenance), expectations for future sales and restructuring of the activity and others.

2.32.12. Leases

Determining whether a contract is a lease or whether it contains lease elements

When identifying and classifying a lease, or a lease element in a contract, the Group 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 Group 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 Group 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 the assets (*Note №1.15*).

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

The Group 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 it is reasonably certain that the Group shall exercise this option, and

b) the periods covered by an option to terminate the lease, if it is reasonably certain that the Group shall exercise this option.

The Group makes judgments in assessing whether there is reasonably certainty 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 Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects whether there is reasonable certainty that the Group will exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

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

If the Group is a lessee and cannot readily determine (from the contracts) the interest rate, required to discount the lease liabilities, 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 Group does not have similar financing, it seeks observable data that is publicly available, such as market levels of loans and banking statistics.

Based on the analysis of the interest rates of borrowed funds with similar characteristics, the Management has assumed (on such a basis) that the incremental borrowing rate is 3%

• for operating leases of movable property – based on the interest rates under the finance leases, concluded by the Group

• for operating leases of real estate – based on the interest rate under the investment loan agreements, concluded by the Group

Review of indicators for impairment of "right-of-use" assets

The Group reviews for impairment "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.

2.32.13. Events after the reporting period

Events after the reporting period are those events, both favourable and unfavourable, occurring after the end of the reporting period and before the date on which the consolidated financial statements are authorised for issue.

Two types of events are distinguished:

- Events that evident conditions, existing at the end of the reporting period (adjusting events); and
- Events that evident conditions, which occurred after the end of the reporting period (non-adjusting events).

The Group adjusts the amounts, recognised in the consolidated financial statements, to reflect adjusting events after the reporting period and updates the disclosures.

The Group does not adjust the amounts, recognised in the consolidated financial statements, to reflect non-adjusting events after the reporting period. When the non-adjusting events after the reporting period are so significant that their non-disclosure would affect the ability of the users of the consolidated financial statements to make economic decisions, the Group discloses the following information for each significant category of non-adjusting events:

- The nature of the event; and
- An estimate of its financial effect or a statement that such an estimate cannot be made.

I. Additional explanatory notes to the items in the financial statements

1. 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 31.12.2019	**21 145**	**14 686**	**7 042**	**64 528**	**30 557**	**4 730**	**3 050**	**145 738**
Additions	1	720	144	892	1 217	29	6 426	9 429
Disposals	(2 717)	(16)	(319)	(1 675)	(2 254)	(292)	(4 587)	(11 860)
Effects of foreign currency translations	1	(1)	(26)	20	(34)	(11)	-	(51)
Balance as at 31.12.2020	**18 430**	**15 389**	**6 841**	**63 765**	**29 486**	**4 456**	**4 889**	**143 256**
Additions	4 977	51	214	241	669	1 082	2 267	9 501
Disposals	-	(102)	(230)	(1 306)	(2 503)	(152)	-	(4 293)
Effects of foreign currency translations	1	1	-	-	-	-	-	2
Balance as at 31.12.2021	**23 408**	**15 339**	**6 825**	**62 700**	**27 652**	**5 386**	**7 156**	**148 466**
Depreciation								
Balance as at 31.12.2019	**-**	**2 491**	**3 964**	**36 474**	**21 547**	**3 650**	**-**	**68 126**
Additions	-	574	573	2 395	1 647	376	-	5 565
Disposals	-	(61)	(200)	(766)	(1 672)	(545)	-	(3 244)
Effects of foreign currency translations	-	1	(27)	(4)	(8)	(16)	-	(54)
Balance as at 31.12.2020	**-**	**3 005**	**4 310**	**38 099**	**21 514**	**3 465**	**-**	**70 393**
Additions	-	475	552	2 234	1 826	418	-	5 505
Disposals	-	(31)	(227)	(1 276)	(2 128)	(55)	-	(3 717)
Effects of foreign currency translations	-	1	-	-	-	-	-	1
Balance as at 31.12.2021	**-**	**3 450**	**4 635**	**39 057**	**21 212**	**3 828**	**-**	**72 182**
Net book value								
Net book value as at 31.12.2020	**18 430**	**12 384**	**2 531**	**25 666**	**7 972**	**991**	**4 889**	**72 863**
Net book value as at 31.12.2021	**23 408**	**11 889**	**2 190**	**23 643**	**6 440**	**1 558**	**7 156**	**76 284**

- The presented values of property, plant and equipment at 31.12.2020 and 31.12.2019 include land and buildings, owned by the subsidiary "Trace Serbia" AD (JSC), for which the entity has title documents. In accordance with the Act on Legalisation of the Sites of the Republic of Serbia, dated 2015, these real estates are subject to legitimation / legalisation. Pursuant to this Act, sites that have been built without a use permit are granted such a permit after the completion of the procedure for obtaining one. This use permit is submitted to the Real Estate Cadastre. Pursuant to the Land Conversion Act, effective as of July 2015, and the official instructions of the State Administration, provided in the beginning of 2016, the entity has submitted requests for conversion of the owned by it land. According to these procedures, "Trace Serbia" AD (JSC) has legalised part of its sites in the period 2015-2019 and has filled applications for the remaining sites. These applications are currently being processed. There have been no significant changes in the legalised and / or converted buildings / lands as at 31.12.2021 (31.12.2020: BGN 3 185 thousand and BGN 5 488 thousand, respectively).
- Leased / Right-of-use assets are disclosed in *Note №1.15 Leases*

- The presented values of non-current tangible assets at 31.12.2021 include fully depreciated buildings, plant, machinery and equipment, transport vehicles and other assets with book values: BGN 49 thousand, BGN 151 thousand, BGN 8 427 thousand, BGN 6 167 thousand and BGN 2 650 thousand, respectively that are used in course of the Group's activities.

- The presented values of non-current tangible assets at 31.12.2021 include land, buildings, plant, machinery and equipment, transport vehicles, others and cost to acquire non-current tangible assets with book values: BGN 5 319 thousand, BGN 8 547 thousand, BGN 1 613 thousand, BGN 14 239 thousand, BGN 2 145 thousand, BGN 0 thousand and BGN 1 157 thousand, respectively, that have mortgages and pledges in favour of commercial banks under loan agreements and issued bank guarantees, and other payables.

- The capitalised costs at year-end include:
    - BGN 3 498 thousand – costs of non-commissioned properties (including such located in Sofia, amounting to BGN 1 664 thousand;
    - BGN 3 198 thousand – costs incurred for the construction of an office building;
    - BGN 172 thousand – costs of ERP software under construction; and
    - BGN 288 thousand – others;

1.2. Investment property

	Land	Buildings	Capitalised costs	Total
Book value				
Balance as at 31.12.2019	**4 346**	**2 860**	**-**	**7 206**
Additions	857	76	-	933
Disposals	(317)	(248)	-	(565)
Balance as at 31.12.2020	**4 886**	**2 688**	**-**	**7 574**
Additions	583	-	422	1 005
Disposals	(572)	(1)	-	(573)
Balance as at 31.12.2021	**4 897**	**2 687**	**422**	**8 006**
Depreciation				
Balance as at 31.12.2019	**-**	**200**	**-**	**200**
Additions	-	245	-	245
Disposals	-	(39)	-	(39)
Balance as at 31.12.2020	**-**	**406**	**-**	**406**
Additions	-	244	-	244
Disposals	-	(1)	-	(1)
Balance as at 31.12.2021	**-**	**649**	**-**	**649**
Net book value				
Net book value as at 31.12.2020	**4 886**	**2 282**	**-**	**7 168**
Net book value as at 31.12.2021	**4 897**	**2 038**	**422**	**7 357**

- Investment property refers to agricultural land, landed properties, buildings and the adjoining them land, specifically detached parts of buildings for independent use, intended for long-term rental to related entities and third parties.

- The presented values of investment property at 31.12.2021 include land and buildings with carrying amounts of BGN 3 834 thousand and BGN 1 973 thousand, respectively, which have mortgages and pledges in favour of commercial banks under loan agreements and issued bank guarantees.

1.3. Intangible assets

	Rights	Software	Other assets	Total
Book value				
Balance as at 31.12.2019	**2 244**	**591**	**106**	**2 941**
Additions	7	39	-	46
Disposals	(14)	(8)	-	(22)
Effects of foreign currency translations	-	(6)	-	(6)
Balance as at 31.12.2020	**2 237**	**616**	**106**	**2 959**
Additions	-	47	-	47
Disposals	-	-	-	-
Effects of foreign currency translations	-	-	-	-
Balance as at 31.12.2021	**2 237**	**663**	**106**	**3 006**
Amortisation				
Balance as at 31.12.2019	**1 050**	**222**	**63**	**1 335**
Additions	110	88	9	207
Disposals	(11)	(7)	-	(18)
Effects of foreign currency translations	-	(5)	(2)	(7)
Balance as at 31.12.2020	**1 149**	**298**	**70**	**1 517**
Additions	86	84	8	178
Disposals	-	-	-	-
Effects of foreign currency translations	-	-	-	-
Balance as at 31.12.2021	**1 235**	**382**	**78**	**1 695**
Net book value				
Net book value as at 31.12.2020	**1 088**	**318**	**36**	**1 442**
Net book value as at 31.12.2021	**1 002**	**281**	**28**	**1 311**

- The presented values of non-current intangible assets at 31.12.2021 include: fully amortised rights, software and other assets with carrying amounts: BGN 297 thousand, BGN 174 thousand and BGN 22 thousand, respectively, that are exploited in the course of the activities of the Group.

1.4. Non-current financial assets

Non-current financial assets	31.12.2021	31.12.2020
Financial assets measured at fair value through OCI	-	10
Total	**-**	**10**

1.4.1. Financial assets measured at fair value through OCI

Type	31.12.2021	31.12.2020
Non-controlling shares and participating interests in other entities	-	10
Total	**-**	**10**

Non-controlling shares and participating interests in other entities

Type	31.12.2021		31.12.2020	
	Volume	Amount	Volume	Amount
GCF-SK-13-Trace Railinfra Consortium JSC, in liquidation	-	-	20%	10
Total		**-**		**10**

- The deletion of the entity "GCF-SK-13-Trace Railinfra Consortium" JSC was entered in the Commercial Register on 16.08.2021. The deletion is conducted pursuant to liquidation proceedings.

1.5. Investments, carried under the equity method

Investments, carried under the equity method	31.12.2021	31.12.2020
Investments in associates	1	410
Total	**1**	**410**

1.5.1. Investments in associates

Investments	31.12.2021		31.12.2020	
	Volume	Amount	Volume	Amount
Voden Proekt (transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	34%	1	34%	1
GT Trans BG LTD, in liquidation	-	-	36,75%	409
Total		**1**		**410**

- The Group measures investments in associates under the equity method.
- The deletion of the entity "GT Trans BG" LTD, through liquidation proceedings, was entered in the Commercial Register on 22.12.2021.

Modifications in investments in associates are presented hereafter:

Indicators	Voden Proekt (Transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	GT Trans BG LTD
Carrying amount at the beginning of the period	**1**	**409**
Share in the current period's profit / (loss)	-	(4)
Less accumulated losses	-	-
Derecognition of the investment	-	(405)
Carrying amount at year-end	**1**	**-**

Summarised financial information on associates as at 31.12.2021

Indicators	Voden Proekt (Transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	-
Current assets	-	-
Non-current assets	-	-
Current liabilities	-	-
Revenue	-	-
Profit / (loss) from continuing operations	-	-
Total comprehensive income	-	-

Summarised financial information on associates as at 31.12.2020

Indicators	Voden Proekt (Transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	GT Trans BG LTD
Current assets	-	1 117
Non-current assets	-	1
Current liabilities	-	5
Revenue	-	1 495
Profit / (loss) from continuing operations	-	1 396
Total comprehensive income	-	1 396

1.6. Non-current trade receivables

Type	31.12.2021	31.12.2020
Contract receivables from contracts with customers (net)	**4 332**	**2 097**
Contract receivables from contracts with customers	4 392	2 157
Impairment of contract receivables from contracts with customers	(60)	(60)
Total	**4 332**	**2 097**

▪ Retention bonds under construction contracts that are expected to be realised in more than 12 months after the end of the reporting period are presented as non-current trade receivables.

▪ Retention bonds under construction contracts, amounting to BGN 2 374 thousand (2020: BGN 1 794 thousand), are included under the presented "contract receivables from contracts with customers" at year-end.

▪ The modification in the impairment adjustment of contract receivables from contracts with customers is disclosed in detail in *Note №1.10*.

1.7. Other non-current receivables and assets

Type	31.12.2021	31.12.2020
Other non-current receivables and assets (net)	**932**	**1 284**
Guarantees issued and deposits placed	865	1 098
Advance payments	67	186
Total	**932**	**1 284**

▪ Non-current guarantees issued are cash collaterals on performance bonds, issued by banks for projects and sites with validity until 2036.

▪ The modification in the impairment adjustment of contract receivables from contracts with customers is disclosed in detail in *Note №1.10.*

1.8. Deferred tax assets

Temporary difference	31 December 2020		Modification in deferred tax in 2021				31 December 2021	
			Increase		Decrease			
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Amortisation	-	-	1 228	123	(82)	(11)	1 146	112
Impairment	10 771	1 205	4 722	472	(6 579)	(658)	8 914	1 019
Leave benefits	660	64	664	66	(736)	(74)	588	56
Low capitalisation			14	1	-	-	14	1
Loss	5 202	520	1 049	112	(2 791)	(279)	3 460	353
Personal income	445	48	796	79	(383)	(37)	858	90
Provisions	21 983	2 193	3 401	341	(10 367)	(1 037)	15 017	1 497
Long-term employee benefits	415	41	273	27	(353)	(35)	335	33
Intra-group profits	279	36	-	-	-	-	279	36
Right-of-use assets	191	19	1 719	172	(1 692)	(168)	218	23
Expired payables	244	24	68	7	-	-	312	31
Total assets:	**40 190**	**4 150**	**13 934**	**1 400**	**(22 983)**	**(2 299)**	**31 141**	**3 251**

▪ The probability that differences will have a reversal in the future and the ability of the Group to generate sufficient tax profit are taken into account when recognising deferred tax assets.

▪ A deferred tax asset, amounting to BGN 433 thousand (31.12.2020: BGN 20 thousand), relating to a taxable loss that was realised in the current year by the Group, has not been recognised at 31.12.2021.

1.9. Inventories

Type	31.12.2021	31.12.2020
Materials (net), including:	**9 252**	**7 623**
Direct materials	7 443	5 808
Spare parts	874	893
Fuel, oil and lubricants	873	770
Ancillary materials	14	110
Other materials	47	42
Overheads	1	-
Output (net)	**1 080**	**1 309**
Output	1 080	1 309
Goods (net)	**318**	**355**
Goods	318	355
Work in progress (net)	**6 417**	**735**
Work in progress	6 417	735
Total	**17 067**	**10 022**

1.10. Current trade receivables

Type	31.12.2021	31.12.2020
Receivables from related parties outside the Group (net)	**322**	**3 861**
Contract receivables from contracts with customers	481	3 905
Impairment of contract receivables from contracts with customers	(161)	(161)
Contract assets from contracts with customers	-	111
Advance payment receivables	-	6
Operating lease receivables	2	-
Contract receivables from contracts with customers (net)	**33 035**	**63 951**
Contract receivables from contracts with customers	38 602	69 271
Impairment of contract receivables from contracts with customers	(5 567)	(5 320)
Contract assets from contracts with customers (net)	**9 578**	**21 067**
Contract assets from contracts with customers	9 578	21 067
Advance payment receivables (net)	**9 571**	**13 423**
Advance payment receivables	10 597	14 465
Impairment of advance payment receivables	(1 026)	(1 042)
Operating lease receivables (net)	**295**	**11**
Operating lease receivables	346	11
Impairment of operating lease receivables	(51)	-
Other trade receivables (net)	**1 725**	**1 957**
Other trade receivables	1 965	2 197
Impairment of other trade receivables	(240)	(240)
Total	**54 526**	**104 270**

▪ Retention bonds under construction contracts, amounting to BGN 0 thousand and BGN 2 094 thousand, are included in the disclosed contract receivables from contracts with customers – related parties and contract receivables from contracts with customers at year-end, respectively (2020: BGN 614 thousand and BGN 1 064 thousand).

▪ The Group has pledged as a collateral a special pledge on a set of contract receivables from contracts, concluded by and between the Group and third parties, in connection with provided bank loans and contracts for bank guarantees.

▪ Contract assets from contracts with customers, refer to contract assets from related and third parties and include the right to consideration for a satisfied performance obligation completed to date (measured progress towards complete satisfaction). Such have been incurred for rendered and / or partially rendered services that have not yet been approved by the customer at year-end and thus for which the entities within the Group do not have unconditional rights for payment. Contract assets from contracts with customers and their movement are disclosed in detail in *Note №3.1.*

The aging structure of trade receivables, excluding advance payments, is as follows:

	Amount	Relative share
Up to 60 days	42 246	77%
61 days – 120 days	2 091	4%
121 days – 180 days	1 277	2%
181 days – 360 days	1 580	3%
Over 360 days	7 898	14%
Impairment	(6 019)	-
Total	**49 073**	**100%**

▪ A significant portion of the overdue receivables arise from authorising officers. The Group's policy is to accrue, invoice and collect additional default interest on some of the overdue receivables, which to fully compensate the delay in payments and incurred costs / losses. Such default interest is accrued, invoiced and collected both under special agreements, concluded with the respective debtor, as well as pursuant to legal proceedings (i.e., lawsuits).

▪ In 2021, the Group has applied the simplified approach of IFRS 9 for measuring the expected credit losses on trade receivables, recognising thus the expected credit losses for the entire term of the instrument for all trade receivables (*Note №2.16.1.4*). By using this basis, the loss allowance at 31 December 2021 is determined as follows.

Modifications of loss allowance

Type	31.12.2020	Modifications in 2021			31.12.2021
		Increase	Decrease	Transfer / others	
Impairment of contract receivables from contracts with customers	(5 541)	(332)	113	(28)	(5 788)
Impairment of advance payment receivables	(1 042)	(24)	38	2	(1 026)
Impairment of operating lease receivables	-	-	3	(54)	(51)
Impairment of other trade receivables	(240)	-	-	-	(240)
Impairment of other receivables and assets	(154)	-	-	-	(154)
Impairment of litigation receivables	(856)	(1)	4	(44)	(897)
Impairment of financial assets and leases	(152)	(27)	8	(20)	(191)
Impairment of cash and cash equivalents	(110)	(12)	68	-	(54)
Total	**(8 095)**	**(396)**	**234**	**(144)**	**(8 401)**

1.11. Other current trade receivables and assets

Type	31.12.2021	31.12.2020
Receivables from related parties outside the Group (net)	**1**	**1**
Dividend receivables	1	1
Other receivables	72	72
Impairment of other receivables and assets	(72)	(72)
Litigation receivables (net)	**1 742**	**843**
Litigation receivables	2 639	1 699
Impairment of litigation receivables	(897)	(856)
Social insurance receivables	**43**	**43**
Social insurance	43	43
Other current receivables	**2 065**	**7 264**
Guarantees issued and deposits placed	396	501
Advance payments	1 474	1 236
Insurance receivables	-	17
Restricted cash	-	4 746
Other receivables	277	846
Impairment of other receivables	(82)	(82)
Recoverable taxes	**4 021**	**1 209**
Value Added Tax	2 957	1 146
Corporate Income Tax	1 057	61
Other taxes	7	2
Total	**7 872**	**9 360**

- Advance payments include insurance of projects and sites, with validity until 2029, and performance bonds, issued by banks for projects and sites with validity until 2037.

- Modifications in the allowance for impairment of contract receivables under contracts with customers is disclosed in detail in *Note №1.10*.

1.12. Current financial asset

Current financial assets	31.12.2021	31.12.2020
Financial assets measured at amortised cost	686	702
Total	**686**	**702**

1.12.1. Financial assets measured at amortised cost

Type	31.12.2021	31.12.2020
Loans	686	702
Total	**686**	**702**

1.12.1.1. Loans – current

Type	31.12.2021	31.12.2020
Loan receivables from related parties outside the Group (net)	**-**	**-**
Loan receivables from related parties outside the group	-	-
Interest receivables, accrued under loans from related parties outside the group	12	25
Impairment of loan receivables from related parties outside the group	(12)	(25)
Loan receivables from unrelated parties (net)	**686**	**702**
Loan receivables from unrelated parties	800	797
Interest receivables, accrued under loans from unrelated parties	65	32
Impairment of loan receivables from unrelated parties	(179)	(127)
Total	**686**	**702**

Loans from unrelated parties have been provided under the following terms and conditions:

Borrower	Contracted loan amount	Interest rate %	Maturity	Securities / Guarantees
Todorov AD	BGN 100 thousand	20%	31.12.2016	Promissory note
FC Vereya – NGO	BGN 17 thousand	10%	31.12.2020	None
FC Vereya – NGO	BGN 10 thousand	7%	30.06.2017	Promissory note
Road Safety Bulgarian Branch Association	BGN 10 thousand	ОЛП+2%	31.07.2021	None
FK Dinamo, Vranja	BGN 25 thousand	10,3%	08.10.2016	Promissory note
BFT Association	BGN 80 thousand	6,3%	21.03.2020	Promissory note
Smart Build Digital EOOD (LTD)	BGN 600 thousand	4,5%	30.06.2021	Promissory note
Andrey Andreev	BNG 153 thousand	2,5%	12.12.2023	Securities

Balance of loans to unrelated parties at 31.12.2021

Borrower	Current portion at amortised cost	
	Principal	Interest
Todorov AD	81	-
Todorov AD – impairment	(81)	-
FC Vereya NGO	7	-
FC Vereya NGO	17	7
FC Vereya NGO – impairment	(24)	(7)
Road Safety Bulgarian Branch Association	10	-
Road Safety Bulgarian Branch Association – impairment	(2)	-
BTF Association	80	10
FK Dinamo Vranja	17	10
FK Dinamo Vranja – impairment	(17)	(10)
Smart Build Digital EOOD (LTD)	444	23
Smart Build Digital EOOD (LTD) – impairment	(38)	-
Andrey Andreev	144	15
Total	**638**	**48**

▪ Modifications in the allowance for the impairment of contract receivables from contracts with customers is disclosed in detail in *Note №1.10*.

1.13. Cash and cash equivalents

Type	31.12.2021	31.12.2020
Cash in hand	**37**	**39**
Denominated in Bulgarian Lev (BGN)	25	31
Denominated in foreign currencies	12	8
Cash at bank (in current accounts)	**63 128**	**40 133**
Denominated in Bulgarian Lev (BGN)	31 300	21 237
Denominated in foreign currencies	31 828	18 896
Cash equivalents	14	**76**
Receivables from employees	14	76
Restricted cash	**5 348**	**216**
Current deposits	**113**	**113**
Impairment of cash	**(54)**	**(110)**
Total	**68 586**	**40 467**

▪ Pursuant to the conducted analysis and the applied methods to measure the estimated credit losses on cash and cash equivalents, the Management has determined that it is necessary to impair the cash and cash equivalents by BGN 54 thousand at the end of the reporting period.

▪ Restricted cash include BGN 685 thousands of cash restricted under filed lawsuits, BGN 338 thousand – under concessions and BGN 4 305 thousand – restricted under current accounts as additional collateral on issued bank guarantees / counter-guarantees, with validity until the bank's discharge from its commitments.

Cash reconciliation between cash as presented in the Statement of Financial Position and cash as presented in the Statement of Cash Flows

Type	31.12.2021	31.12.2020
Cash and cash equivalents in the Consolidated Statement of Financial Position	**68 586**	**40 467**
Impairment of cash	54	110
Restricted cash	5 348	216
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**63 238**	**40 467**

1.14. Equity

1.14.1. Share capital

Type of shares	31.12.2021			31.12.2020		
	Number of shares	Value	Nominal	Number of shares	Value	Nominal
Ordinary						
Repurchased and paid	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Repurchased (treasury) shares	(6 279)	(21 084)	3,36	(6 279)	(21 084)	3,36
Total:	**24 193 721**	**24 178 916**		**24 193 721**	**24 178 916**	

Shareholders	31.12.2021				31.12.2020			
	Number of shares	Value	Paid	% Share	Number of shares	Value	Paid	% Share
Galini – N 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	18.74%	4 536 910	4 536 910	4 536 910	18.74%
Trace Group Hold PLC – treasury shares at cost	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**
Trace Group Hold PLC – 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%**

- At the end of the current period, "Trace Group Hold" PLC and its subsidiaries hold 6 279 repurchased shares (treasury shares), amounting to BGN 21 thousand.

1.14.2. Share premium

Share premium, amounting to BGN 21 739 thousand at year-end, is formed from the capital, issued by the Parent in 2007 (BGN 21 763 thousand) and from the issue and repurchase of treasury shares within the period and until 31.12.2021 (BGN 24 thousand).

1.14.3. Translation reserve

Translation reserve from the translation of foreign activities into the presentation currency, amounting to BGN 612 thousand (loss), is formed from foreign exchange gains / (losses) arising in the translation of the financial statements of the foreign-based entities from their functional currency to the presentation currency of the Group.

1.14.4. Reserves

	General reserves	Other reserves	Total reserves
Reserves as at 31.12.2019	**2 420**	**53 468**	**55 888**
Increase by:	**-**	**18 538**	**18 538**
Transfer of profits	-	18 478	18 478
Others	-	60	60
Reserves as at 31.12.2020	**2 420**	**72 006**	**74 426**
Increased by:	**-**	**7 410**	**7 410**
Profit distribution	-	7 410	7 410
Reserves as at 31.12.2021	**2 420**	**79 416**	**81 836**

- Statutory reserves, amounting to BGN 2 420 thousand (31.12.2020: BGN 2 420 thousand), are formed from profit distribution of the parent and include in full the amounts for the "General reserves" Fund.

- Other reserves, amounting BGN 79 416 thousand (31.12.2020: BGN 72 006 thousand), are formed from profit distribution and other changes in the entities within the Group, and include in full the amounts for the "General Reserves" Fund.

1.14.5. Financial result

Financial result	Value
Profit as at 31.12.2019	**18 210**
Increased by:	**12 365**
Profit for the financial reporting 2020	12 284
Actuarial gains and losses	81
Decreased by:	**(18 584)**
Allocation of profits to reserves	(18 478)
Others	(106)
Profit as at 31.12.2020	**11 991**
Increased by:	**6 380**
Profit for the financial reporting 2021	6 380
Decreased by:	**(12 267)**
Allocation of profits to reserves	(7 410)
Dividend distribution	(4 839)
Others	(18)
Profit as at 31.12.2021	**6 104**

Financial result as at 31.12.2019	**18 210**
Financial result as at 31.12.2020	**11 991**
Financial result as at 31.12.2021	**6 104**

- "Retained earnings / Accumulated losses" reserve includes profits and losses, realised by the entities within the Group in the current period, and the accumulated gains / losses that have arisen from actuarial valuations, including part of the other comprehensive income, generated within the year .

- The undistributed profit at 31.12.2021 amounts to BGN 6 104 thousand (31.12.2020: BGN 11 991 thousand) and it includes and the recognised accumulated actuarial loss of BGN (276) thousand, recognised in the subsequent valuations of the defined retirement benefit plans pursuant to the amendment to IAS 19 – Pension and other income of employees.

Net earnings per share	2021	2020
Weighted average number of shares	24 193 721	24 194 450
Net profit / (loss) for the year, referring to the owners of the equity of the parent	6 386	12 254
Net earnings per share (Bulgarian Lev)	0,26	0,51

1.15. Leases

The Group has leased buildings, transport vehicles and other assets.

The lease agreements are typically concluded for the disclosed hereafter terms, distributed on the basis identifiable asset class, as follows:

Group	Years
Buildings	4 years – 10 years
Transport vehicles	1 year – 5 years
Other assets	3 years – 5 years

The Group has also concluded leases whereby it is a lessor. The leases are concluded as operating leases of land, buildings, plant, machinery and equipment, transport vehicles and others – owned by the Group or leased, if such an option is agreed (i.e., option for sublease).

1.15.1. The Group as a lessee

Property, plant and equipment as at 31.12.2021 includes right-of-use assets (operating lease and finance lease) , as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised cost	Total
Book value								
Balance as at 31.12.2019	**-**	**1 447**	**-**	**4 188**	**3 178**	**-**	**-**	**8 813**
Additions	-	-	-	598	307	150	-	1 055
Disposals	-	(128)	-	(817)	(1 132)	-	-	(2 077)
Effects of foreign currency translations	-	-	-	-	-	-	-	-
Balance as at 31.12.2020	**-**	**1 319**	**-**	**3 969**	**2 353**	**150**	**-**	**7 791**
Additions	-	51	-	-	588	647	-	1 286
Disposals	-	(102)	-	(2 081)	(291)	-	-	(2 474)
Effects of foreign currency translations	-	-	-	-	(1)	-	-	(1)
Balance as at 31.12.2021	**-**	**1 268**	**-**	**1 888**	**2 649**	**797**	**-**	**6 602**
Depreciation								
Balance as at 31.12.2019	**-**	**331**	**-**	**518**	**1 010**	**-**	**-**	**1 859**
Additions	-	314	-	317	252	5	-	888
Disposals	-	(116)	-	(282)	(538)	-	-	(936)
Effects of foreign currency translations	-	-	-	-	-	-	-	-
Balance as at 31.12.2020	**-**	**529**	**-**	**553**	**724**	**5**	**-**	**1 811**
Additions	-	263	-	97	498	117	-	975
Disposals	-	(31)	-	(448)	(160)	-	-	(639)
Effects of foreign currency translations	-	-	-	-	(1)	-	-	(1)
Balance as at 31.12.2021	**-**	**761**	**-**	**202**	**1 061**	**122**	**-**	**2 146**
Net book value								
Net book value as at 31.12.2020	**-**	**790**	**-**	**3 416**	**1 629**	**145**	**-**	**5 980**
Net book value as at 31.12.2021	**-**	**507**	**-**	**1 686**	**1 588**	**675**	**-**	**4 456**

1.15.2. Right-of-use assets

Right-of-use assets (operating lease) are included in the Property, plant and equipment as at 31.12.2021, as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2020	**-**	**1 268**	**-**	**-**	**295**	**-**	**-**	**1 563**
Depreciation								
Balance as at 31.12.2020	**-**	**761**	**-**	**-**	**176**	**-**	**-**	**937**
Book value								
Net book value as at 31.12.2020	**-**	**507**	**-**	**-**	**119**	**-**	**-**	**626**

1.15.3. Lease payables

The minimum lease payments under lease payables with purchase options (finance and operating leases) are payable as follows:

Future minimum lease payments as at 31.12.2021							
	Up to 1 year	1 year – 2 years	2 years – 3 years	3 years – 4 years	4 years – 5 years	Over 5 years	Total
Undiscounted lease payments	1 319	1 001	321	226	127	37	3 031
Unrealised finance income	(29)	(30)	(8)	(5)	(2)	(1)	(75)
Net present value	**1 290**	**971**	**313**	**221**	**125**	**36**	**2 956**

The payable, within the next 12 months, lease payments are disclosed in the Statement of Financial Position as "current financial liabilities".

1.15.4. Amounts in the Income Statement

The Income Statement includes the following amounts, related with leases:

Type of expense	31.12.2021	31.12.2020
Depreciation cost of "right-of-use assets"	975	888
Interest and fees on lease payables	77	101
Short-term lease expenses	743	267
Expenses, related with low-value leased assets	12	63
Total	**1 807**	**1 319**

1.15.5. Other information

The Group has concluded rent agreements that do not fall within the scope of the new IFRS 16 and are as follows:

	31.12.2021	31.12.2020
Short-term leases	750	419
Leases of low-value assets	20	84
Total	**770**	**503**

The considerations, payable under these agreements, shall be presented in the Income Statement as "rentals", currently, over the years.

The total cash outflow for leases amounts to BGN 1 935 thousand in 2021 (2020: BGN 2 305 thousand).

1.15.6. The Group as a lessor

Operating lease

The Group has leased non-current tangible assets to related and third parties, as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2020	**19**	**72**	**1**	**566**	**165**	**37**	**-**	**860**
Balance as at 31.12.2021	**19**	**56**	**1**	**417**	**596**	**37**	**-**	**1 126**
Depreciation								
Balance as at 31.12.2020	**-**	**30**	**1**	**462**	**160**	**31**	**-**	**684**
Balance as at 31.12.2021	**-**	**19**	**1**	**237**	**339**	**31**	**-**	**627**
Net book value								
Net book value as at 31.12.2020	**19**	**42**	**-**	**104**	**5**	**6**	**-**	**176**
Net book value as at 31.12.2021	**19**	**37**	**-**	**180**	**257**	**6**	**-**	**499**

The operating lease amounts, included in the Income Statement, are as follows:

Type of expense	31.12.2021	31.12.2020
Revenue from fixed lease payments under operating leases	628	485
Including revenue from leases of "right-of-use" assets (as per IFRS 16)	-	*22*

1.16. Non-current financial liabilities

Non-current financial liabilities	31.12.2021	31.12.2020
Lease payables	1 666	2 281
Financial liabilities measured at amortised cost	2 105	2 934
Total	**3 771**	**5 215**

1.16.1. Lease payables – non-current

Type	31.12.2021	31.12.2020
Lease payables to related parties outside the Group	275	541
Lease payables to unrelated parties	1 391	1 740
Total	**1 666**	**2 281**

- Future minimum lease payments, payable within 1 year, those due to between 1 and 5 years, and those payable in more than 5 years are disclosed in detail in *Note №1.15*.

1.16.2. Financial liabilities measured at amortised cost – non-current

Type	31.12.2021	31.12.2020
Loan payables	2 105	2 934
Total	**2 105**	**2 934**

1.16.2.1. Loans – non-current

Type	31.12.2021	31.12.2020
Loan payables to financial institutions	2 022	2 934
Loan payables to unrelated parties	83	-
Total	**2 105**	**2 934**

- The terms of the loans, obtained from financial institutions, are disclosed in detail in *Note №1.21.2.1*.

1.17. Non-current trade payables

Type	31.12.2021	31.12.2020
Supply payables	**1 920**	**1 066**
Advance payments payables	**2 369**	**-**
Total	**4 289**	**1 066**

- Retention bonds from subcontractors under construction contracts, amounting to BGN 1 920 thousand (2020: BGN 1 060 thousand) are presented as non-current supply payables to related and unrelated parties.

1.18. Non-current provisions

Type	31.12.2021	31.12.2020
Provisions for long-term employee benefits	718	576
Provisions for obligations under construction contracts	1 507	11 019
Provisions for reclamation obligations	248	248
Total	**2 473**	**11 843**

- Provisions for obligations under construction contracts are disclosed in detail in *Note №1.*25.

1.18.1. Provisions for long-term employee benefits

Long-term employee benefit payables include the present value of the payable, due by the entities within the Group, operating mainly in Bulgaria and Serbia, for retirement benefits 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.

The entities within the Group performed an actuary valuation in determining the amounts of these payables, appointing for this purpose a certified actuary.

Modifications in the present value of the employee benefit payables is as follows:

Type	31.12.2021	31.12.2020
Present value of the payable at the beginning of the period	**576**	**570**
Payable, recognised in the Balance Sheet at the beginning of the period	**576**	**570**
Interest expense	-	1
Current service cost	66	92
Other modifications	157	34
Payments, conducted within the period	(99)	(39)
Actuarial profit, recognised within the period	18	(82)
Present value of the payable at year-end	**718**	**576**
Unrecognised actuarial profit / loss at year-end	**-**	**-**
Payable, recognised in the Balance Sheet at year-end	**718**	**576**

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 0,20% (2020: 0,34%) is used to determine the discounting factor. The assumption is based on data about the earnings of long-term government securities, 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 (2020: 5%);

- Mortality – based on the mortality table of NSI for the total mortality of the Bulgarian population for the period 2018 – 2020 (2020: 2017-2019);

- 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 the personnel turnover and the historic data of the entity, the used in prior assessments probability of personnel leaving the Group or forthcoming redundancy with a normal distribution of NORMDIST (t; 10; 4; 1) has been reviewed and has been retained, 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.

The table below presents an elasticity analysis to the significant assumptions at 31.12.2021, computed based on a method that extrapolates the effect on retirement benefit payable in a reasonable change in the main assumptions at the end of the reporting period in Bulgaria.

Significant assumptions	Change	Effect	Effect %
Discounting rate	0,50%	-10	-3,42%
Discounting rate	-0,50%	12	4,33%
Personnel turnover, annually	-1	33	21,53%
Personnel turnover, annually	1	-34	-16,28%
Remuneration	1,00%	16	4,99%
Remuneration	-1,00%	-16	-4,99%
Change in the mortality probability	-10,00%	-13	-3,63%
Change in the mortality probability	10,00%	11	3,35%

The expected payments for retirement benefit payables are stated hereafter:

Term	Payable	Payment	Number
1	22	22	5
2	24	27	1
3	19	32	4
4	26	45	5
5	57	97	4
50	207	7 941	316

1.19. Deferred tax liabilities

Temporary Difference	31 December 2020		Modification of deferred tax in 2021				31 December 2021	
			Increase		Decrease			
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Amortisation	9 530	899	3 704	371	(2 901)	(291)	10 333	979
Intra-group profits	266	27	-	-	-	-	266	27
Withholding tax payable	-	-	957	96	-	-	957	96
Total liabilities:	**9 796**	**926**	**4 661**	**467**	**(2 901)**	**(291)**	**11 556**	**1 102**

1.20. Other non-current payables and liabilities

Type	31.12.2021	31.12.2020
Deposit and guarantee payables	**865**	**926**
Concession payables	**689**	**758**
Other payables and liabilities	**73**	**606**
Total	**1 627**	**2 290**

- Deferred payables to the tax administration, associated with the coronavirus pandemic and performance bond payables for performance bonds, issued by banks for projects and sites with validity until 2035, are carried as other non-current payables.

1.21. Current financial liabilities

Type	31.12.2021	31.12.2020
Lease payables	1 290	1 339
Financial liabilities measured at amortised cost	1 006	1 006
Total	**2 296**	**2 345**

1.21.1. Lease payables – current

Type	31.12.2021	31.12.2020
Lease payables to related parties outside the group	267	258
Lease payables to unrelated parties	1 023	1 081
Total	**1 290**	**1 339**

1.21.2. Financial liabilities measured at amortised cost

Type	31.12.2021	31.12.2020
(Obtained) Loan payables	1 006	1 006
Total	**1 006**	**1 006**

1.21.2.1. Loans – current

Type	31.12.2021	31.12.2020
Loan payables to financial institutions	911	980
Interest payables on loans from financial institutions	1	-
Loan payables to unrelated parties	93	26
Interest payables on loans from unrelated parties	1	-
Total	**1 006**	**1 006**

Loans from unrelated parties and financial institutions have been obtained under the following terms and conditions

Bank / Creditor	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
UniCredit Bulbank AD	BGN 13 000 thousand	1 m.ADI+2.95%	02.05.2022	Mortgage on real estate, pledge of non-current tangible assets and receivables
UBB AD	BGN 900 thousand	1m.RIR+3.15%	20.10.2023	Mortgage on real estate, pledge of receivables
UBB AD	BGN 3 000 thousand	1m.RIR+2% for BGN/1m. Euribor+2.5% for EUR	30.09.2022	Mortgage on real estate, pledge of non-current tangible assets and receivables, co-debtor related party
DSK Bank AD	BGN 5 000 thousand	1m.Euribor+2.869 % for BGN	25.06.2025	Mortgage on real estate, pledge of receivables, pledge of non-current tangible assets
UniCredit Bank	EUR 500 thousand	2,7%	26.03.2022	Mortgage on real estate and movable property, corporate guarantee
DK Infra Invest EOOD (LTD)	BGN 75 thousand	3%	Up to 30 days post advance payment	None
Development Fund	BGN 138 thousand	2%	30.06.2024	Bill of exchange

Balance of loans obtained as at 31.12.2021, excluding related parties

Bank / Creditor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
UBB AD	138	-	118	-
DSK Bank AD	773	1	1 904	-
DK Infra Invest EOOD (LTD)	26	1	-	-
Development Fund	55	-	83	-
Others	12	-	-	-
Total	**1 004**	**2**	**2 105**	**-**

- Every year, the Group renegotiates the terms and conditions, including maturity dates, of some initially contracted credit lines. Extended credit lines are presented as non-current or current bank loans as of the date of renegotiation.

- Bank loan agreements contain clauses with requirements for maintaining certain financial ratios. The Group's Management, in communication with the respective creditor – bank, monitors the implementation of these financial ratios on a current basis.

- The Group has concluded several multi-purpose overdraft credit lines to finance its activities and manage its liquidity risk, namely:

- Credit line 1, with a maximum credit amount (overdraft), or bank guarantee amount, of up to BGN 13 000 thousand at an interest rate of 1 m.ADI+2.95% and maturity 02.06.2022 (guarantees 02.10.2022). No funds

have been utilised under it as at 31.12.2021. The contract is secured by mortgages on real estate, pledge of non-current tangible assets and receivables. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees (counter-guarantees) letters of credit with a maximum amount of up to BGN 65 000 thousand. Commitments under the credit line and against cash amount to BGN 35 560 thousand as at 31.12.2021. Their maturity is on 02.11.2027. The commitment is disclosed in detail in *Note №3.6*.

- Credit line 2, with a maximum credit amount (overdraft), or bank guarantee amount, up to BGN 3 000 thousand at an interest rate of 1 m.RIR+2% for BGN / 1 m.Euribor+2.5 for EUR and maturity 30.09.2022. No funds have been utilised under it as at 31.12.2021. The contract is secured by mortgages on real estate, pledge of non-current tangible assets and receivables. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees with a maximum amount of up to BGN 17 000 thousand. Commitments under the credit line amount to BGN 4 851thousand as at 31.12.2021. Their maturity is on 30.09.2027. The commitment is disclosed in detail in *Note №3.6*.

- Credit line 3, with a maximum credit amount (overdraft) up to BGN 978 thousand (EUR 500 thousand) at an interest rate of 2.7% and maturity 26.02.2022. No funds have been utilised under it as at 31.12.2021. The contract is secured by mortgages on real estate and movable property, corporate guarantee. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees (counter-guarantees) letters of credit with a maximum amount of up to BGN 11 735 thousand (EUR 6 000 thousand). Commitments under the credit line amount to BGN 11 735 thousand (EUR 6 000 thousand) as at 31.12.2021. Their maturity is on 27.05.2026. The commitment is disclosed in detail in *Note №3.6*.

Changes in liabilities, arising from the financing activities

The table hereafter presents the changes in the liabilities from financing activities, illustrating both the monetary and non-monetary changes. The liabilities, arising from the financing activities, are those liabilities the cash flows for which are, or the future cash flows for which shall be, classified as "cash flows from financing activities" in the Statement of Cash Flows of the Group.

Liabilities, arising from financing activities	31.12.2020	Cash flow from financing activities		Modifications of non-monetary nature – non-cash			31.12.2021
		Proceeds	Payments	Accrued interest	New	Other changes	
Long-term bank loans	**2 934**	-	-	-	-	(912)	**2 022**
Short-term bank loans	**980**	-	(1 062)	82	-	911	**911**
Lease liabilities	**3 620**	-	(1 830)	68	1 168	(70)	**2 956**
Long-term trade loans	**-**	-	-	-	112	(29)	**83**
Short-term trade loans	**26**	12	(31)	2	56	30	**95**
Total liabilities from financing activities:	**7 560**	**12**	**(2 923)**	**152**	**1 336**	**(70)**	**6 067**

- The other changes under leases, of non-monetary nature, include reclassification, newly concluded lease agreements, set-offs with receivables, as well as liabilities written off due to full or partial termination of leases.

1.22. Current trade payables

Type	31.12.2021	31.12.2020
Payables to related parties outside the group	**1 482**	**1 798**
Supply payables	1 482	1 798
Supply payables	**41 608**	**47 045**
Contract liabilities from contracts with customers	**27 761**	**31 722**
Advances received payables	**1 159**	**1 132**
Other trade payables	**212**	**207**
Total	**72 222**	**81 904**

- Retention bonds under construction contracts, amounting to BGN 324 thousand and BGN 5 373 thousand, (2019: BGN 241 and BGN 7 406 thousand) are included in the presented payables to related parties and supply payables, respectively, at year-end.

- Proceeds from customers and / or the Group's unconditional right to receive consideration before satisfying its performance obligations under the contract are presented as contract liabilities. Contract liabilities are recognised as revenue when (or as) the Group satisfies its performance obligations. Contract liabilities from contracts with customers are disclosed in detail under *Note №3.1*.

1.23. Tax payables

Type	31.12.2021	31.12.2020
Value Added Tax	2 822	1 082
Corporate tax	173	2 579
Corporate tax – interest	-	35
Personal Income Tax	194	236
Tax on expenses	18	7
Other taxes	49	13
Total	**3 256**	**3 952**

Until the date of authorisation of these consolidated financial statements for issue, the entities within the Group have been a subject to the following audits and reviews:

Entity	Complete tax audit	VAT audit	Audit of compliance with the social insurance legislation
Trace Group Hold PLC	31.12.2012	None	None
Trace BG JSC	31.12.2011	None	31.12.2011
Trace Yambol JSC	31.12.2014	31.12.2014	31.12.2014
Infra Commerce EOOD (LTD)	31.12.2015	None	None
USM JSC	31.12.2018	01.03.2016	None
Trace Properties LTD	None	None	None
Trace Svilengrad LTD	None	None	None
Aria Residence LTD	None	None	None
Trace Serbia (Serbia)	31.12.2017	31.12.2019	31.12.2017
Trace Build (Serbia)	None	None	None

- Tax audits on entities, domiciled in Bulgaria, are performed for a period of five years back as of the end of the year in which the tax return for the respective liability is submitted. The tax audit confirms the tax liability of the respective entity – taxable person, except for the cases that are explicitly provided for in the law. Tax audits in Serbia review for a period of ten years.

1.24. Employee benefit payables

Type	31.12.2021	31.12.2020
Employee benefit payables	2 197	2 081
Including payables of unused compensated leaves (leave benefits)	473	528
Social insurance payables	651	689
Including payables of unused compensated leaves (leave benefits)	110	114
Payables to the key Management personnel – remunerations	513	216
Payables to the key Management personnel – social insurance	-	-
Payables under non-labour relations – remunerations	2	1
Total	**3 363**	**2 987**

1.25. Current provisions

Type	31.12.2021	31.12.2020
Provisions for legal obligations, including:	**10 145**	**8 347**
Provisions for obligations under litigations and lawsuits	-	-
Provisions for obligations under construction contracts	9 807	487
Provisions for obligations under building and construction works	-	7 411
Provisions for reclamation obligations	338	311
Provisions for other obligations	-	138
Total	**10 145**	**8 347**

The modification in each type of provisions, in the current period, is illustrated in the table hereafter:

Type of provisions	31.12.2020	Provisions, recognised within the period	Provisions, utilised within the period	Provisions, recovered / written off within the period	Other changes, including foreign exchange	31.12.2020
Provisions for obligations under building and construction works	**16 542**	232	-	(8 059)	(8 483)	**232**
Provisions for other payables	**138**	-	-	(138)	-	**-**
Provisions for obligations under construction contracts	**2 375**	777	(526)	(25)	8 481	**11 082**
Provisions for obligations under litigations and lawsuits	**-**	-	-	-	-	**-**
Provisions for reclamation obligations	**559**	26	-	-	1	**586**
Total:	**19 614**	**1 035**	**(526)**	**(8 222)**	**(1)**	**11 900**

Provisions are presented in the Statement of Financial Position as follows:

Type	31.12.2021	31.12.2020
Non-current provisions	1 755	11 267
Current provisions	10 145	8 347
Total	**11 900**	**19 614**

- The provisions, accrued under construction contracts, relate to assumed commitments (warranties) and expected costs to replace possible defaults. The accrued provisions for reclamation relate to assumed obligations for reclamation of land in the extraction of underground natural resources and exploitation of mineral raw materials after completion of the activities.

1.26. Other current payables and liabilities

Type	31.12.2021	31.12.2020
Payables to related parties outside the group	**4 058**	**372**
Deposit and guarantee payables	252	174
Including guarantees of the SB, MB, BoD	156	174
Dividend payables	3 806	194
Other payables and liabilities	-	4
Deposit and guarantee payables	**36**	**507**
Concession payables	**97**	**115**
Dividend payables	**144**	**120**
Insurance payables	**63**	**98**
Other payables and liabilities	**128**	**114**
Total	**4 526**	**1 326**

- Bank guarantee payables, insurance payables and other costs under construction contracts, completed in 2020 and 2021, are included in the "other payables".

2. Income Statement

2.1. Income

2.1.1. Revenue from contracts with customers

Type of revenue	2021	2020
Revenue from construction contracts, including:	**131 904**	**198 283**
Revenue, recognised within the period	131 904	198 007
Including and by decreasing the opening balances of contract liabilities	*5 052*	*2 614*
Under already satisfied performance obligations	-	276
Revenue from sales of output (production), including:	**9 950**	**14 808**
Sales of asphalt mixtures	7 089	12 050
Sales of inert materials	2 103	2 247
Sales of road marking paints	735	495
Sales of road construction output	17	13
Sales of others	6	3
Revenue from sales of goods, including:	**9 513**	**8 270**
Sales of fuel and oil	3 370	4 267
Sales of railway construction goods	2 105	-
Sales of road construction goods	1 641	2 181
Sales of goods for winter maintenance	605	381
Sales of goods for reinforced concrete structures	384	393
Sales of inert materials	229	339
Sales of other construction materials	-	12
Other goods	1 179	697
Revenue from sales of services, including:	**283**	**274**
Mechanical services	114	114
Project and site management	51	-
Transport services	46	61
Consulting services	-	21
Laboratory services	23	35
Geodetic services	-	2
Other services	49	41
Total	**151 650**	**221 635**

2.1.2. Other operating income (loss)

Type of revenue	2021	2020
Reversed and written off provisions written off	7 979	293
Operating lease income	628	463
Reversed impairment of receivables	277	251
Sales of industrial waste	252	52
Writs and compensations awarded	159	199
Reversed provisions for other payables	159	485
Insurance claims received	94	93
Payables written off	72	786
Surplus inventories	64	18
Penalties	7	-
Income from provisioned leaves benefits and compensations	1	-
Revenue from sublease of right-of-use assets	-	22
Other revenue (net)	799	270
Revenue from sales of materials	**121**	**69**
Revenue from sales of materials	862	602
Carrying amount of materials sold	(741)	(533)
Gains / (losses) on disposal of non-current assets	**357**	**(1 745)**
Gains / (losses) on disposal of non-current assets	876	598
Carrying amount of assets disposed	(519)	(2 343)
Grants, including:	**493**	**1 181**
Revenue grants	493	1 181
Total	**11 551**	**2 437**

- Payments from Governments are recognised under "Grants". The Group has benefited from certain financial support schemes provided by the governmental institutions in response to the COVID-19 crisis and under schemes for compensating of non-residential end-users of electricity – BGN 410 thousand and BGN 83 thousand, respectively.

2.1.3. Finance income

Type of income	2021	2020
Participating interest income	**-**	**-**
Interest income, including interest income accrued:	**174**	**443**
Under trade loans	26	9
Under deposits	-	5
Under trade receivables	143	290
Others	5	139
From transactions in financial instruments	**37**	**335**
Foreign exchange gains	**301**	**67**
Other finance income	**2**	**13**
Total	**514**	**858**

- "Transactions in financial instruments" include and the gains / (losses) on the disposal of a subsidiary and an associate, as well as the acquisition of a subsidiary that are disclosed in detail in *Notes № 3.8, 3.9 and 3.9*.

2.2. Expenses

2.2.1. Cost of materials

Type of expense	2021	2020
Direct materials	24 171	29 904
Fuel and lubricants	7 629	3 980
Spare parts and consumables	1 044	1 107
Electricity	723	576
Waste	199	294
Instruments and consumables	113	48
Tires	110	72
Uniforms, protective equipment and medications	76	95
Ancillary materials	70	103
Stationery and cleaning materials	75	95
Other overheads	48	163
Materials for repairs of non-current tangible assets	42	47
Marketing materials	36	34
Heating	24	9
Natural gas	23	10
Office equipment consumables	23	18
Water	22	25
Road signs	19	80
Tender documents	3	3
Other materials	70	110
Total	**34 520**	**36 773**

2.2.2. Cost of external services

Type of expense	2021	2020
Subcontractors under building and construction works	57 819	95 683
Operating lease / Rent	3 170	2 779
Transport services	2 735	3 692
Contract services	2 216	2 187
Design	2 091	1 026
Security	1 608	1 546
Insurance	1 247	1 241
Consulting and other contracts	1 276	1 784
Taxes and fees	848	1 100
Repairs and servicing of assets	773	975
Laboratory tests	580	914
Blasting works	545	602
Legal services and fees	280	590
Telecommunication and communication services	266	268
Advertising, ads	208	144
Concession fees	190	154
Custom services	165	90
Subscriptions	166	84
Audit	118	165
Storage fee	102	243
Membership fee	68	42
Trainings, seminars	42	41
Accreditations, ISO, licenses	29	21
Geodetic services	16	53
Other external services	450	580
Total	**77 008**	**116 004**

- The accrued in the Group, within the year, amounts for services provided by registered auditors are as follows:
  - The cost of statutory audits of the separate and consolidated annual financial statements for the year amount to BGN 35 thousand.
  - The cost of statutory audit of the annual financial statements of the entities within the Group for the year amounts to BGN 42 thousand.
  - Other services in the amount of BGN 25 thousand.

2.2.3. Depreciation and amortisation

Type of expense	2021	2020
Depreciation and amortisation of own assets	**4 952**	**5 129**
Non-current tangible assets for (used in) the principal activity	3 797	4 000
Non-current intangible assets for (used in) the principal activity	85	112
Non-current tangible assets for (used in) the administration	733	677
Non-current intangible assets for (used in) the administration	93	95
Investment property	244	245
Depreciation and amortisation of right-of-use assets	**975**	**888**
Non-current tangible assets for (used in) the principal activity	693	313
Non-current tangible assets for (used in) the administration	282	575
Total	**5 927**	**6 017**

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

Expenses, incurred for:	2021	2020
Salaries and wages, including salaries and wages of:	**25 448**	**23 280**
Production personnel	15 965	14 771
Administrative personnel	9 483	8 509
Social insurance contributions, including contributions paid in respect of:	**3 470**	**3 542**
Production personnel	2 822	2 713
Administrative personnel	648	829
Including expenses of the key Management personnel		**3 362**
Including expenses related to unused compensated leaves (leave benefits)		**124**
Total	**28 918**	**26 822**

2.2.5. Impairment losses

Type of expense	2021	2020
Loss on impairment of cash	12	105
Loss on impairment of inventories	-	9
Loss on impairment of receivables	357	327
Loss on impairment of financial assets	27	15
Total	**396**	**456**

2.2.6. Other costs

Type of expense	2021	2020
Receivables written off	1 207	651
Provisions under contracts for building and construction works / construction contracts	788	11 954
Donations	624	813
Unrecognised tax credit	526	-
Interest expense and fees on state receivables	305	8
Social costs, presented in kind	277	306
Entertainment expenses	273	182
Business trips	269	295
Cost of deficits and retirement	201	407
Provisions for other payables	113	143
Vouchers under Article 209 of CITA	101	62
Labour medicine	65	76
Expenses with no supporting documentation	24	24
Penalties and fines	15	73
Alternative tax cost	7	16
Interest expense on trade payables	5	5
Provisions for reclamation	6	22
Withholding tax expense	-	177
Other costs	356	72
Total	**5 162**	**15 286**

- The donations to the "Trace for People" Foundation amount to BGN 605 thousand for the period.

2.2.7. Allowances

Type of expense	2021	2020
Carrying amount of assets disposed (net)	**8 302**	**6 995**
Carrying amount of assets disposed	8 302	6 995
Changes in the output inventories (net)	**(1 951)**	**(363)**
Changes in the output inventories	(1 951)	(363)
Capitalised costs	**(5 386)**	**-**
Total	**965**	**6 632**

2.2.8. Finance costs

Type of expense	2021	2020
Interest expense, including interest expense incurred:	**340**	**334**
Under commercial loans	2	-
Under loans from financial institutions	83	115
Under leases	77	101
Under trade payables	24	44
Others	154	74
Expenses, related to bank guarantees	**603**	**506**
Losses on transactions in financial instruments	**18**	**6**
Foreign exchange losses	**415**	**174**
Other finance costs	**403**	**263**
Total	**1 779**	**1 283**

2.2.9. Share in associates and joint ventures

	2021	2020
Profit / (Loss) from associates, net	-	513
Profit / (Loss) from joint ventures, net	-	-
Total	**-**	**513**

- Profit from associates, net, include:

Associate	2021	2020
Share of the Group in the associate's profit / (loss) for the current period	-	513
Total	**-**	**513**

-

Associate	2021	2020
GT Trans BG LTD, in liquidation	-	513
Total	**-**	**513**

2.2.10. Tax expenses

Type of expense	2021	2020
Corporate income tax	1 578	4 793
Others	1 076	(877)
Total	**2 654**	**3 916**

Detailed modifications in corporate income tax expense are presented in the table here below:

Consolidated Income Statement (profit or loss for the year)	2021	2020
Taxable profit / (loss) for the year of the entities within the Group	4 000	25 624
Taxable profit / (loss) for the year	**4 000**	**25 624**
Current corporate income tax expense for the year – 10%, 15%	(1 578)	(4 793)
Deferred income tax	*(590)*	*877*
Occurrence and reversal of temporary differences	(350)	817
Prior period's tax expense and other changes	(240)	60
Total corporate income tax expense, recognised in the Consolidated Income Statement	**(2 168)**	**(3 916)**

Reconciliation of the corporate income tax expense, determined based on the consolidated accounting result	2021	2020
Accounting profit for the year	*7 140*	*23 037*
Current corporate income tax expense for the year – 10%, 15%	(1 467)	(3 905)
From amounts, unrecognised in the submitted tax statements	*(701)*	*(11)*
Associated with increases	(766)	(883)
Associated with decreases	645	1 017
Prior period's tax expense and other changes	(374)	60
Amounts, in respect of which no deferred tax assets and written-off tax have been recognised	(206)	(205)
Total corporate income tax expense, recognised in the Consolidated Income Statement	**(2 168)**	**(3 916)**

2.3. Statement of Comprehensive Income

Components	2021	2020
Other comprehensive income	**(439)**	**537**
Items that are not subject to subsequent reclassification in profit or loss, including:	**(18)**	**81**
Actuarial gains / (losses)	(18)	81
Items that are not subject to subsequent reclassification in profit or loss, including:	**(421)**	**456**
Translation of foreign activities	(421)	456
Other comprehensive income	**(439)**	**537**

3. Other disclosures

3.1. Construction contracts

The cumulative revenue under construction contracts for 2021 and the allocation – over time – of the remaining price under significant, incomplete construction contracts as at 31.12.2021, is as follows:

Contracts in progress	Revenue, recognised under the contract (cumulative)	Transaction price, allocated to the remaining performance obligations	Expected periods of recognition of the remaining transaction price			Changes in the expected (time) terms to satisfy the performance obligation	
			Up to 1 year	1 year – 2 years	Over 2 years	Initial term	Updated term
Contract 1	8 202	-	-	-	-	2019	2021
Contract 2	11 786	79	79	-	-	2018	2021
Contract 3	4 797	-	-	-	-	2019	2021
Contract 4	1 899	-	-	-	-	2020	2021
Contract 5	8 744	1 102	1 102	-	-	2020	2022
Contract 6	-	6 429	-	6 429	-	2018	2023
Contract 7	8 446	126	126	-	-	2019	2022
Contract 8	5 439	1 351	1 351	-	-	2020	2022
Contract 9	1 979	18 855	12 000	5 000	1 855	2025	2025
Contract 10	11 623	3 000	3 000	-	-	2023	2024
Contract 11	248	3 752	1 200	2 552	-	2025	2025
Contract 12	840	9 160	3 001	6 159	-	2025	2025
Contract 13	179	74 903	20 000	54 903	-	2024	2024
Contract 14	23	6 301	3 272	3 028	-	2023	2023
Contract 15	0	3 124	3 124	-	-	2023	2023
Contract 16	8	6 812	3 529	3 283	-	2023	2023
Contract 17	5 032	87 971	41 072	46 899	-	2023	2023
Total construction contracts	**69 245**	**222 963**	**92 856**	**128 252**	**1 855**	**-**	**-**

Contract assets and contract liabilities from contracts with customers are recognised in accordance with IFRS 15 Revenue from Contracts with Customers.

Contract assets from contracts with customers	2021	2020
Carrying amount at the beginning of the period	**21 178**	**15 289**
Revenue, accrued within the period; not invoiced	17 816	30 718
Invoiced revenue	(26 801)	(26 584)
Reclassification	(2 618)	1 755
Other changes and modifications	3	-
Carrying amount at year-end	**9 578**	**21 178**

Contract liabilities from contracts with customers	2021	2020
Carrying amount at the beginning of the period	**(31 722)**	**(9 051)**
Advances received; invoiced	(17 596)	(43 834)
Revenue, accrued within the period; invoiced within the period	23 903	21 163
Reclassification	-	-
Other changes and modifications	(3)	-
Carrying amount at year-end	**(22 711)**	**(31 722)**

3.2. Related parties and related party disclosures

The Group discloses the following related parties:

Owner of the capital of Trace Group Hold PLC, exercising control, is Nikolay Ganchev Mihaylov – 67.26%.

Associates

Redko Trace International OOD (LTD) – indirectly via Trace International LTD *until 14.01.2020*

Voden Park (transl. Water Park) Stara Zagora – a Company under the Law on Obligations and Contracts

GT Trans BG LTD (prior corporate name: Trace Trans LTD) *as of 22.11.2019, until 22.12.2021*

Joint ventures

Trace-M Invest, Germany *until 16.07.2020*

Other related parties:

Entities, related through the principal shareholder

Galini – N LTD, Galini LTD, Inzhproekt LTD, Dikol-2 ET (SP) G.Mihaylov,

Entities, related through the key Management personnel

Specialised Hospital for Active Treatment "Hospital-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)

Entities in which the Group has joint or significant control

Voden Park (transl. Water Park) Stara Zagora – a Company under the Law on Obligations and Contracts, Expo Tech Park – a Company under the Law on Obligations and Contracts, Irinopolis – a Company under the Law on Obligations and Contracts, RPM Kardzhali 2014 – a Company under the Law on Obligations and Contracts, PIM-T – a Company under the Law on Obligations and Contracts, Patno Poddarzhane (tranls. Road Maintenance) Bourgas 2014 – a Company under the Law on Obligations and Contracts, GCF SK-13 Trace Railinfra Cons. JSC (in liquidation proceedings) *until 16.08.2021*, GCF SK-13 Trace Railinfra Consortium, Obedinenie Evropeyski Zheleznitsi (transl. European Railway Alliance) – a Company under the Law on Obligations and Contracts, Gorna banya – a Company under the Law on Obligations and Contracts, Traffic

Management Sofia – a Company under the Law on Obligations and Contracts, Sredets 2018 – a Company under the Law on Obligations and Contracts and others

Trace for People Foundations ULNC – Trace Group Hold, primary founder

Key Management personnel of the entity:

Nikolay Mihaylov – Chairman of the Supervisory Board

Manol Denev – Member of the Supervisory Board

Mariela Rounteva – Member of the Supervisory Board

Desislava Lyubenova – Chairman of the MB

Boyan Delchev – Chief Executive Director and Member of the MB

Rositsa Dineva – Georgieva – Member of the MB

Related party transactions and balances

Purchases

Customer	Type of transaction	2021	2020
Associates and joint ventures	Services, assets	-	17 292
Entities and persons, related through the principal shareholder	Services	4	4
Key Management personnel	Services, assets	-	14
Total		**4**	**17 310**

Purchases

Supplier	Type of transaction	2021	2020
Principal shareholder	Services	2 053	2 039
Associates and joint ventures	Services, materials	-	-
Entities and persons, related through the principal shareholder	Services, materials	434	248
Total		**2 487**	**2 287**

- The donations to the "Trace for People" Foundation amount to BGN 605 thousand for the period.

Receivables

Customer	31.12.2021	31.12.2020
Associates and joint ventures	32	3 421
Entities and persons, related through the principal shareholder	289	441
Key Management personnel	-	-
Total	**321**	**3 862**

Payables

Supplier	31.12.2021	31.12.2020
Principal shareholder	792	843
Associates and joint ventures	-	-
Entities and persons, related through the principal shareholder	801	1 072
Key Management personnel	254	174
Total	**1 847**	**2 089**

Loans granted

Balance of Loans granted (principal and interest on the outstanding principal)

Debtor	Current portion at amortised cost	
	Principal	Interest
Galin Mihaylov	-	12
Galin Mihaylov – impairment	-	(12)
Total	**-**	**-**

Interest income, accrued on loans granted

Debtor	Receivables at	Increase	Decrease	Receivables at
	31.12.2020	in 2021	in 2021	31.12.2021
Galin Mihaylov	25	-	(13)	12
Galin Mihaylov – impairment	(25)	-	13	(12)
Total	**-**	**-**	**-**	**-**

- All transactions are conducted on a market principle and under ordinary trading conditions.
- Loans, granted to related parties, are intended to assist in funding activities under common strategic objectives and serve as working capital. Some of them are secured by pledges of securities (shares), pledges of receivables and / or promissory notes.

Remuneration of the Management

The remuneration and other income of the key Management personnel – of the Executive Directors, the members of the Boards and the Managers of the subsidiaries within the Group – amount to:

Employee benefits – key Management personnel of subsidiaries

Type	Amounts accrued for:
	Remunerations and social insurance contributions within the period
Manager	186
Executive Director	887
Board of Directors	15
Total:	**1 088**

The remuneration and other income of the key Management personnel of the parent amount to:

Employee benefits – key Management personnel of the parent

Type	Amounts accrued for:
	Remunerations and social insurance contributions within the period
Managing Board	1 286
Supervisory Board	3 128
Total:	**4 414**

- The key Management personnel of the parent is comprised of the Executive Director and the members of the Managing and Supervisory Boards, disclosed under *Note №1.1.*

▪ Detailed information on the remunerations of the key Management personnel is provided in the Report on the Implementation of the Remuneration Policy.

3.3. Capital management

Through its capital management, the Group targets 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 capital security and structure are monitored on a current basis. Different sources of financing are employed, with such being both the Group's own sources of finance as well as borrowed funds from banks and related parties.

Type	31.12.2021	31.12.2020
Total debt capital, including:	**76 918**	**88 125**
Liabilities – related parties	2 024	2 597
Liabilities – unrelated parties	74 894	85 528
Decreased by: **Cash and cash equivalents**	**(68 586)**	**(40 467)**
Net debt capital	**8 332**	**47 658**
Total equity	133 135	132 044
Total capital	**141 467**	**179 702**
Leverage ratio	**0,06**	**0,27**

3.4. Financial risks

In the course of its ordinary activities, the Group 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 Group, 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 Group is exposed to in the course of its ordinary activities and the approach employed in managing these risks are described hereafter.

Credit risk

In the course of its activities, the Group 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 Group are concentrated in three groups: Cash, Receivables from customers and Financial assets – loans granted.

The Group's cash and cash at banks (current accounts) are concentrated in the following banks – "UniCredit Bulbank" AD, "DSK" AD, "UBB" AD and "Expressbank" AD. The Management believes that there is no risk as long the serving banks maintain a stable liquidity.

31.12.2021	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	-	-	-	4 332	-	-	4 332
Non-current trade and other receivables				4 392			4 392
Non-current trade and other receivables – impairment				(60)			(60)
Current assets	8	249	-	44 659	-	429	45 345
Current financial assets from related parties	12						12
Current financial assets from related parties – impairment	(12)						(12)
Current financial assets	149	249	-	-	-	467	865
Current financial assets – impairment	(141)	-	-	-	-	(38)	(179)
Current trade and other receivables from related parties	161			321			482
Current trade and other receivables from related parties – impairment	(161)						(161)
Current trade and other receivables	5 153	-	-	44 992	-	-	50 145
Current trade and other receivables – impairment	(5 153)	-	-	(654)	-	-	(5 807)
Total financial assets	**8**	**249**	**-**	**48 991**	**-**	**429**	**49 677**

Liquidity risk

Liquidity risk is expressed as the adverse situation where the Group 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.

31.12.2021	Immediate	1 – 3 months	4 – 12 months	1 – 5 years	Over 5 years	With no maturity	Total
Non-current assets	-	-	-	4 332	-	-	4 332
Non-current financial assets	-	-	-		-	-	-
Non-current trade and other receivables from related parties	-	-	-		-	-	-
Non-current trade and other receivables	-	-	-	4 332	-	-	4 332
Non-current liabilities	-	-	-	6 025	-	-	6 025
Non-current lease payables to related parties	-	-	-	287	-	-	287
Non-current financial liabilities	-	-	-	2 320	-	-	2 320
Non-current lease payables	-	-	-	1 425	-	-	1 425
Non-current trade and other payables	-	-	-	1 993	-	-	1 993
Net liquid imbalance – non-current	-	-	-	(1 693)	-	-	(1 693)
Cumulative liquid imbalance – non-current	-	-	-	(1 693)	(1 693)	(1 693)	(1 693)
Current assets	63 238	-	45 337	5 348	-	8	113 931
Current financial assets from related parties	-	-	-	-	-	-	-
Current financial assets	-	-	678	-	-	8	686
Current trade and other receivables from related parties	-	-	321	-	-	-	321
Current trade and other receivables	-	-	44 338	-	-	-	44 338
Cash and cash equivalents	63 238	-	-	5 348	-	-	68 586
Current liabilities	-	43 630	6 176	-	-	-	49 806
Current financial liabilities to related parties	-	-		-	-	-	-
Current lease payables to related parties	-	72	212	-	-	-	284
Current financial liabilities	-	246	793	-	-	-	1 039
Current lease payables	-	222	813	-	-	-	1 035
Current trade and other payables to related parties	-	1 482	3 806	-	-	-	5 288
Current trade and other payables	-	41 608	552	-	-	-	42 160
Net liquid imbalance – current	**63 238**	**(43 630)**	**39 161**	**5 348**	**-**	**8**	**64 125**
Cumulative liquid imbalance – current	**63 238**	**19 608**	**58 769**	**64 117**	**64 117**	**64 125**	**64 125**
Total financial assets	**63 238**	**-**	**45 337**	**9 680**	**-**	**8**	**118 263**
Total financial liabilities	**63 238**	**43 630**	**6 176**	**6 025**	**-**	**-**	**55 831**
Total Net liquid imbalance	**63 238**	**(43 630)**	**39 161**	**3 655**	**-**	**8**	**62 432**
Total Cumulative liquid imbalance	**63 238**	**19 608**	**58 769**	**62 424**	**62 424**	**62 432**	**62 432**

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 Group, 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 the fair value because of changes in the interest rate levels – the changes in the levels of market interest rates will affect the value of held financial assets and liabilities with fixed interest rate. The 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 leases payables and loans obtained or granted, form a significant portion of the structure of the Group's assets and liabilities.

31.12.2021	Interest-free	With floating interest %	With fixed interest %	Total
Non-current assets	4 332	-	-	4 332
Non-current financial assets	-	-	-	-
Non-current trade and other receivables	4 332	-	-	4 332
Non-current liabilities	1 993	3 413	358	5 764
Non-current lease payables to related parties			275	275
Non-current financial liabilities		2 022	83	2 105
Non-current lease payables		1 391		1 391
Non-current trade and other payables	1 993			1 993
Long-term risk exposure	2 339	(3 413)	(358)	(1 432)
Current assets	44 696	68 549	686	113 931
Current financial assets from related parties				
Current financial assets			686	686
Current trade and other receivables from related parties	321			321
Current trade and other receivables	44 338			44 338
Cash and cash equivalents	37	68 549		68 586
Current liabilities	47 448	1 935	361	49 744
Current financial liabilities to related parties				-
Current lease payables to related parties			267	267
Current financial liabilities		912	94	1 006
Current lease payables		1 023		1 023
Current trade and other payables to related parties	5 288			5 288
Current trade and other payables	42 160			42 160
Short-term risk exposure	**(2 752)**	**66 614**	**325**	**64 187**
Total financial assets	**49 028**	**68 549**	**686**	**118 263**
Total financial liabilities	**49 441**	**5 348**	**719**	**55 508**
Total exposure to interest risk	**(413)**	**63 201**	**(33)**	**62 755**

Analysis of the interest rate elasticity

Effect on profit / loss, net of taxes	31.12.2021
In an increase of interest rates by 0.5%	284
In a decrease of interest rates by 0.5%	(284)

Currency risk

Currency risk is the risk of adverse effect of fluctuations in the prevailing exchange rates on the financial position and cash flows of the Group. Due to the fact that the Bulgarian Lev is pegged to the Euro and the Group presents its financial statements in Bulgarian Lev (BGN), currency risk is associated only with currencies, other than the Euro.

The Group is exposed to currency risk in so far as the two branches of the Parent and some of the entities within the Group operate in countries, the national currencies of which are not pegged to the BGN – namely Serbian Dinars and Czech Crones.

31.12.2021	Denominated in BGN	Denominated in EUR	Denominated in RSD	Denominated in CZK	Other currencies	Total
Non-current assets	3 518	-	814	-	-	4 332
Non-current financial assets	-	-	-	-	-	-
Non-current trade and other receivables	3 518		814			4 332
Non-current liabilities	5 681	83	-	-	-	5 764
Non-current lease payables to related parties	275					275
Non-current financial liabilities	2 022	83				2 105
Non-current lease payables	1 391					1 391
Non-current trade and other payables	1 993					1 993
Long-term risk exposure	(2 163)	(83)	814	-	-	(1 432)
Current assets	77 126	25 916	10 481	27	381	113 931
Current financial assets from related parties	-					-
Current financial assets	686					686
Current trade and other receivables from related parties	321					321
Current trade and other receivables	38 940	20	5 378			44 338
Cash and cash equivalents	37 179	25 896	5 103	27	381	68 586
Current liabilities	40 431	1 806	7 507	-	-	49 744
Current lease payables to related parties	267					267
Current financial liabilities	951	55				1 006
Current lease payable		1 023				1 023
Current trade and other payables to related parties	4 560	728				5 288
Current trade and other payables	34 653		7 507			42 160
Short-term risk exposure	**36 695**	**24 110**	**2 974**	**27**	**381**	**64 187**
Total financial assets	**80 644**	**25 916**	**11 295**	**27**	**381**	**118 263**
Total financial liabilities	**46 112**	**1 889**	**7 507**	**-**	**-**	**55 508**
Total exposure to currency risk	**34 532**	**24 027**	**3 788**	**27**	**381**	**62 755**

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 December and the assumption that the influence 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.

Analysis of the currency elasticity to the RSD

Effect on profit / loss, net of taxes	31.12.2021
In an increase of the exchange rate by 10%	340
In an decrease of the exchange rate by 10%	(340)

Analysis of the currency elasticity to the CZK

Effect on profit / loss, net of taxes	31.12.2020
In an increase of the exchange rate by 10%	3
In an decrease of the exchange rate by 10%	(3)

3.5. Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value of financial instruments, traded in active markets, is based on quoted prices at balance sheet date. Quoted market prices are current "bid-prices" ("purchase" price).

Fair value of financial instruments that are not traded in active markets is determined using valuation methods that are based on various valuation techniques and assumptions of the Managements, employed on the basis of the market conditions, existing at the date of the Consolidated Statement of Financial Position

The fair value concept assumes realisation of financial instruments through sale. Nevertheless, in most cases, especially when it comes to trade receivables and payables, loans and deposits, the Group expects to realise these financial assets and liabilities by their full refund, or settlement respectively, over time. Thus, such are presented at their amortised cost

Furthermore, part of the financial assets and liabilities are either current by their nature (trade receivables and payables, short-term loans) or are presented at their market value in the Consolidated Statement of Financial Position (bank deposits granted, investments in securities), and hence their fair value is approximately equal to their carrying amount.

There are and no sufficient and reliable market prices for some financial assets and liabilities in so far as there is no sufficient market experience, stability and liquidity for purchase or sale of those financial assets and liabilities. The Management of the Parent believes that in the existing circumstances, the estimates of financial assets and liabilities presented in the Consolidated Statement of Financial Position, are reliable, adequate and fair for financial reporting purposes.

3.6. Contingent assets and contingent liabilities

Guarantees and warrantees issued

Contingent assets, including: bank guarantees issued, collaterals and pledges over receivables from subsidiaries and other related parties, established in favour of commercial banks:

Bank guarantees

The bank guarantees issued in favour of the Group, their amount and issuing banks are disclosed in the table below:

Contingent liabilities					
Issuer	**Value (BGN '000)**	**In favour of:**	**Purpose**	**Maturity**	**Security**
UBB AD	4 851	Bulgarian State Agency and Bulgarian Municipalities	Securing performance obligations under contracts	30.06.2025	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK BANK EAD	2 463	Bulgarian Ministry, Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; TD of NRA, Regional Traffic Management	Securing performance obligations under contracts and VAT obligations	29.05.2026	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK BANK AD	2 624	Bulgarian Ministry; Bulgarian State: Agency and Municipalities; Bulgarian Municipal and / or State Enterprises; Serbian State Enterprise; private entities, 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	35 600	Bulgarian Ministry; Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and State Enterprises; Serbian State Enterprises; Czech State Enterprise; private entity, registered in Bulgaria; Serbian Ministry, UniCredit Bank Serbia AD	Securing performance obligations under contracts, state receivables due pursuant to the law	30.09.2037	Real estate, non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BANK, SERBIA	8 745	Serbian State Enterprises; Serbian Ministries; Serbian Municipalities	Securing performance obligations under contracts, state receivables due pursuant to the law and participation in tenders	03.01.2024	Corporate guarantee, real estate, movables, promissory note, cash
Total:	**54 283**				

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

▪ Bank guarantees, issued in favour of "Trace Group Hold" PLC in Bulgaria, amount to BGN 3 250 thousand, insurance – to BGN 234 thousand and pledges of non-current tangible assets – to BGN 125 thousand. The bank guarantees, obtained in the Republic of Serbia amount to BGN 600 thousand.

The following have been issued in order to secure the activities of the Group:

- Corporate guarantee in the amount of EUR 2 million, with validity 03.04.2024. The corporate guarantee is issued under a credit line agreement for the issuance of bank guarantees, concluded by and between UniCredit Bulbank Sebria and Trace Serbia;

- Corporate guarantee in the amount of EUR 6 million, with validity 27.05.2026. The corporate guarantee is issued under a credit line agreement for the issuance of bank guarantees, letters of intent and an overdraft, concluded by and between UniCredit Bulbank Serbia and Infra Commerce LTD ;

- Corporate guarantee in the amount of EUR 5 million, with validity 29.11.2027. The corporate guarantee is issued under a credit line agreement for the issuance of bank guarantees and letters of intent, concluded by and between UniCredit Bulbank Serbia, Trace Serbia and Trace Group Hold PLC ;

Contingent liabilities

Type	Guarantee issued, pledge of a counterparty	Insurance amount in thousands of BGN
Insurance guarantees	JSIC EUROINS AD	15 139
Insurance guarantees	JSIC OZK – Insurance AD	17 755
Insurance guarantees	IC EUROINS Romania	10 098

Contingent assets

Contract / Counterparty	Warranties and securities, issued in favour of counterparties	Type of security
№ 110/ 02.09.2015/UniCredit Bulbank	Galini – N LTD	Real estate

Contingent liabilities

Contract / counterparty	Warranties and securities, issued in favour of counterparties	Type of security
Contract, dated 04.03.2015 / Societe Generale Expressbank AD	FC Vereya NGO	Co-debtor

Lawsuits

The Management, based on the facts and circumstances, available at the end of the period, and the estimations, presented by lawyers and jurists, has recognised impairment of lawsuit and litigation receivables, in the amount of BGN 897 thousand, at year-end (31.12.2020: BGN 856 thousand).

Pentalty interest income, claimed by the Group, has not been recognised in the consolidated financial statements at year-end as there is high uncertainty on the collectability of these amounts.

The Group (per entities) is a plaintiff and / or defendant under the following lawsuits at 31.12.2021, in respect of which there may be an inflow / outflow of resources:

"Trace Group Hold" PLC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 1 446 thousand as at 31.12.2021.
The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 672 thousand at 31.12.2021.
Civil case 32 / pg. 33 /2017, listed in the Prague City Court, Czech Republic – Prague Airport, Ruzyne (plaintiff) against "Trace Group Hold" PLC, in its capacity of a participant at the Prague Airport Consortium 2013 (defendant). The claim amounts to BGN 11 571 thousand. A counterclaim has been filed under the same case by TGH PLC with financial interest CZK 17 316.

"Trace BG" JSC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 5 076 thousand at 31.12.2021.
The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 996 thousand at 31.12.2021.

"USM" JSC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 84 thousand at 31.12.2021.

"Infra Commerce" LTD
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 4 380 thousand at 31.12.2021.

"Trace Yambol" JSC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 1 160 thousand at 31.12.2021.

"Trace Serbia"

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 5 thousand at 31.12.2021.
The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 69 thousand at 31.12.2021.

The Management has assessed, together with internal legal experts and external lawyers, that the probability and risks of a negative outcome is currently still below 50% for some of the lawsuits filed against the entity and therefore for most of those no provisions for lawsuit obligations have been recognised in the Statement of Financial Position as at 31.12.2021.

3.7. Operating segments

Operating segments At 31 December 2021	Bulgaria	Serbia	Czech Republic	Moldova	Romania	Total	Consolidation	Group
Revenue from contracts with customers	174 452	71 938	-	-	-	246 390	(94 740)	151 650
Revenue from construction contracts	132 404	61 178	-	-	-	193 582	(61 678)	131 904
Revenue from sales of outputs	9 727	1 422	-	-	-	11 149	(1 199)	9 950
Revenue from sales of goods	29 769	9 268	-	-	-	39 037	(29 524)	9 513
Revenue from sales of services	2 552	70	-	-	-	2 622	(2 339)	283
Other income	6 514	9 170	32	-	-	15 716	(4 165)	11 551
Finance income	3 657	316	237	2	1	4 213	(3 699)	514
Including interest income	120	307	-	-	-	427	(253)	174
Costs, including:	(166 256)	(56 677)	(17)	(9)	(105)	(223 064)	71 133	(151 931)
Cost of materials	(31 846)	(12 421)	-	-	-	(44 267)	9 747	(34 520)
Cost of external services	(101 657)	(28 125)	(13)	(2)	(89)	(129 886)	52 878	(77 008)
Depreciation and amortisation	(5 441)	(4 025)	-	-	-	(9 466)	3 539	(5 927)
Employee benefits (salaries and wages)	(18 609)	(10 288)	-	(5)	(16)	(28 918)	-	(28 918)
Impairment losses	(5 159)	(180)	(1)	-	-	(5 340)	4 944	(396)
Other costs	(3 544)	(1 638)	(3)	(2)		(5 187)	25	(5 162)
Allowances	(24 756)	(8 835)	-	-		(33 591)	32 626	(965)
Finance costs	(1 368)	(1 153)	(5)	(1)	(3)	(2 530)	751	(1 779)
Including interest expense	(408)	(538)	-	-	-	(946)	606	(340)
Share in associates	-	-	-	-	-	-	-	-
Tax expense	(942)	(1 236)	-	-	17	(2 161)	(493)	(2 654)
Profits / Loss	(8 699)	13 523	247	(8)	(90)	4 973	1 413	6 386
Segment assets	291 421	81 740	27	-	60	373 248	(131 043)	242 205
Segment liabilities	129 673	51 826	14 317	-	150	195 966	(86 896)	109 070
Investments under the equity method	1	-	-	-		1	-	1
Deferred tax assets	3 310	62	-	-	17	3 389	(138)	3 251

The Group operates in a single business sector. The main services performed and the output produced by all entities are related with the principal activity, and are part of it in different stages. 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 similar nature of the services performed, the characteristics of the environment and the customers of the entities. Hence, the Group has adopted the policy to account for its activities, by distinguishing them (i.e., the activities) only on a geographical basis.

Operating segments At 31 December 2020	Bulgaria	Serbia	Czech Republic	Moldova	Total	Consolidation	Group
Revenue from contracts with customers	**135 826**	**88 594**	**-**	**-**	**224 420**	**(2 785)**	**221 635**
Revenue from construction contracts	116 774	84 294	-	-	201 068	(2 785)	198 283
Including from other segments	*2 785*	-	-	-	*2 785*	*(2 785)*	-
Revenue from sales of outputs	12 826	1 982	-	-	14 808		14 808
Revenue from sales of goods	5 989	2 281	-	-	8 270		8 270
Revenue from sales of services	237	37	-	-	274		274
Other income	**778**	**1 544**	**115**	**-**	**2 437**		**2 437**
Finance income	**4 835**	**291**	**-**	**51**	**5 177**	**(4 319)**	**858**
Including interest income	165	278	-	-	443		443
Cost, including:	**(135 338)**	**(71 106)**	**(111)**	**(19)**	**(206 574)**	**5 216**	**(201 358)**
Cost of materials	(30 300)	(6 473)	-	-	(36 773)		(36 773)
Cost of external services	(78 909)	(39 863)	(14)	(3)	(118 789)	2 785	(116 004)
Depreciation and amortisation	(4 270)	(4 178)	-		(8 448)	2 431	(6 017)
Employee benefits (salaries and wages)	(17 254)	(9 553)	-	(15)	(26 822)		(26 822)
Impairment losses	(210)	(246)	-	-	(456)		(456)
Other costs	(4 395)	(10 793)	(97)	(1)	(15 286)		(15 286)
Allowances	**(4 759)**	**(1 873)**	**-**	**-**	**(6 632)**		**(6 632)**
Finance costs	**(660)**	**(567)**	**-**	**(56)**	**(1 283)**		**(1 283)**
Including interest expenses	(318)	(16)	-	-	(334)		(334)
Share in associates	**513**	**-**	**-**	**-**	**513**		**513**
Tax expense	**605**	**(4 521)**	**-**	**-**	**(3 916)**		**(3 916)**
Profit / Loss	**1 800**	**12 362**	**4**	**(24)**	**14 142**	**(1 888)**	**12 254**
Segment assets	269 482	118 756	3	-	388 241	(133 996)	254 245
Segment liabilities	111 015	87 083	13 781	27	211 906	(89 705)	122 201
Investments under the equity method	410	-	-		410	-	410
Deferred tax assets	4 082	68	-		4 150	-	4 150

The adopted accounting policies for segment reporting are based on the accounting policies, adopted by the Group in the preparation of its public financial statements required by the Law.

The primary customers of the Group, the transaction with whom accumulate over 10% of the total revenue are:

In Bulgaria: Agentsia Patna Infrastruktura (transl. Road Infrastructure Agency), Metropolitan AD, DP Nationalna Kompania Zhelezopatna Infrastruktura (transl. SE National Railway Infrastructure Company), Ministry of Economy and Energy, Municipalities throughout the country;

In Serbia: Koridori Serbia OOD (transl. Corridors Serbia LTD), PD Direktsia za izgrazhdane (transl. Directorate for construction) Nis – Serbia, PD Direktsia za izgrazhdane (transl. Directorate for construction) Pirot – Serbia, Municipalities of the territory of the Republic of Serbia.

3.8. Disposal of associates

The Group has disposed its entire participating interest in the associate "GT Trans BG" LTD on 22.12.2021. The disposal of the associate was concluded through liquidation proceedings. The investment in the entity, amounting to BGN 409 thousand is derecognised and liquidation shares, in the amount of BGN 401 thousand, were obtained.

The financial result (gain / loss) on the liquidation is presented to the Group as follows:

	BGN '000
Cash proceeds	401
Less:	
Derecognised net assets for the Group	(409)
Gain / (loss) on the liquidation of an associate	**(8)**

3.9. Disposal of subsidiaries

The Group recognised the sale of 100% of the capital of "Trace Company", Moldova, on 16.12.2021. The disposal of the subsidiary was concluded through liquidation proceedings. The net assets and investment in the entity, amounting to BGN 37 thousand were derecognised and liquidation shares were not obtained.

The financial result (gain / loss) on the liquidation is presented to the Group as follows:

	BGN '000
Cash proceeds	-
Less:	
Derecognised net assets for the Group	39
Investment written off	(2)
Gain / (loss) on the liquidation of a subsidiary	**37**

3.10. Transactions with non-controlling interest (NCI)

Subsidiaries with non-controlling interest

"Trace Yambol" JSC, "USM" JSC and several companies under the Law on Obligations and Contracts (LOC) are subsidiaries of the Group with non-controlling interest at year-end.

	Total for NCI, BGN '000
Book value of the NCI at the beginning of the period	**(100)**
Profit / Loss, attributable to the NCI for the period	6
Dividends	(17)
Acquired / (Disposed) activities	-
Changes in the participating interests in subsidiaries without loss of control	-
Net book value of the NCI at year-end	**(111)**

3.11. Events after the reporting period

The following events that require to be disclosed in the consolidated financial statements have occurred after the date of the consolidated financial statements and before the date on which they were authorised for issue:

- The Managing Board of "Trace Group Hold" PLC announced the commencement of the next procedure to repurchase own shares of the entity's capital (treasury shares) on 04.01.2022, on the grounds of Art. 187(b) 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. The procedure shall be executed under the conditions, determined by the GMS.

- The commercial entity "Asphalt Commerce" EOOD (LTD) was registered on 02.02.2022. The principal activity of the entity includes production of goods and services in Bulgaria and abroad, trade and foreign trade activity in Bulgaria and abroad, trade representation and intermediation, information, consulting and commissioner activity in Bulgaria and abroad, rendering of services, production, domestic and foreign trade, transport transactions, trade intermediation and trade representation, application in public tender and applications under EU programs, import and export. The entity shall unite and manage the asphalt bases within the Group. The entity's capital is BGN 1 000 (one thousand), distributed in 10 equal shares at nominal value of BGN 100 each. All shares are held by "Trace Group Hold" PLC.

- A military conflict arose between the Russian Federation and the Republic of Ukraine in the period as of the date of the financial statements and the date of their approval for issue. In response, various economic sanctions have been imposed on the Russian Federation and on related with it individuals and legal entities worldwide. According to the initial estimates of the Management, these events will not have a significant impact on the Group currently, in so far as the Group is not related and does not engage with persons and entities, subject to the aforementioned sanctions. Nevertheless, due to the unpredictable dynamics of the circumstances and potential pervasiveness of the conflict, it is currently practically impossible to make a reliable assessment and measurement of the potential long-term effect of the conflict

3.12. Reclassifications

The Management reviewed the presentation of restricted cash (BGN 5 348 thousand), namely restricted cash under performance bonds and involvement (participation) under contracts with customers that are not available to the Group at 31.12.2021, and has reclassified them in the Statement of Financial Position from "Other current receivables and assets" to "Cash". A third comparative period as at 01.01.2020 has not been included in the Statement of Financial Position in so far as the change affects only those items and it does not have a significant impact on the presentation sequence.

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Consolidated Annual Financial Statements as at 31.12.2021*, from Bulgarian to English language, consisting of *114 (one hundred and fourteen) pages*, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator: .....

CONSOLIDATED MANAGEMENT REPORT OF TRACE GROUP HOLD PLC

For 2021

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The Annual Consolidated Management Report presents commentary on, and analysis of, the Consolidated Financial Statements and other significant information with regards to the financial position and the operating results of the Group. 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. 11 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 2021:

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, of which 24 193 721 are voting shares and 6 279 are 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 held		% Share in the capital	
	At 31.12.2021	At 31.12.2020	At 31.12.2021	At 31.12.2020
Nikolay Mihaylov	16 276 755	16 276 755	67,26	67,26
"Galini - N" 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-tier 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 the Executive Director.

Members of the Audit Committee at 31.12.2021 are:
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

Subsidiaries of the Group at 31.12.2021:

- TRACE – BG JSC, SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC.
  Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure; Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- TRACE SERBIA JSC, NIS, SERBIA – 100% owned by Trace Group Hold PLC.
  Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- INFRA COMMERCE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
  Principal activity: Trade activities in Bulgaria and aboard, trade representation and trade intermediation;
- TRACE PROPERTIES LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
  Principal activity: Tourism and commercial activities in Bulgaria and abroad, hospitality, as well as all types of auxiliary services, and any other activities;
- ARIA RESIDENCE LTD – 60% owned by Trace Group Hold PLC
  Principal activity: Investments in property, with the purpose of implementing projects in the real estate sector: purchase, construction and / or furnishing of real estate for sale, rental, as well as all other administrative (dispositional) actions and any actions associated with the management of such real estate; transactions in real estate.
- TRACE YAMBOL JSC, YAMBOL, BULGARIA – 99.48% owned by Trace Group Hold PLC
  Principal activity: Construction and reconstruction of roads and road facilities;
- USM JSC, STARA ZAGORA, BULGARIA – 99.69% owned by Trace Group Hold PLC
  Principal activity: Rendering of building mechanisation services;
- TRACE MECHANIZATION JSC, STARA ZAGORA, BULGARIA – 100.00% owned by Trace Group Hold PLC
  Principal activity: Rendering of building and construction mechanical services;
- TRACE BUILD LTD – 100% owned by Trace Group Hold PLC through Trace Serbia
  Principal activities: Construction of residential and non-residential buildings

- TRACE SVILENGRAD LTD, SOFIA, BULGARIA – 100% owned by Trace Yambol JSC
  Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure;

II. Activity overview

1. Principal activity

"Trace Group Hold" PLC engages in all type of infrastructure activities – construction, rehabilitation, maintenance, design and all related activities. The entities within the Group continuously diversify and expand the scope of their business activity. The portfolio of the activity includes and investments, international trade and logistics.

The entities within the Group operate on the European market in the fields of:

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

The Holding, and the entities within it, participate in the implementation of the most significant (largest) national infrastructure projects, among which are the completion of the "Trakya" and "Hemus" highways. The Holding participates and in the construction of the Serbian part of Corridor № 10

The entities within the structure of Trace Group Hold PLC implement projects for reconstruction and rehabilitation of road networks, as well as of urban infrastructure. They execute current repairs and winter maintenance works on part of the road network on the territory of the Republic of Bulgaria and the Republic of Serbia. The entity has resources 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 its construction. Twelve of the existing metro stations and the adjacent metro lines have been built by "Trace Group Hold" PLC. Currently, the company is designing and building 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 of the Geismar system;**

- Railway substructure and superstructure activities:
- Mechanised rehabilitation, reconstruction and new construction of railway tracks
- Mechanised laying of 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 Group Hold" PLC is currently implementing several major, large-scale railway projects. It engages in the modernisation of a railway, catenary, signalling and telecommunications systems at "Plovdiv" station and the construction of a communication and transport breakthrough under the railway area of "Plovdiv" station; Restoration of the design parameters of "Yastrebovo" station and "Senovo" 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 "Graf Ignatievo" Airport is an iconic project for the entity – all design and construction activities under the project 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 a 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 the implementation of projects for rehabilitation, reconstruction and construction of new water supply and sewerage networks and facilities, which in turn leads to improving the quality of life of the population

The Holding 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 company 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 modern and functionally designed, including three residential sections and one office section, with a restaurant, shops, sport facilities and other entertainment facilities. " Trace Properties" LTD is investor in the project, while "Injproekt" LTD is the designer.





- ✓ **Trade in construction products and materials;**

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

- ✓ **Production of asphalt mixtures, bitumen emulsion, stone powder. Extraction of inert materials;**

"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 inert materials 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 communicational centres, allowing quick and high quality implementation of the assigned projects.

"Trace Group Hold" PLC achieves performance results by managing its subsidiaries with extensive experience and thorough knowledge. The Holding'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 Romania, in the Czech Republic, in North Macedonia 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 implementation of the company's social policy.

2. Operating results

Income structure

The consolidated revenue, realised in the financial reporting 2021 (excluding finance income) amounts to BGN 163 201 thousand and record a 27,17% decrease, compared with the revenue realised in the prior reporting period (2020: BGN 224 072 thousand). The consolidated revenue includes BGN 151 650 thousands of revenue from contracts with customers and BGN 11 551 thousands of "other income". A "per segment" allocation of revenues conveys that 59,07% of those have been realised in Bulgaria, 40,91% - in Serbia and 0,02% in Romania.

The type of revenue, excluding finance income, their relative share and modification compared with 2020 are presented in the table attached hereafter.

Type of income	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020	% change
Revenue from contracts with customers	***151 650***	***92.92%***	***221 635***	***98.91%***	***(31.58)%***
• Revenue, realised under construction contracts	131 904	80.82%	198 283	121.50%	(33.48)%
• Revenue from sales of output	9 950	6.10%	14 808	9.07%	(32.81)%
• Revenue from sales of goods	9 513	5.83%	8 270	5.07%	15.03 %
• Revenue from sales of services	283	0.17%	274	0.17%	3.28 %
Other income	***11 551***	***7.08%***	***2 437***	***1.09%***	***373.98 %***
Total	**163 201**	**100%**	**224 072**	**100%**	***(27.17)%***

Revenue, realised under construction contracts, amounting to BGN 131 904 thousand, form the most significant share (80,82%) of "revenue from contracts with customers" and record a decrease of 33,48%, compared with the same realised in the financial reporting 2020 (2020: BGN 198 283 thousand). A "geographical segmentation" analysis conveys that 57,14% of the revenue from contracts with customers have been realised within Bulgaria, and the remaining 42,51% - in the Republic of Serbia.

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

1. "Restoration of the design parameters at "Senovo" station, from km 46+843 to km 47+842; 999 meters in length along railway line IX"
2. "Restoration of the design parameters at "Yastrebovo" station, from km 21+534 to km 22+502, 968 meters in length along railway line IX"
3. "Modernisation of the railway, catenary and signalling and telecommunication systems at "Plovdiv" station and construction of a communication and transport breakthrough under the railway area of "Plovdiv" station"
4. Reconstruction of "Todor Kableshkov" Blvd., in the section from "Bulgaria" Blvd. to "Luy Ayer" Blvd., "Triaditsa" District
5. Current repairs of the street network and road facilities within Sofia Municipality – Zone 1
6. New construction, major repairs, rehabilitation, reconstruction, current repairs of street networks, Municipal roads, State roads (under an agreement protocol with the Republican Road Infrastructure Fund), current repairs and new construction of pavements and other concomitant activities on the territory of the Stara Zagora Municipality
7. Road II-66 from km 72+624 to km 91+093 "Bogomilovo – Paten vazel (transl. Road junction) Chirpan Iztok (transl. East)"

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

1. Construction of E 75 highway, Section: "Grdelica – Caricina dolina", Serbia
2. LOT 2: Rehabilitation of Existing Sections of State Road class IB No. 39 and class IIA No. 221; ID 8110911.LOT2
3. Lot 3: Rehabilitation of Existing Sections of State Road class IIA No. 223 and class IIB No. 429; ID 8110911.LOT3
4. "Modernisation and rehabilitation of a section of the railway "Nis – Brestovac", the Republic of Serbia"
5. TRZP roads South 1 (Nis – Prokuple); South 2 (Pirot); South 3 (Leskovac)
6. Restoration of the deformed road Vlasotince – Svodje

Revenue from sales of output is closely related, in principle, with the construction activity of the Group. Such amount to BGN 9 950 thousand in 2021 and record a 32,81% decrease compared with the same, realised in the prior reporting period (2020: BGN 14 808 thousand). When distributed geographically, 85,97% of those have been realised within Bulgaria, and the remaining 14,03% - within the Republic of Serbia. Revenue from sales of asphalt mixtures, amounting to BGN 7 089 thousand, form the most significant share of "revenue from sales of output". Revenue from sales of asphalt mixtures, mainly realised by the Group's entities domiciled within Bulgaria (87,28%), record a decrease of 41,17% (2020: BGN 12 050 thousand). Revenue from sales of inert materials, amounting to BGN 2 103 thousand, have also been mainly realised by the entities domiciled in Bulgaria (74,11%) and nearly retain their levels, compared to the same in the prior reporting period (2020: BGN 2 247 thousand). Revenue from sales of paints amount to BGN 735 thousand and over 80% of those have been realised by the entities, domiciled in Bulgaria.

Revenue from sales of goods amount to BGN 9 513 thousand and record a 15,03% increase, compared with the same realised in the prior reporting year (2020: BGN 8 270 thousand). Revenue from sales of fuel and oil, amounting to BGN 3 370 thousand and recording a decrease of 21,02% (2020: BGN 4 267 thousand), are also included in the "revenue from sales of goods". BGN 2 105 thousands of revenue from sales of railway construction materials and supplies, BGN 1 641 thousands of revenue from sales of road construction materials and supplies and BGN 1 179 thousands of revenue from other goods were realised within the year. A "per geographical segment" analysis conveys that 88,22% of the revenue from sales of goods have been realised by the entities, domiciled in Bulgaria, and the remaining 11,78% - by the entities, domiciled in the Republic of Serbia.

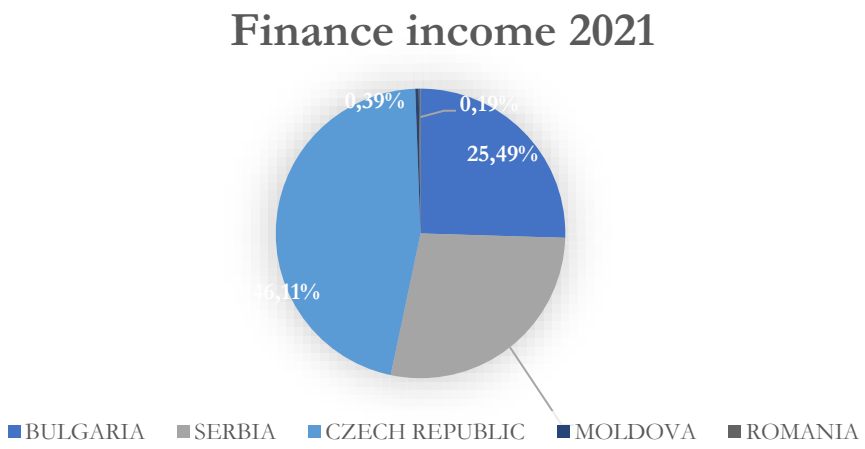
Revenue from sales of services amount to BGN 283 thousand and nearly retain their levels, compared to the same in the prior reporting period (2020: BGN 274 thousand). Such include revenue from sales of mechanical services, amounting to BGN 114 thousand, revenue from sales of transport services, amounting to BGN 46 thousand, revenue realised under project management activities, amounting to BGN 51 thousand, and others. 84,45% of the revenue from sales of services have been realised by the entities, domiciled in Bulgaria. In essence, these are services, associated with providing support to the subsidiaries and consortia partners in terms of overall preparation, organisation and management of the execution of contracts for building and construction works, analysis of the requisite available resource for their execution, organisation and management of the use of building and construction equipment and other activities.

Other income amount to BGN 11 551 thousand and record a significant increase, compared with those accrued in the comparative (prior reporting) period (2020: BGN 2 437 thousand). Reversed provisions of obligations under construction contracts in the amount of BGN 7 979 thousand, realised by the entities domiciled in the Republic of Serbia, are the most significant, in absolute terms, "other income". Operating leases revenue from leases of the Holding's own assets amount to BGN 628 thousand and record a 35,64% increase, compared with the same realised in 2020 (2020: BGN 463 thousand). Revenue from sales of materials and supplies, amounting to BGN 862 thousand, have been recognised within the reporting period. Such mainly refer to materials and supplies sold to subcontractors in order to ensure their activities and guarantee materials at the requisite quality. Gains on the disposal of non-current assets amount to BGN 876 thousand. Gains on the impairment of receivables, amounting to BGN 277 thousand, are also included in this subgroup. The entity realises grant income of BGN 493 thousand in total. BGN 410 thousands of those have been realised under an anti-crisis measure to support the preservation of employment in accordance with Decree № 482 of the Council of Ministers, dated 30.12.2021, amending Decree № 151/2020, and BGN 80 thousand have been realised under the State Aid Program for compensation of non-residential end users of electricity, approved by Decision № 739, dated 26.10.2021, of the Council of Ministers. A "geographical segmentation" analysis conveys that 59,07% of the "other revenue" have been realised within Bulgaria, 40,91% - in the Republic of Serbia and 0,02% - in Romania.

Finance income, realised within the reporting period, amount to BGN 514 thousand and record a 40,09% decrease, compared with the same realised in the comparative (prior reporting) period (2020: BGN 858 thousand). Such include BGN 174 thousands of interest income, of which BGN 143 thousand refer to trade receivables of the entities domiciled in Bulgaria. Foreign exchange gains amount to BGN 301 thousand for the reporting period and such record a significant increase compared with the same, realised in the prior reporting period (2020: BGN 67 thousand), as a result of the foreign exchange gains, recognised by the entities, domiciled in the Czech Republic (relative share of 78,48%). A "geographical segmentation" analysis conveys that 25,49% of the finance income are recognised by the entities, domiciled in Bulgaria, 27,82% by those domiciled in the Republic of Serbia, 46,11% - in the Czech Republic, 0,39% - in Moldova and 0,19% - in Romania.

Type of finance income	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020	% change
Interest income, including interest income, accrued under:	**174**	**33.85%**	**443**	**51.63%**	(60.72)%
• trade loans	26		9		188.89 %
• deposits			5		(100.00)%
• trade receivables	143		290		(50.69)%
• others	5		139		(96.40)%
Income from transactions in financial instruments	**37**	**7.20%**	**335**	**39.04%**	(88.96)%
Foreign exchange gains	**301**	**58.56%**	**67**	**7.81%**	349.25 %
Other finance income	**2**	**0.39%**	**13**	**1.52%**	(84.62)%
Total	**514**	**100.00%**	**858**	**100.00%**	**(40.09)%**

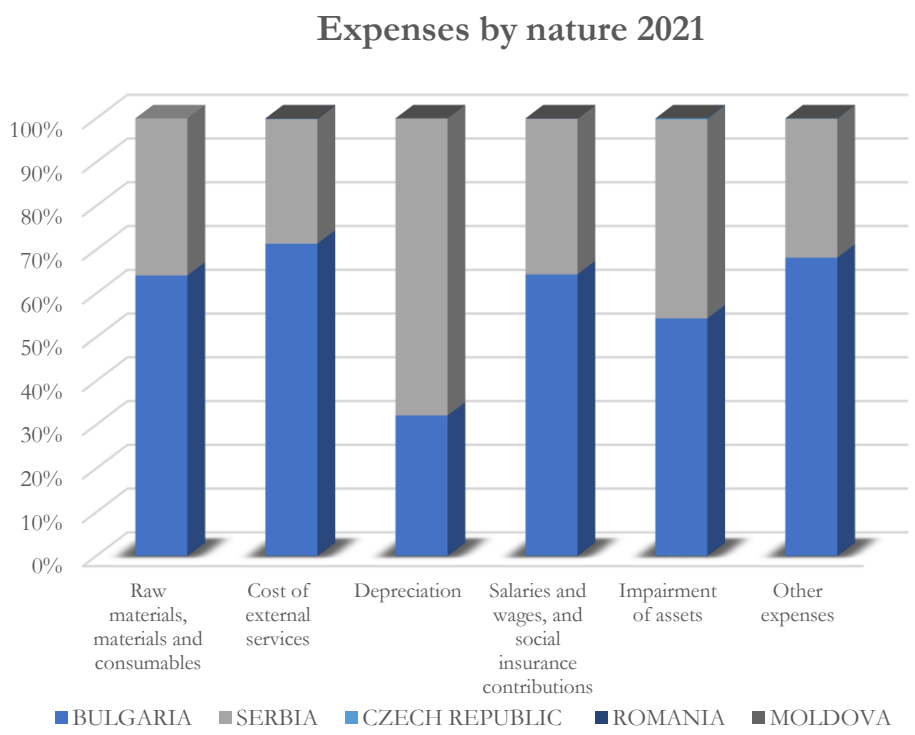
The chart here below presents geographically segmented finance income, accrued within the reporting period:



Structure of expenses by nature

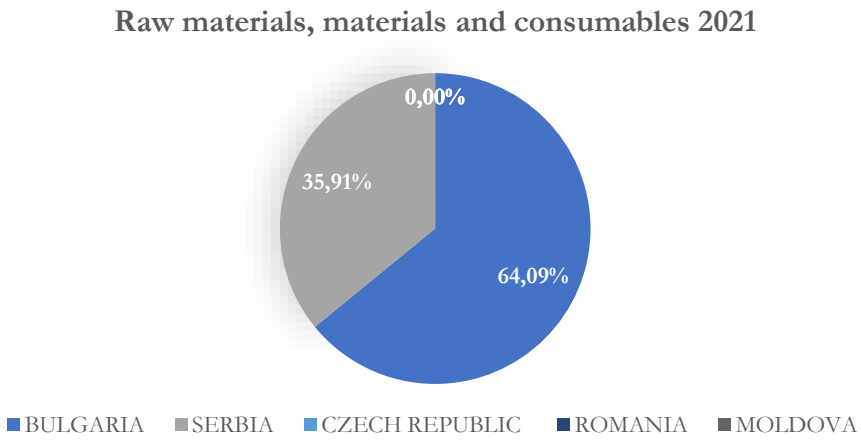
The consolidated expenses by nature amount to BGN 151 931 thousand in 2021 and record a 24.55% decrease, compared with the same in the comparative (prior reporting) period (2020: BGN 201 358 thousand).

Type of	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020	% change
Expenses by nature					
• Raw materials, materials used	34 520	22.72%	36 773	18.26%	(6.13)%
• Cost of external services	77 008	50.69%	116 004	57.61%	(33.62)%
• Depreciation	5 927	3.90%	6 017	2.99%	(1.50)%
• Salaries and wages, and social insurance contributions	28 918	19.03%	26 822	13.32%	7.81 %
• Impairment of assets	396	0.26%	456	0.23%	(13.16)%
• Other expenses	5 162	3.40%	15 286	7.59%	(66.23)%
Total	**151 931**	**100.00%**	**201 358**	**100.00%**	**(24.55)%**



Expenses, incurred for raw materials, materials and consumables, amounting to BGN 34 520 thousand and recording a decrease of 6,13%, compared with the same incurred in the prior reporting period (2020: BGN 36 773 thousand), and are included under "expenses by nature". Cost of direct materials (BGN 24 171 thousand) that decrease by 19,17% compared with the same in 2020 (2020: BGN 29 904 thousand) hold the most significant share (70,02%) of "expenses by nature". Expenses for fuels and lubricants, in the amount of BGN 7 629 thousand, have been incurred within the year and such record a 91,68% increase compared with 2020 (2020: BGN 3 980 thousand). 72.18% of the transport costs have been incurred within Bulgaria, and the remaining 27,82% - in the Republic of Serbia. The availability of own vehicles and machines implies the incurrence of maintenance costs, such as costs for spare parts and consumables (amounting to BGN 1 044 thousand), costs of tires (BGN 110 thousand). The expenses, incurred for electricity, amount to BGN 723 thousand. (25.52% increase; 2020: BGN 576 thousand). The expenses, incurred for natural gas amount to BGN 23 thousand, the expenses incurred for heating amount to BGN 24 thousand, those incurred for water – BGN 22 thousand. Purchases of direct materials and raw materials within the group are conducted through the Holding's subsidiary – Infra Commerce LTD. The centralised supplies of direct materials and raw materials ensure the high quality of the latter at optimal prices.

In general, the reduction of the costs of raw materials is related to the decreased volume of the building and construction works, and production, performed in Bulgaria and abroad. Nevertheless, their relative share in the total "expenses by nature" for 2021 amounts to 22,72%, compared with 6,13% in 2020. A "geographical segmentation" analysis conveys that 64.09% of those have been incurred within the Republic of Bulgaria, 35.91% - in the Republic of Serbia.

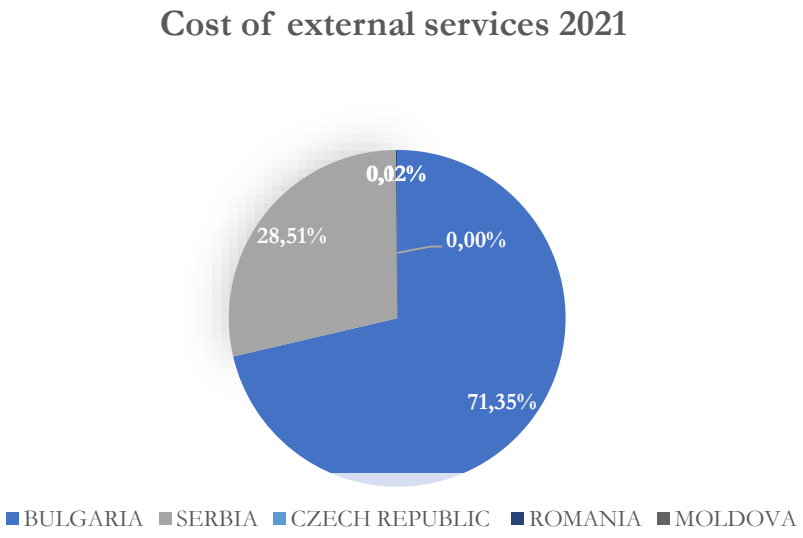


Cost of external services amount to BGN 77 008 thousand and decrease both in terms of their absolute value – by BGN 38 996 thousand (2020: BGN 116 004 thousand) –, as well as in terms of their relative share in the “expenses by nature” – 50,69% in the current reporting year, compared with 57,61% in (the prior reporting period) 2020.

Such include: costs, incurred with regards to subcontractors, hired transport, repairs, insurance, subscriptions, laboratory testing, design, advertising, consulting and other contracts, security, taxes and fees, and others.

Services rendered by subcontractors amount to BGN 57 819 thousand, or 75,08% of the total “cost of hired services”, and decrease by 39,57%, or BGN 37 864 thousand, compared with the same, incurred in the comparative (prior reporting) period (2020: BGN 95 683 thousand). Cost of hired transport services amount to BGN 2 735 thousand and record too a decrease of 25, 92%. This decrease arises both from the use of own transport equipment, as well as from the lower volume of building and construction works, performed within the current reporting period. Rentals amount to BGN 3 170 thousand and increase by 14,07% (2020: BGN 2 779 thousand). Security costs, incurred withing the Group, relate to securing the immobile property and the materials, used in building and construction works. Such amount of BGN 1 608 thousand and 64,06% of those have been incurred by the entities, domiciled in Bulgaria. Insurance costs, incurred within the year, amount to BGN 1 247 thousand, and record an increase of BGN 6 thousand. Such are related with insurance of the available technical equipment and mechanisation, as well as the implementation of contracts for building and construction works. Consulting and other contracts for hired services amount to BGN 1 276 thousand in the current reporting year (2020: BGN 1 784 thousand). Design costs, incurred within the Group, amount to BGN 2 091 thousand and increase by BGN 1 065 thousand (2020: BGN 1 026 thousand). 76,32% of those have been incurred by the entities, domiciled in the Republic of Serbia. Hired services, and their modification compared with the same in the prior reporting period, are disclosed in detail in the notes to the consolidated financial statements.

A “geographical segmentation” analysis of external services conveys that 71,35% of the external service cost have been incurred within Bulgaria, 28,51 % have been incurred within the Republic of Serbia and 0,02% in the Czech Republic and 0,12% in the Republic of Romania.

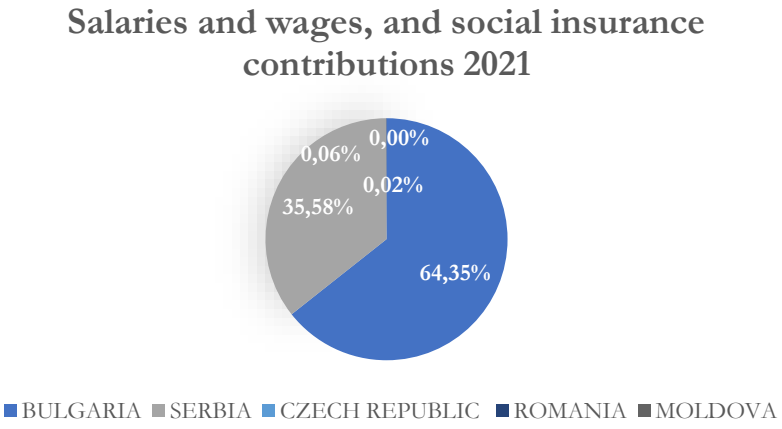


Depreciation costs amount to BGN 5 927 thousand and record a 1,50% decrease, compared with the same incurred in the prior reporting year (2020: BGN 6 017 thousand). BGN 975 thousand of the incurred depreciation costs refer to depreciation of "right-of-use assets" in accordance with IFRS 16 Leases and record a 9,8% increase compared with the same incurred in the comparative (prior reporting) period (2020: BGN 888 thousand). Depreciation of the holding's own assets amount to BGN 4 952 thousand and decrease by 3,45% (2020: BGN 5 129 thousand).

Investments in non-current tangible assets amount to BGN 9 501 thousand for the current reporting period. The most significant of those investments include a Landed property, located in "Druzhba" Residential District in Sofia, amounting to BGN 4 806 thousand, formwork systems amounting to BGN 647 thousand, renewed car fleet and others. The construction of an administrative building – "Atana" city complex, in Sofia, with a built-up area of 1 372 square meters and a total super built-up area of 32 187,23 – , financed by the entity's own funds, continues.

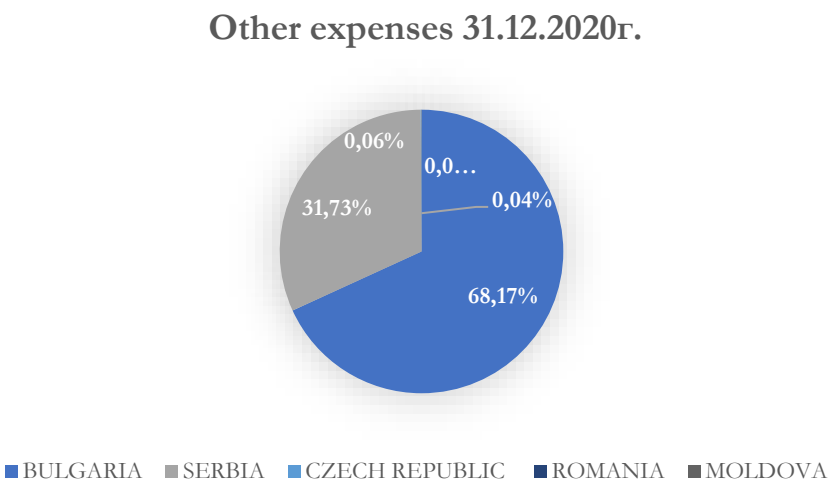
Assets, owned by the parent, which ensure the activities of the entities within the Group, hold the most significant share of those. The Holding pursues a centralised investment policy by concentrating the main corporate assets in the Group, which are leased to subsidiaries on the principle of necessity and work load. Effective asset management and optimal work load of assets are among the Management's main tasks.

Employee benefits amount to BGN 28 918 thousand and record a 7,81% increase, compared with the same incurred in the comparative (prior reporting) period (2020: BGN 26 822 thousand). When geographically distributed, 64,35% of those expenses have been incurred in Bulgaria, 35,58% in the Republic of Serbia and 0,06% in the Republic of Romania.



Losses on the impairment of asset amount to BGN 396 thousand and decrease by 13,16% compared with the same, incurred in the comparative (prior reporting) period (2020: BGN 456 thousand). Such include losses on the impairment of cash (BGN 12 thousand), losses on the impairment of receivables (BGN 357 thousand) and losses on the impairment of financial assets (BGN 27 thousand). A "geographical segmentation" analysis conveys that 54,29% of those have been incurred by the entities, domiciled in the Republic of Bulgaria, 45,45% - by the entities, domiciled in the Republic of Serbia, and 0,25% - in the Czech Republic.

Other costs amount to BGN 5 162 thousand and decrease by BGN 10 124 thousand, compared with the same incurred in the prior reporting period (2020: BGN 15 286 thousand). This decrease arises from the less recognised provisions under construction contracts (2021: BGN 788 thousand ; 2020: BGN 11 954 thousand). "Other costs" include and the cost of business trips, amounting to BGN 269 thousand, which decrease by 8,81% compared with the prior reporting period, receivables written off, amounting to BGN 1 205 thousand (2020: BGN 651 thousand), deficits and retirements (amounting to BGN 201 thousand). Within the year, donations (BGN 624 thousand) have been made mainly via the "Trace for People" Foundation. When geographically segmented, 68,17% of "other costs" have been incurred within Bulgaria, 31,73% within the Republic of Serbia, 0,06% within the Czech Republic and 0,04% within the Republic of Moldova.



Finance costs structure

Finance costs amount to BGN 1 779 thousand and record a 38,66% increase, compared with the same in the comparative (prior reporting) period (2020: BGN 1 283 thousand). Bank guarantee costs (BGN 603 thousand), which increase by 19,17 compared with the same incurred in the prior reporting period (2020: BGN 506 thousand), form the most significant share of "finance costs". Interest expense amount to BGN 340

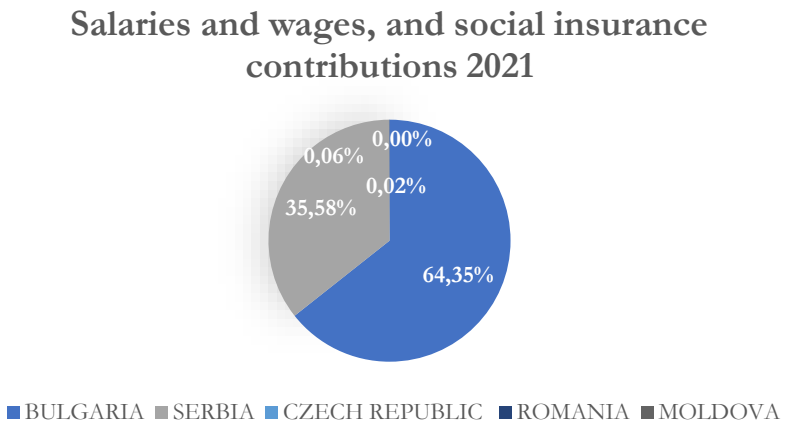
thousand and nearly retain the values (2020: BGN 334 thousand). Their change arises mainly from the retained levels of interest on loans from financial institutions. Lease interest amount to BGN 77 thousand and record a 27,83% decrease, mainly as a result of some terminated (concluded) lease agreements. Foreign exchange losses amount to BGN 415 thousand and significantly increase compared with the same in the prior reporting year (2020: BGN 174 thousand).

Other finance costs, amounting to BGN 403 thousand and recording a significant increase too (2020: BGN 263 thousand), are also included under "finance costs". By their nature, such refer to bank charges and finance costs related with effective bank credit agreements. 81,37% of those have been incurred within Bulgaria.

Type of finance costs	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020	% change
Interest expense, including interest expense incurred under:	**340**	19.11%	**334**	**26.03%**	1.80 %
• trade loans	2	0.11%	-	0.00%	
• loans from financial institutions	83	4.67%	115	8.96%	(27.83)%
• leases	77	4.33%	101	7.87%	(23.76)%
• trade payables	24	1.35%	44	3.43%	(45.45)%
• others	154	8.66%	74	5.77%	108.11 %
Bank guarantee costs	**603**	33.90%	**506**	**39.44%**	19.17 %
Losses on transactions in financial instruments	**18**	1.01%	**6**	**0.47%**	200.00 %
Foreign exchange losses	**415**	23.33%	**174**	**13.56%**	138.51 %
Other finance costs	**403**	22.65%	**263**	**20.50%**	53.23 %
Total	**1 779**	**119.11%**	**1 283**	**126.03%**	**38.66 %**

The entities within the Group service several credits to different financial institutions – UniCredit Bulbank AD, DSK EAD / Express bank AD, UBB AD, Eurobank Bulgaria AD.

When geographically segmented, 34,68 % of the finance costs have been incurred in the Republic of Bulgaria, 64,81% in the Republic of Serbia, 0,28% in the Czech Republic, 0,06% in the Republic of Moldova, 0,17% in the Republic of Romania.

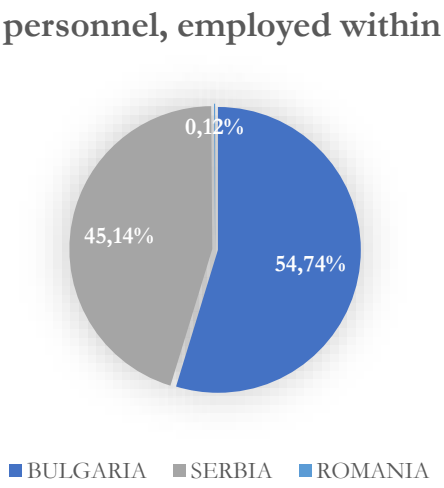


Personnel

The number of personnel, employed within the Group, amounts to 816 persons at 31.12.2021. 445 of those are employed within Bulgaria, 370 within Serbia, 1 in Romania. The average number of personnel amounts to 859 persons for 2021.

The distribution, per categories, is as follows:

Personnel at 31.12.2021				
	TOTAL	**BULGARIA**	**SERBIA**	**ROMANIA**
Average number of personnel, employed within the period	**859**	**451**	**408**	
Workers and employees at 31.12.2021	**816**	**445**	**370**	**1**
Managers	75	72	3	
Analytical experts	102	71	31	
Applied experts	146	43	103	
Support staff	20	19	0	1
High-skilled workers	85	45	40	
Personnel, engaged in the rendering of services	13	13	0	
Equipment, Machine operators	236	123	113	
Low-skilled workers	139	59	80	



Financial result

To summarise the figures and information, presented in the consolidated financial statements for 2021, "Trace Group Hold" PLC and its subsidiaries have realised total income of BGN 163 715 thousand and have incurred total expense of BGN 154 675 thousand within the year. The financial results before tax conveys a profit of BGN 9 040 thousand. Tax expenses amount to BGN 2 654 thousand, BGN 1 578 thousands of which refer to current corporate income tax. The net profit of the Group after taxation amounts to BGN 6 380 thousand.

III. Analysis of financial and non-financial indicators

1. Financial indicators and ratios

The financial position of the Group for the financial reporting 2021 is reflected in the following economic indicators:

№	Indicators	2021	2020	Difference	
		Value	Value	Amount	%
1	Non-current assets (total)	93 468	89 424	4 044	5%
2	Current assets, including	148 737	164 821	(16 084)	-10%
4	Inventories	17 067	10 022	7 045	70%
5	Current receivables	62 398	113 630	(51 232)	-45%
6	Current financial assets	686	702	(16)	-2%
7	Cash and cash equivalents	68 586	40 467	28 119	69%
8	Total assets	242 205	254 245	(12 040)	-5%
9	Equity	133 246	132 144	1 102	1%
10	Financial result	6 380	12 284	(5 904)	-48%
11	Non-current liabilities	13 262	21 340	(8 078)	-38%
12	Current liabilities	95 808	100 861	(5 053)	-5%
13	Total liabilities	109 070	122 201	(13 131)	-11%
14	Total income	163 715	224 930	(61 215)	-27%
15	Sales income	151 650	221 635	(69 985)	-32%
16	Total expenses	154 675	209 273	(54 598)	-26%

№	Rations	2021	2020	Difference	
		Value	Value	Amount	%
	Profitability:				
1	Return on equity	0.05	0.09	(0.05)	-48%
2	Return on assets	0.03	0.05	(0.02)	-45%
3	Return on liabilities	0.06	0.10	(0.04)	-42%
4	Net profit margin	0.04	0.06	(0.01)	-24%
	Efficiency:				
5	Of costs	1.06	1.07	(0.02)	-2%
6	Of income	0.94	0.93	0.01	2%
	Liquidity:				
7	Current ratio	1.55	1.63	(0.08)	-5%
8	Quick ratio	1.37	1.53	(0.16)	-10%
9	Acid test	0.72	0.41	0.31	77%
10	Absolute liquidity	0.72	0.40	0.31	78%
	Financial leverage:				
11	Financial leverage	1.22	1.08	0.14	13%
12	Gearing	0.82	0.92	(0.11)	-11%

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. Their computed values are directly related (depended) to the profit, realised by the entity. The net profit for 2021 decreases by 47,89%, compared with the profit realised in 2020 (2021: BGN 6 380 thousand; 2020: BGN 12 284 thousand). Consequently, the profitability ratios decrease too. Return on equity is computed at 0,05; return on assets at 0,03; return on liabilities at 0,06. Net profit margin profitability

coefficient is the ration of the achieved financial result to the sales income and is computed at 0,04 for the current reporting period, compared with the computed 0,06 in the prior reporting period.

Efficiency ratios are quantitative characteristics of the interrelation of the entity's revenues and expenditure. The coefficient is mainly influenced by any changes in the income and expense structure, which also change compared with the same, recognised in 2020. Based on the current year's data and information, the efficiency of cost coefficient levels to 1,06, compared to 1,07 in the prior reporting year, and the efficiency of revenue coefficient records a 2% decrease and is levelled at 0,94. Due to the fact that income and expense decrease in almost the same pace, efficiency ratios do not record significant changes in their values. The results from the computations of cost efficiency ratios allow to determine how much revenue the entity shall obtain from the use of one cost unit for that (same) activity.

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 is levelled to 1,55 and records a decrease of 5 points, compared with the same in the prior reporting period (2020: 1,63). Current ratio is computed as the ratio of current assets to current liabilities and 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 to both level at 0,72. Such record a 77% and 88% increase, respectively, compared with the same in the comparative period.

Financial leverage coefficient is the ratio of equity to total liabilities. The coefficient is measured at 1,22 and has increased by 13% in 2021 (2020: 1,08). This is due to the fact that the total liabilities decrease by 11%, while equity increases by just 1% in 2021, compared to the same in 2020.

Debt ratios show the amount of liabilities, recorded against BGN 1 of equity. The ratio is calculated to level to 0,82 in 2021, recording a decrease of 0.11 points, or 11%, compare to the same in the prior reporting period (2020: 0,92).

2. Dividends

With the purpose 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 targets to maintain optimal dividend policy. Senior Management strives to take balanced decisions regarding dividends, taking into account 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. Dividends for 2020 amounting to BGN 4 838 744,20 (four million eight hundred thirty eight thousand seven hundred forty four Bulgarian leva and twenty stotinki /cents/), or BGN 0,20 per share gross amount, were distributed in 2021, pursuant to a decision of the General Meeting of Shareholders.

~~3.~~ Corporate Social Responsibility

Environmental protection

The entities within the Group of "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 and engage 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 all principal activities within the entity's portfolio. "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 digitalisation and process management;

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 projects and 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 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, attracting 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 Bulgarian history, culture and spirit. It also participates in educational and sports initiatives and causes.

In 2021, "Trace" contributed in upgrading the social and cultural space with the following causes:

Construction of a monument to the brothers, educators and first teachers Sv. Sv. Kiril and Metodiy (transl. St. St. Cyril and Methodius), in Tsaribrod, Serbia

The monument, in the yard of the "Sv. Sv. Kiril and Metodiy" (transl. St. St. Cyril and Methodius)" high school, was officially unveiled by the Presidents of the Republic of Bulgaria and the Republic of Serbia on 23.05.2021 and it serves as a message to both nations to see and seek what brings us closer and unites us.

Publication of the "KMETAT NA SOFIA Eng. Ivan Ivanov" (transl. "THE MAYOR OF SOFIA Eng. Ivan Ivanov") book – a documentary novel about the life of Eng. Ivanov, who served as Mayor of Sofia in the period 1934 – 1944.

The book is dedicated to occasion of the 130th anniversary of the birth of Eng. Ivan Ivanov and is a documentary portrait of Eng. Ivanov. It presents new and unknown facts from his biography and is a comprehensive study of his life and work.

Planting of 50 oak trees in the "Hipodrouma" (transl. "Hippodrome") Park in Sofia.

The team of "Trace Group Hold" PLC celebrated the "Builder's Day" (October 26th), with an initiative of planting oaks. 50 oak saplings, each 3.5 m high, were planted in the "Hipodrouma" (transl. "Hippodrome") Park, following the instructions of the gardeners. Preserving the genetic diversity of summer oak is a priority for Europe.

Supporting stage art – In 2021, the foundation supported the Sofia State Opera and Ballet and in particular the summer festival "Mouzi na Vodata" (transl. "Muses on the Water").

Supporting sports – For the last five years, the "Trace for People" Foundation traditionally supports the "Beroe" basketball and wrestling clubs, the children and youth academy of FC "Vereya".

Supporting young talents – The poetic bilingual book "Similarities", with author the high-school senior Nia – Katya Barzakova, was published this year.

Trace supported and the "Dostoynite Bulgari" (transl. "Worthy Bulgarians") and "Otlichnitsite na Bulgaria" (transl. "The excellent ones of Bulgaria") initiatives.

4. Non-financial information

Some entities are obliged to publish non-financial information separately, or as part of their 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, 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). 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 on a consolidated basis, "Trace Group Hold" PLC has an obligation to present non-financial information.

Non-financial information is presented in the form of a Statement, as a separate document to the Management Report – Appendix №1.

5. Statement on the impact of COVID-19

This statement is on the recommendation of ESMA, dated 11.03.2020, to financial market participants with regards to the COVID-19 impact. The entity has been consistently implementing, for a second consecutive year, measures to ensure the health and efficiency of employees and the continuity of business processes and activities in compliance with the regulatory requirements. In the period as of 13.03.2020 and until the end of the financial reporting 2021, the entity continues its activities with minimal deviations from the established operational regime, in compliance with the precautionary measures to limit spread of the COVID-19 infection, as well as all other related restrictions imposed in Bulgaria and in Europe. At its meeting in December 2021, the Governing Council of ECB assessed the risks to the economic outlook as broadly balanced. Economic activity may exceed the expectations of ECB, if consumers are more confident and save less than expected. Despite the elimination of the anti-epidemic measures, the consequences of the pandemic and its greater peaks in 2021 could limit growth. Furthermore, future levels of energy prices and the pace at which supply difficulties are being overcome pose risks to the recovery and inflation forecasts. The latter is especially true in the context of the military conflict between Russia and Ukraine (refer to **Error! Reference source not found.**).

"Trace Group Hold" PLC benefits from the anti-crisis measure under the State's program to support the preservation of employment, provided in accordance with Decree № 482 of the Council of Ministers, dated 30.12.2021, amending Decree № 151/2020 and successfully applied under the "60:40" measure of the Employment Agency.

The Group continues to execute it business activities without encountering significant difficulties. Currently, there are no terminated significant contracts, concluded with suppliers and customers of the Entity, and there are no significantly delayed revenues and payments as a result of the introduced emergency epidemiological situation in Bulgaria.

IV. Main risks

In the course of its ordinary activities, the Group 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 raw material prices, relations with suppliers, any legislative changes, any exchange rates changes and others. In 2021, the entity suffered negative consequences from the increasing prices of electricity and raw materials, evident both domestically and in external market.

Inflation risk

Inflation risk refers to the risk of a general rise in prices, thus decreasing the value of money, with households and companies suffering potential losses. The macroeconomic forecasts of the ECB experts, dated December 2021, provide for an annual inflation of 2.6% in 2021, 3.2% in 2022, 1.8% in 2023 and 1.8% in 2024 – forecasts that are significantly higher than the ones quoted in September. Inflation (excluding for energy and food) is expected to average 1.4% in 2021, 1.9% in 2022, 1.7% in 2023 and 1.8% in 2024, and is too higher than previously predicted.

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 November 2021, early elections for an Ordinary National Assembly were held in Bulgaria for a second time within one year. As a result, the political party ruling the country in the last 12 years lost the elections and a new government was formed. The international political risks for Bulgaria relate to undertaken commitments 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 troops to Ukraine, with the US and the 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 terms, 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 entities within the Group are 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 entities 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 (and its subsidiaries') 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, and such is gathered and used when the costs to do so are not excessive. The Entity's policy is to only engage in transactions with counterparties, who have a good credit rating.

The Group's cash and cash at banks (current accounts) are concentrated in the following banks: "UniCredit Bulbank" AD, "UniCredit Bank Serbia", "DSK Bank" AD, "UBB" AD, "Eurobank Bulgaria" AD. The Management believes that the Group 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 Group 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 the Holding's 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. At its monetary policy meeting in October 2021, the Governing Council of ECB confirmed the levels of key ECB interest rates and its future intentions regarding interest rates in the context of the future dynamics of key interest rates.

Interest risk is the risk that the fair value or the future cash flows of the financial assets and liabilities, held by the Group, 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 in the Group's assets and liabilities' structure.

Currency risk

The Holding is exposed to currency risk in so far as all branches, and some of the Holding's subsidiaries, operate in countries, the national currencies of which are not pegged to the Bulgarian Lev (BGN). Nevertheless, the majority of the Holding's transactions and operations are primarily conducted in Bulgarian Leva and / or Euro.

V. Significant events after the end of the reporting period

A military conflict arose between the Russian Federation and the Republic of Ukraine in the period as of the date of the financial statements and the date of their approval for issue. In response, various economic sanctions have been imposed on the Russian Federation and on related with it individuals and legal entities worldwide. According to the initial estimates of the Management, these events will not have currently a significant impact on the entities within the Group, in so far as they are not related and do not engage with persons and entities, subject to the aforementioned sanctions. Nonetheless, due to the unpredictable dynamics of the circumstances and the potential pervasiveness of the conflict, it is currently practically impossible to make a reliable assessment and measure the potential long-term effect of the conflict.

The Managing Board of "Trace Group Hold" PLC announced the commencement of the next procedure to repurchase own shares of the entity's capital (treasury shares) on 04.01.2022, on the grounds of Art. 187(b) 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. The procedure shall be executed under the terms and conditions, determined by the GMS and the below parameters:

- 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 the deadline for payment of the treasury shares – 26.06.2024, as of 06.01.2022.

The commercial entity "Asphalt Commerce" EOOD (LTD) was registered on 02.02.2022. The principal activity of the entity includes production of goods and services in Bulgaria and abroad, trade and foreign trade activity in Bulgaria and abroad, trade representation and intermediation, information, consulting

and commissioner activity in Bulgaria and abroad, rendering of services, production, domestic and foreign trade, transport transactions, trade intermediation and trade representation, application in public tender and applications under EU programs, import and export. The entity shall unite and manage the asphalt bases within the structure of "Trace". Dimitar Raichev Sartonev is appointed as Manager of "Asphalt Commerce" EOOD (LTD). The entity's capital is BGN 1 000 (one thousand), distributed in 10 equal shares at nominal value of BGN 100 each. All shares are held by "TRACE GROUP HOLD" PLC.

On 09.02.2022, "Trace Group Hold" PLC, as a leading partner in the "Dragalevtsi 2021" Alliance, signed a contract for the implementation of Engineering – design and construction works, namely: Construction of a sewerage network in the "Dragalevtsi" District, "Vitosha" Region. The value (for the implementation of the activities) of the contract amounts to BGN 34 590 700,00, exclusive of VAT. The project implementation's deadline is 198 calendar days. Sofia Municipality is the Assignor of this project. The project is funded by the Operational Program "Environment 2014-2020", co-financed by the European Union through the European Structural and Investment Funds. "Dragalevtsi 2021" Alliance, with partners "Trace Group Hold" PLC, "Bulstroy – Montazhi" EOOD (LTD), is appointed as Executor of the project.

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 entities within Group 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, 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 as an operational activity. The modern and 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 of Serbia. The entity entered the railway construction sector in the country in 2020 and it is currently rehabilitating a large section of the "Nis – Brestovac" railway line. 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.

The initiatives to penetrate the market in the neighbouring Romania are successfully developing too. The entity has already signed construction contracts with the municipalities of Focsani and of Constanta. In order to ensure the successful implementation of the forthcoming projects, a branch of the entity was registered in Bucharest in 2021. The Holding continues to research into opportunities to participate in upcoming 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 entities within the Group do 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. 187(b) 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 commencement of the next procedure, which shall be executed under the same conditions and with new term parameters:

- 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 the deadline for payment of the treasury shares – 26.06.2024, as of 06.01.2022.

The procedure to repurchase treasury shares 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 31.12.2021.

2. Information on the members of the managing bodies

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

The Supervisory Board is consisting 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 is consisting 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 requisite 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 shares of the entity 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 participating 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 capital	Deputy Chairman of the SB
"Galini" LTD	Sole owner and Manager	
"Galini – N" LTD	Sole owner and Manager	
"Injproekt" LTD	Indirectly holds over 25% of the capital	
Trace Group Hold PLC – Prague branch	Indirectly holds over 25% of the capital	Manager
Trace Group Hold PLC – Kiev branch	Indirectly holds over 25% of the capital	Manager
Trace Group Hold PLC – Skopje branch	Indirectly holds over 25% of the capital	
Trace Group Hold PLC – Belgrade branch	Indirectly holds over 25% of the capital	
Trace Group Hold PLC – Bucharest branch	Indirectly holds over 25% of the capital	
"New Alliance" LTD	Holds directly over 25% of the entity's capital	
"Infra Commerce" LTD	Indirectly holds over 25% of the capital	
"Trace Properties" LTD	Indirectly holds over 25% of the capital	

"USM" JSC	Indirectly holds over 25% of the capital
"Trace Mechanization" JSC	Indirectly holds over 25% of the capital
"Trace Yambol" JSC	Indirectly holds over 25% of the capital
"Asphalt Commerce" LTD	Indirectly holds over 25% of the capital
"Trace Serbia" JSC	Indirectly holds over 25% of the capital
"Aria Residence" LTD	Indirectly holds over 25% of the capital
"Trace Build" LTD	Indirectly holds over 25% of the capital

Managing Board

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

IX. Corporate Governance Statement pursuant to Art. 100 (n), paragraph 8, in conjunction with paragraph 7, item 1 of the Public Offering of Securities Act (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 (FSC)

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, 2. 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, individually, 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, 2. Operating results.

Sofia Municipality, "Metropolitan" EAD, Stara Zagora Municipality, Nationalna Kompania Zhelezopatna Infrastruktura (transl. National Railway Infrastructure Company), "Koridori Srbije" d.o.o., J.P. "Putevi Srbije" Beograd are leading clients of the entity.

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

"Transport story" AD (JSC), "Peri Bulgaria" EOOD (LTD), "Hidrobeton" OOD (LTD), Voestalpine Railway Systems Bulgaria OOD (LTD), Next Level Commercial OOD (LTD), Lotus Oil EOOD (LTD),HTI Bulgaria EOOD (LTD), Stomana Industry AD (JSC), Saleks Bull OOD (LTD), Industry Popov EOOD (LTD), ET Anton Gavrilov Popov, OMV Serbia D.O.O. Belgrade, DRUMOVI A&D DOO Pirot, Unipromet DOO, T-NAFTA TRGOVINA Belgrade are the main suppliers of materials in 2021.

3. Information on significant agreements concluded.

The following construction contracts that are significant to the activities of "Trace Group Hold" PLC, were concluded in 2021:

- "SC SC HIDRO SALT-B-92 SRL-TRACE GROUP HOLD PLC" Alliance signed a contract for the implementation of a project: "Construction works within the Project for improving mobility in the Municipality of Constanta, between the railway station and the "Mamaia" Resort. The Municipality of Constanta Romania is the contracting authority under this project. The value of the contract amounts to RON 62 400 067.07. The implementation period is 18 months. The project includes road works, including marking, landscape architecture and landscaping, installation of street benches and lighting. SC HIDRO SALT-B-92 SRL, Romania and "Trace Group Hold" PLC participate in the Alliance.

- Contracts for the implementation of two LOTs of the project: "Repair of streets and roads, Lovech Municipality" – Lot 1: "Construction, overhaul, reconstruction, rehabilitation of road and street network, road facilities and elements of technical infrastructure for the needs of the Lovech Municipality " and Lot 2: "Current repairs of the road and street network for the needs of the Lovech Municipality ". The value of the contracts amounts to BGN 10 million and BGN 4 million, respectively. The implementation term of both LOTs is 31.12.2024. The Municipality of Lovech is the contracting authority under the two projects.

- Contract for implementation of public tender: "New construction, overhaul, rehabilitation, reconstruction, current repair of the street network, municipal roads, state roads, current repairs and new construction of pavements and other ancillary activities within the Municipality of Stara Zagora". The value of the contracted activities amounts to BGN 20 833 333, exclusive of VAT. The term of the contract is four years, starting from 27.05.2021 or until its value is exhausted. The Municipality of Stara Zagora is the contracting authority under this public tender contract.

- Contract for Design and construction of the Sofia Metro Extension Project, Line 3, Stage III – Section under "Vladimir Vazov" Blvd., from km 4+340,00 to km 1+280,00 with three metro stations under LOTs, LOT 2 – Design and construction of a metro section, from km 3+645,00 to km 2+581,20, with one underground metro station (MS3) and an interstation ventilation system (VS) in the amount of BGN 75 081 394,50, exclusive of VAT and 39 months implementation term.

- Contract for the implementation of the project: "Heavy maintenance (repairs) of IB 39 State road, section Babusnica – Svodje, from km 25+841 to km 45+385, at a length of 19, 534 km" in the Republic of Serbia. The value of the contract activities amounts to RSD 788 164 860,62. The contract's implementation term is 15 months.

- Contract for the implementation of the project: "Reconstruction of the necks and track development of Svoge station, construction of a new route-computer centralisation and reconstruction of the catenary". The value of the contract activities amounts to BGN 19 962 467,54, exclusive of VAT. The deadline for implementation is as follows: 60 days for the preparation of a draft project and 160 days for the implementation of construction and installation works.

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 that 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 Consolidated Financial Statements for 2021, 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 expansion of COVID-19 have been unexpected, complex and with unknown consequences. The economy entered a crisis, cash flows were destabilised. The crisis further deepened in 2021. 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 large projects was delayed and the deadlines for conducting tender procedures was postponed pursuant to the COVID-19 outbreak. Contracts under tenders, awarded in 2020, were concluded at the end of 2021, or even in the beginning of 2022 in some cases.

Funds, allocated to infrastructure, have declined in the last two years since the emergence of COVID-19 as much of the unutilised funds under the European Structural and Investment Funds have been diverted to measures targeting to tackle the virus.

The political situation in Bulgaria also influenced adversely any opportunities for the achievement of the entity's strategy and goals. Second early elections for Ordinary National Assembly were held in Bulgaria in

November 2021. As a result, political party ruling the country in the last 12 years lost the elections and a new government was formed, yet at the very end of the year. This led to delays in the approval of new operational programs, as well as absence 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, resulting to financial losses and accelerated inflation. Bitumen, fuel and steel are among the core materials and raw materials in the activities of "Trace Group Hold" PLC. At the end of 2021, the prices of those materials recorded an increase, compared with the same at beginning of the year. This is illustrated in the tables below:

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

Material / Raw material	Price	Jan 21	Dec 21	% Increase compared with 01.2021	Feb 22	% Increase compared with 01.2021
Bitumen 50/70	BGN/t.	703,64	833,61	18,47	1005,69	42,93
Bitumen – cationic emulsion	BGN/t.	790	950	20,25	1000	26,58
Diesel	BGN/l.	1,38	1,87	35,51	2,03	47,10
Rebar	BGN/t.	1340	1680	25,37	1750	30,60

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

Material / Raw material	Price	Jan 21	Dec 21	% Increase compared with 01.2021	Feb 22	% Increase compared with 01.2021
Bitumen	BGN/kg	780,80	1 075,22	37,71	-	37,71
Diesel	BGN/l.	1,74	2,11	20,86	2,35	34,54
Fuel oil	BGN/t.	1 019,00	1 286,64	26,27	-	26,27

In the case of bitumen, which is a core raw material in road construction, we report a price increase of nearly 19% at the end of 2021 in Bulgaria, compared with price of the latter in January of the same year. In the first two months of 2022, the price rose dramatically by another 22%, or a total of 43% compared with the prices quoted in January 2021. The price increase of diesel was even greater – an increase of 47% at the end of February 2022, compared with the same in January 2021. In that same period, the price of rebar increased by 30%.

The situation is similar in Serbia. The price of bitumen rose by 37.7% at the end of December 2021, compared with the same in January 2021; that of fuel oil – by 26.26%; of diesel – by 20.86%, and at the end of February the increase reached 34,53%.

The entity records a significant increase in the cost of materials in 2021 as a result of the recorded increases in the prices of fuels and core materials.

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 2021.

7. Information on the participation 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 within 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	31.12.2021
	Amount
Trace BG JSC, Bulgaria	100.00%
Trace Properties LTD, Bulgaria	100.00%
Trace Serbia JSC, Serbia	100.00%
Infra Commerce LTD, Bulgaria	100.00%
Trace Yambol JSC, Bulgaria	99.48%
USM JSC, Bulgaria	99.69%
Trace Mechanization JSC	100.00%
Aria Residence LTD, Bulgaria	60.00%

The following changes in the shareholding interests of "Trace Group Hold" PLC occurred in 2021:

USM JSC, a subsidiary of "Trace Group Hold" PLC, was transformed through a spin-off and a new entity was established. The capital of "USM" JSC has been reduced to BGN 918 925. The newly established entity "TRACE MECHANIZATION" EAD (JSC) has a UIC 206418268. The entity's headquarters and registered office are the № 190 "Patriarch Evtimiy" Blvd., Stara Zagora Municipality, Stara Zagora District, Bulgaria. "Trace Mechanization" LTD (EOOD) has principal activity the lease of mechanisation, rendering of mechanical services. "Trace Group Hold" PLC is the sole owner of the capital.

The deletion of "Trace Company" OOD (LTD), a subsidiary of "Trace Group Hold" PLC, was entered in the Public Register of the Republic of Moldova under № 1020600013973 on 16.12.2021.

The deletion of "GT Trans BG" OOD (LTD), an associate of "Trace Group Hold" PLC, was entered in the Commercial Register at the Registry Agency under № 20211222152335 on 22.12.2021.

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 specific terms and conditions of the agreements, including and the maturity of each agreement (deadline for repayment), 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	Unpaid principal / Utilised limit at 31.12.2021 (BGN '000)	Repayment / utilization term	Interest %	Security
UniCredit Bulbank AD	Bank guarantees	65 000	35 483	02.11.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables,

						accounts pledges, cash
UniCredit Bulbank AD	Revolving	13 000	0	02.05.2022	1m. ADI+ 2,95%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UniCredit Bulbank AD	Bank guarantees	13 000	0	02.11.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UniCredit Bulbank AD	Bank guarantees	4 890	0	29.02.2028	1,00%	Mortgages, accounts pledges
DSK Bank AD	Bank guarantees	5 868	2 463	28.02.2033	1,20%	Mortgage, fixed asset pledges, pledges of receivables, accounts pledges
DSK Bank AD	Investment	5 000	2 678	25.06.2025	1m.Euribor+ 2,869%	Mortgage, pledge of receivables, account pledge
DSK Bank AD (Expressbank AD)	Bank guarantees	2 454	2 454	31.10.2032	1,20%	Fixed asset pledges, pledges of receivables, accounts pledges
UBB AD	Bank guarantees	17 000	4 851	30.09.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UBB AD	Revolving	3 000	0	30.09.2022	1m.LIBOR+2.% BGN /1m. Euribor+2.5% EUR	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UBB AD	Bank guarantees	3 000	0	30.09.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UBB AD	Investment	900	256	20.10.2023	1m.LIBOR+3,15%	Mortgage, pledge of receivables, account pledge
UniCredit Bulbank Serbia AD	Bank guarantees advance payment	11 706	11 706	29.02.2024	1,00%	Bank guarantee, promissory note, receivables pledge

Loans obtained by "Trace Serbia" EAD (JSC)

	Type of loan (credit)	Amount (BGN '000)	Unpaid principal / Utilised limit at 31.12.2021 (BGN '000)	Repayment / utilization term	Interest %	Security
UniCredit Bulbank Serbia AD	Bank guarantees	9 779	0	29.10.2027	0,70%	Bank guarantees, montages, fixed asset pledges, promissory notes, receivables pledge
UniCredit Bulbank Serbia AD	Bank guarantees	11 735	4 866	26.04.2027	0,60%	Motages, fixed asset pledges, promissory notes, receivables pledge
UniCredit Bulbank Serbia AD	Bank guarantees	3 910	3 910	10.12.2022	0,60%	Cash, promissory notes, receivables pledge

Loans between related parties

Lender	**Borrower**	**Type of loan**	**Amount BGN '000**	**Date of the contract / Annex**	**Repayment term**	**Interest %**	**Outstanding principal at 31.12.2021 BGN '000**
"Trace Group Hold" PLC	Trace BG JSC UIC 175254451	Working capital	10 000,00	27.10.2015 31.05.2021- extension of the term	29.4.2022	4,00%	1000, 00
"Trace Group Hold" PLC	Infra Commerce EOOD (LTD) UIC 175029440	Commercial	1 800,00	19.10.2017 29.11.2021- extension of the term	30.11.2022	4,00%	572,00
"Trace Group Hold" PLC	ViK (transl. Water and Sewerage) Stara Zagora – a Company under the Law on Obligation and Contracts	Overdraft, guarantees and advance payment for project implementation	46	18.10.2020	30.6.2022	3,00%	15,40
"Trace Group Hold" PLC	Dragalevtsi 2021 – a Company under the Law on Obligations and Contracts UIC 177544581	Overdraft, guarantees and advance payment for project implementation	12	15.12.2021	1 month after the payment to the Assignor under the project	3,00%	12,00
"Trace Group Hold" PLC – Belgrade branch	"Trace Serbia" AD (JSC) UIC 100337472	Target	4 320,00	10.12.2019 / Annex, dated 03.01.2021 and 30.12.2021	31.12.2022	4%	4 320,00
"Trace Group Hold" PLC – Belgrade branch	Trace Build EOOD (LTD) Serbia	Working capital	68	15.03.2021 Annex, dated 01.04.2021	31.12.2022	3,90%	68,00

9. Information on the loans granted by "Trace Group Hold" PLC, or its subsidiaries, provision of guarantees or undertaken commitments, in 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 or its subsidiary relation with the creditor, the amount of 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 "target".

Loans granted by subsidiaries at 31.12.2021

Lender	Borrower	Type of loan	Amount BGN '000	Date of the contract / annex	Repayment term	Interest %	Outstanding principal at 31.12.2021 BGN thousand
"Infra Commerce" EOOD (LTD)	BFT Alliance	Working capital	80	21.1.2020	31.3.2020	6,30%	80
"Infra Commerce" EOOD (LTD)	Todorov AD UIC 130078447	Working capital	100,00	11.6.2015	Seized accounts of "Todorov" AD	20%	81,00 impairment
"Infra Commerce" EOOD (LTD)	FC Vereya NGO	Working capital	10,00	25.4.2017	30.06.2017 - payable	6,50%	7,00 impairment
Trace Serbia JSC (AD)	FC Dinamo Vranja	Working capital	25	8.9.2016	8.10.2016	11,00%	17
"Trace Group Hold" PLC	Smart Build Digital EOOD (LTD) UIC 201719627	Revolving	600	16.4.2020 29.10.2020	30.1.2022	4,50%	444
"Trace BG" JSC	BBAPB Alliance	Working capital	10	23.8.2018 30.07.2021- extended term	31.8.2022	2,00%	10
"Trace BG" JSC	ViK (transl. Water and Sewerage) Story Gurkovo 2018 – a Company under the Law on Obligation and Contracts	Working capital	30	№1/21.06.2021- extended gratis period	7 days after payment by the investor	4%	30

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

No new shares have been emitted in 2021.

11. Ratio analysis of the achieved financial results, 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 2021. 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 main goal of the transformations is 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 implementation of the subsidiaries' business programs;
- Problem identification and measures to eliminate such;
- Identifying the risks in the execution of the business program;
- Independent financial audit.
- Financial Audit through an 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 functioning of the financial reporting and disclosure systems; it identifies the entity's operational risks and assesses their efficient management.

Internal financial control is executed by the "Financial Council", which includes members of the SB and the MB, as well as key Managers of the different functional areas within the structure. The Council meets ones per week and considers major issues related to the entity's activity, its branches and subsidiaries. It approves monthly and annual Business Plans for the activity (construction, production units, mechanisation and all other areas) and considers their current implementation. The entity has established the practise to constantly control the projects' implementation in accordance with the pre-approved budget. At the same time, it conducts periodic analysis of the current financial results from the activities of the entities in the Group. Monthly control and analysis are conducted on the implementation of the approved business programs. The main task of the Council is to identify the risk for each unit, to analyse the deviations and to regulate the measures for their termination.

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 decisions faster and on time. The system covers all departments and units, as well as the processes that take place thereon and is implemented in all subsidiaries. The main advantages for the Management include the creation of options for real-time information analysis, the mobility, ability to currently control processes and the 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 Board and the Supervisory Board of "Trace Group Hold" PLC in 2021.

The Supervisory Board consists of Prof. Dr.sc.oec. Eng. Nikolay Mihaylov, Manol Denev and Mariela Rounteva.

The Managing Board consists of 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 Supervisory 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:

- **Amounts and non-monetary remunerations 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, compensations or other similar compensations.**

Type	Amounts accrued for:			
	Remuneration and social security contributions	Compensated absences (leave benefits)	Long-term remuneration	
Managing Board	1 097		189	
Supervisory Board	2 896		232	
Total:	**3 993**	-	**421**	-

Detailed information on the remuneration of the members of the Supervisory and Managing Boards is presented in the Report on the Implementation of the Remuneration Policy, which is part of the Annual financial statements of the entity /www.tracebg.com/For Shareholders/Financial information/.

18. Information on the shares of the issuer, held by the members of the Managing and Supervisory Bodies, and by Procurators, including the shares held by each of them separately 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.

The Management, based on the facts and circumstances, available at year-end and the estimations presented by lawyers and jurists, has recognised impairment of lawsuits and litigation receivables, in the amount of BGN 897 thousand, at year-end (31.12.2020: BGN 856 thousand).

Penalty interest income, claimed by the Group, has not been recognised in the consolidated financial statements at year-end as there is high uncertainty on the collectability of those amounts.

The Group (per entities) is a plaintiff and / or defendant under the following lawsuits at 31.12.2021, in respect of which there may be an inflow / outflow of resources:

"Trace Group Hold" PLC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 1 446 thousand as at 31.12.2021.
The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 672 thousand at 31.12.2021.
Civil case 32 / pg. 33 /2017, listed in the Prague City Court, Czech Republic – Prague Airport, Ruzyne (plaintiff) against "Trace Group Hold" PLC, in its capacity of a participant at the Prague Airport Consortium 2013 (defendant). The claim amounts to BGN 11 571 thousand. A counterclaim has been filed under the same case by TGH PLC with financial interest CZK 17 316.

"Trace BG" JSC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 5 076 thousand at 31.12.2021.
The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 996 thousand at 31.12.2021.

"USM" JSC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 84 thousand at 31.12.2021.

"Infra Commerce" LTD
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 4 380 thousand at 31.12.2021.

"Trace Yambol" JSC
The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 1 160 thousand at 31.12.2021.

"Trace Serbia"

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 5 thousand at 31.12.2021.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 69 thousand at 31.12.2021.

The Management has assessed, together with internal legal experts and external lawyers, that the probability and risks of a negative outcome is currently still below 50% for some of the lawsuits filed against the entity and therefore for most of those no provisions for lawsuit obligations have been recognised in the Statement of Financial Position as at 31.12.2021.

21. Information on the Investor Relations Expert, including the telephone number and mailing address.

Ivana Todorova Moutafova
Tel. 02 / 80 66 700; e-mail: ivana.mutafova@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 01 January 2021 – 31 December 2021:



The shares of "Trace Group Hold" PLC are traded on the Bulgarian Stock Exchange (BSE) – Sofia JSC, "Standard" section.

XI. INFORMATION UNDER ART. 10, PARAGRAPH 4 OF ORDINANCE №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 "X3" (www.x3news.com), on the entity's website (www.tracebg.com), under the "For shareholders" section, "Financial Statements" submenu, and under the "News" section.

Eng. Boyan Delchev
Executive Director

Digitally signed by Boyan Stoyanov Delchev
Date: 2022.05.02 18:54:13 +03'00'

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Consolidated Management Report for the financial reporting 2021*, from Bulgarian to English language, consisting of *41 (forty one) pages*, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator: .....

STATEMENT
ON CORPORATE GOVERNANCE TO THE CONSOLIDATED MANAGEMENT REPORT IN ACCORDANCE WITH ART. 100 (N), PARAGRAPH 8, IN CONJUNCTION WITH PARAGRAPH 7, ITEM 1 OF POSA

"Trace Group Hold" PLC believes that the improvement of the quality of corporate governance of entities is one of the main conditions for increasing the competitiveness of Bulgarian companies and attracting foreign capital. Targeting to increase the confidence of national and international investors, and of the general public as a whole, the Management "Trace Group Hold" PLC implements the fundamental, generally accepted principles of corporate governance.

"Trace Group Hold" PLC and the entities within the group comply, as appropriate, with the National Corporate Governance Code and execute their activities in accordance with the principles and provisions of the Code.

"Trace Group Hold" PLC and its subsidiaries do not apply any other corporate governance practices in addition to (over and above) the National Corporate Governance Code.

"Trace Group Hold" PLC is part of a group of entities within the meaning of paragraph 1, item 2 of the Additional Provisions of the Accountancy Act and it is the parent, holding directly over 50% of the votes of its subsidiaries' General Meeting of Shareholders.

"Trace Group Hold" PLC has direct participating interest in the capital of the following subsidiaries, part of its economic group, at 31.12.2021:

ENTITY	PRINCIPAL ACTIVITY	SHARE OF THE CAPITAL
Trace Group Hold PLC	Acquisition, management, valuation and sale of participating interests in Bulgarian and foreign entities; performance of construction and installation works; project management in the fields of high-rise, road and railway construction.	Parent – consolidating
Trace BG JSC	Construction, reconstruction, rehabilitation and maintenance of subways (metros), railway infrastructure and construction of plants and facilities; rehabilitation, reconstruction, construction and maintenance of roads, highways, airports; construction of public infrastructure and urban landscaping of residential areas; implementation of projects targeting to increase energy efficiency; construction of water supply and sewerage systems, treatment plants, emergency and recovery activities in cases of natural disasters and industrial accidents, construction and maintenance of civil and military airports	100%

Trace Serbia JSC	Construction of roads and facilities, maintenance and repairs of specialised construction equipment and maintenance of the water supply and sewerage sector, including gas distribution and water supply networks, WWTPs, integrated water cycles, solid waste treatment plants; landfills, utilities; construction of railway infrastructure	1
Trace Yambol JSC	Construction and maintenance of roads, highways and road facilities, construction of public infrastructure and improvement of residential areas	0,9948
USM JSC	Management of construction machinery, repairs and maintenance	0,9969
Infra Commerce LTD	Domestic and foreign trade activities; trade intermediation and representation of Bulgarian and foreign individuals; trade in construction products and materials; logistics	100%
Trace Properties LTD	Property (real estate) management	100%
Aria Residence LTD	Investments in real estate, with the purpose of implementing projects in the real estate sector; purchase, construction and / or furnishing of real estate for sale, rental (lease), as well as performance of other administrative (dispositional) actions and any actions associated with the management of such real estate; transactions in real estate.	60%
Trace Build LTD	Construction of residential and non-residential buildings	100%
Trace Mechanization JSC	Rental (lease) of mechanisation, rendering of building mechanical services	100%

Explanation, provided by "Trace Group Hold" PLC, on which sections of the National Corporate Governance Code are not observed and what are the grounds for such non-observance

The activities of the Corporate Management bodies of "Trace Group Hold" PLC in 2021 are executed in compliance with the statutory requirements, provided in 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 principle of "observe or explain" – i.e., the entity adheres to the Code, and the Management is required to clarify the reasons for any non-observance to the later.

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

At 31.12.2021, the Managing Board consists 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 interests of shareholders. 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 shareholders are established within the entity and the entity monitors for compliance with such. The rules of conduct, followed in accounting their interest 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 accepted principles for sustainable development, at group level.
It designs the financial-information system of the entity in compliance with the guidelines provided by the Supervisory Board and ensures its reliable functioning. It coordinates its actions with regards 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 activity 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 guarantee its effective operations. The principles of compliance of the candidates' competence with the entity's activities are adhered to upon the election of new members of the Managing Board. The obligations, tasks and duties, the criteria on remuneration and the grounds for dismissal are regulated in the management contracts, concluded

with each of the members of the Managing Board. The competences, rights and obligations of the members of Managing Board follow the statutory requirements, the operational rules and administrative acts, and the standards on good professional and managerial practice.
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 individual obligations, duties and contribution of each member in the entity's activity and performance results; the ability to select and retain qualified and loyal managers; the need to reconcile the interest of the members of the Managing Board with the long-term interest of the entity.
The General Meeting of Shareholders adopted a Remuneration Policy for the remuneration of the members of the Managing and Supervisory Boards, which aims to support the long-term business goals of the entity and to promote behaviour that encourages value creation for shareholders, while at same time provides competitive remuneration, which is sufficient to attract and retain directors, who possess qualities, requisite for the entity's effective management and development. The Remuneration Policy specifies the additional incentives, which are linked to clear result indicators and performance criteria. Information on the remuneration of the members of the Management 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 structure of remunerations.

Supervisory Board

At 31.12.2021, the Supervisory Board of "Trace Group Hold" PLC is comprised of three members and consists of the following:
Prof. Nikolay Ganchev Mihaylov – Chairman
Manol Peychev Denev – Deputy Chairman
Mariela Ivanova Rounteva – Independent Member

The Supervisory Board appoints, provides guidelines to and controls the Managing Board of the entity in accordance with the distribution of functions within the two-tier structure. It provides guidelines in defining the vision, objectives and strategies of the entity, and the interest of 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 audit systems, the financial-information system and controls their operations.
The Supervisory Board monitors for adherence with the effective 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 it acts loyally to protect their interest, with the care of a good trader.
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 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 mandates – i.e., they can have unlimited number of mandates. Nonetheless, the principles of loyalty and independence are respected in all proposals for member's election.

The members of the Supervisory Board meet the criteria of knowledge and experience, 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 limit the rights of the persons concerned. The entity 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 MB and the SB, designed by the SB and adopted by the GMS, 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 Supervisory Board is disclosed in the annual financial statements of the entity.
The Corporate Management of "Trace Group Hold" PLC avoids and prevents 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 disclosure of information in the event of such. Nevertheless, the Supervisory Board monitors the conclusion of all 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 it parties by presenting a Statement under Art. 114 (b) of POSA.

Committees

An Audit Committee is operating within the entity. In compliance with the statutory requirements and based on the criteria provided therein, the Managing Board, pursuant to the approval of the Supervisory Board, proposes to the entity's General Meeting of Shareholders to elect an Audit Committee in a composition that meets the legal requirements and the entity 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. The Audit Committee motivates its proposal for the election of an independent auditor, in writing and before the General Meeting of Shareholders, and it is guided by the established requirements on professional behaviour. Corporate Management, with the assistance of the Audit Committee, ensures compliance with the applicable laws on independent financial audit. The rotation principle applies in the appointment of external auditors. A new auditor was appointed to audit the financial statements of the entity in 2021.
The Audit Committee ensures control of the internal audit activities and monitors the overall relationship with the external (independent) auditors, including the nature of non-audit services rendered by the auditor to the entity.
An internal control system that ensures the effective operation of the reporting and information 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, related to the financial reporting process", part of this Statement on Corporate Governance.

Protection of shareholders' rights

Corporate Management ensures equal treatment of all shareholders, including of minority and foreign 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.

Invitation 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 CA.

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.

The invitation 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 the members of the Corporate Management attend the General Meetings of the entity.

The texts in the materials of the General Meetings are 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 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 addresses 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 information, related to the entity's activity, that is important.

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 clearly and timely 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 2021, 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 corporate policy.

The Corporate Management of "Trace Group Hold" PLC believes that their activities in the financial reporting 2021 have ensured sufficient transparency in their relations with the investors, the financial media and financial market analysts.

Interest parties. 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, clients, suppliers, assignors / contracting authorities – ministries, municipalities, agencies, financial institutions, public organisations, users and the public as a whole), are identified by the entity as interested parties (stakeholders).
Corporate management ensures respect of the rights of interest parties, established by Law or by virtue of mutual agreements with the entity, 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 and the entities within the Group apply 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 puts efforts to reduce the entity's environmental impact by:

- Efficient use of electricity and heating (energy conservation);
- Waste minimisation;
- Prevention of pollution 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;

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 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 the objectives of preservation of protected areas.
The economic dimensions of the responsible social behaviour of "Trace" reflect the entity's sustainability in times of crisis, its reputation, better competitive advantage, the attraction of investors.

Providing a safe and comfortable working environment for employees, care for the health of the entity's personnel
The entities within the "Trace" Group engage in social activities, supporting its principles of protection the integrity, health, the rights and welfare of its employees.
As a result of the continued spread of COVID-19 and in light of the measures, taken by the Government to protect the lives and health of people, and their families, the work process was promptly (re-)organised. Rules for working in state of emergency situations were developed, activities were gradually transitioned to remote work, conditions for compliance with the anti-epidemic measure for both employees and outsiders were implemented.
Salaries and social security contributions are paid regularly and without any delays. Food vouchers are provided to all employees twice a year. Employees undergo preventative medical examinations on an annual basis.

Social activities
The entity engages in social activities in the fields of culture and sports through the "Trace for People" Foundation. In 2021, the Foundation supported the following events:
Construction of a monument to the brothers, educators and first teachers Sv. Sv. Kiril and Metodiy (trans. St. St. Cyril and Methodius), Tsaribrod, Serbia. In 2018, the Corporate Management of "Trace" committed to building a monument to the holy brothers in Tsaribrod. The famous Bulgarian sculptors Prof. Valentin Starchev and Kamen Starchev, were involved in the construction of the sculpture. The 230 cm bronze figure was cast in the foundry of the sculptor Marin Markov, and the granite piece was made by the "Bedrock" company. "Trace" was also involved in the layout of the area around the monument.
"Trace" organised a fundraising campaign, aiming to involve also other entities and organisations in the initiative. The monument was officially unveiled by the Presidents of the Republic of Bulgaria and the Republic of Serbia on 23.05.2021. The monument is located in the yard of the "Sv. Sv. Kiril I Metodiy" high school – a message to future generations to know, to remember, to preserve what is valuable and eternal; what brings together and unites the nations, allowing to create and build new, beautiful spaces and worlds.

Publication of the "KMETAT NA SOFIA Eng. Ivan Ivanov" (transl. "THE MAYOR OF SOFIA Eng. Ivan Ivanov") book – a documentary novel about the life of Eng. Ivanov, who served as Mayor of Sofia in the period 1934-1944
The book is dedicated to the occasion of 130th anniversary of the birth of Eng. Ivan Ivanov. Author of the book is Stanislav Kolev – a journalist and publicist.
With the book "Kmetat na Sofia – Eng. Ivan Ivanov" (transl. "The Mayor of Sofia – Eng. Ivan Ivanov), "Trace" pays tribute to the original mind and pure spirit of Eng. Ivanov, whose traces time has not erased to this day, but our memory has unfairly blacked-out. The book is a documentary portrait of Eng. Ivanov; the most comprehensive study of his life and work in the Bulgarian documentary. New and unknown facts from his biography are presented. The plot examines in detail the ten year period in which Eng. Ivan Ivanov was mayor of Sofia. He created the very first Municipal Bank and Hospital, the first "ER", the first kindergartens. The new (back then) "Bulgaria" hotel was being build, the Rectorate and University Library, the BNB's headquarters, the Judicial Chamber, the Ministry of

Inferior, the first public transport trolleybus and bus lines, the first summer bath of Sofia "Maria Louiza" and many others were under construction during his mandate. The new (for the time) urban plan of Sofia, prepared by Prof. Adolf Musman, was developed and adopted at his suggestion. He also came up with the idea to erect a monument to Patriarch Evtimiy in the city. The great merit of Eng. Ivanov is the re-purchase of the concession for electricity in Sofia from the Belgian company, which was received from it in 1898, and its return to the Sofia Municipality. During his mandate, Sofia was one of the cleanest and friendliest European capitals. Eng. Ivan Ivanov is also "responsible" for the "Rila" water supply system and the "Iskar" cascade, through which water is provided to the millions of people residing in the Sofia region.

Planting of 50 oak saplings in "Hipodrouma" (transl. "Hippodrome") Park, in Sofia

The team of "Trace Group Hold" PLC celebrated the "Builder's Day" (26 October) with an initiative to plant oaks. 50 oak saplings, 3.5 m. high, were planted in the "Hipodrouma" (transl. "Hippodrome") Park, following the instructions of gardeners. Preserving the genetic fund of summer oak is a priority for Europe.

The summer festival "Mouzi na Vodata" (transl. "Muses on the Water") by the Sofia State Opera and Ballet

In 2021, despite the pandemic and the economic consequences of it, "Trace" supported the "Dostoynite Bulgari" (transl. "Worthy Bulgarians") and "Otlichnitsite na Bulgaria" (transl. "The excellent ones of Bulgaria") initiatives, the "Beroe" basketball and wrestling clubs, the CYF academy of FC "Vereya", and the publishing of the poetic bilingual book "Similarities", author of which is the high-school senior Nia-Katya Barzakova.

Description of the key characteristics of the internal control and risk management systems, related 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 is being designed and operates to also identify the risks, inherent in the Entity's activity 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.

The entity has a Financial Council, comprised of members of the SB and the MB, as well as key Managers of different functional areas within the structure. The Council meets once per week and considers key issues related to the entity's activity, its branches and subsidiaries. It further adopts monthly and annual Business Programmes for the activity (construction, production units, mechanisation and other areas) and considers their current implementation. The main task of the Council is to also identify the risks for each unit, to analyse the deviations and to determine measures to minimise such. The decisions of the Financial Council are binding on the structure. In this way, useful practices and group management models are established.

"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, created and disclosed by the entity, the internal document flow process, the different levels of access to the types of information of the responsible persons 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. Internal control and risk analysis rules are integrally applied and in the subsidiaries.

A unified integrated resource planning and management software system has been implemented in "Trace Group Hold" PLC and its subsidiaries, 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.

I. 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 as at 31.12.2021, are:
Nikolay Ganchev Mihaylov – 62,26% and
"Galini – N" EOOD – 9,00%
"Trace Group Hold" PLC does not have 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, 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, paragraph 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 entity's Articles of Incorporation. In accordance with the provisions of Art. 187 (b) of the CA and Art. 111 of POSA, 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.

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 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 through 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 Managing Board's activity is controlled by the Supervisory Board, which is consisting 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 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 through 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 GMS.
The Financial Council, which is determined on the basis of internal regulations, is an auxiliary body of the Supervisory Board. The Financial Council decides on all financial matters concerning the entity and its subsidiaries, as well as on current issues of vast importance to the entities.

Information pursuant to Art. 100 (n), paragraph 8, item 6 of POSA – description of the diversity policy, applied to the administrative, managing and supervisory bodies of "Trace Group Hold" PLC with regards to age, gender or education and professional experience, 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 or education and professional experience diversity policy with regards to the managing and supervisory bodies of the entity.
The election of Corporate Management' members is subject to the statutory requirements and is consistent with the entity's business strategy.
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 work, 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 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 proved their high level 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.

Eng. Boyan Delchev
Executive Director

Digitally signed by Boyan Stoyanov Delchev
Date: 2022.05.02 18:55:11 +03'00'

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Statement on Corporate Governance in accordance with Art. 100 n, paragraph 8, in conjunction with paragraph 7, item 1 of POSA*, from Bulgarian to English language, consisting of *13 (thirteen) pages*, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator: .....

Non-financial Statement

Pursuant to Art. 51 and in conjunction with Art. 48, Art. 49 and Art. 50 of the Accountancy Act

I. INTRODUCTION

Pursuant to Art. 41 of the Accountancy Act, "Trace Group Hold" PLC, as a public interest entity and one which as a Holding' structure at 31.12.2021 exceeds the criterion of 500 people, employed on average in the respective financial reporting period (average number of employees criteria), includes a non-financial statement, in compliance with Art. 48 of the Accountancy Act, in its consolidated Management Report.

The public non-financial information, included in this Statement, reflects the objectives and performance results of "Trace Group Hold" PLC on issues, relating to the social and environmental activities, human rights and fight against corruption, in the context of the entity's corporate social responsibility and sustainable development.

II. BUSINESS MODEL

"Trace Group Hold" PLC was established in 2005 and operates as a public company, whose shares are traded on the Bulgarian Stock Exchange – Sofia AD since 2007. The entity is domiciled at 12, "Nikola Obrazopisov" Blvd., Sofia.

The principal activity of "Trace Group Hold" PLC involves acquisition, management, valuation and sale of interests in Bulgarian and foreign entities; execution of building and construction works; project management in the fields of high-rise construction, road construction and railway construction.

The entities within the "Trace" Group engage in activities in the following areas of construction:

✓ **Construction and maintenance of road infrastructure on the territory of the Republic of Bulgaria and of the Republic of Serbia, 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 Serbian part of Corridor № 10

The entities within the "TRACE" structure implement projects for reconstruction and rehabilitation of road networks, as well as of urban infrastructure. They execute current repairs and winter maintenance works on part of the road network on the territory of the Republic of Serbia. The entity has resources 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.

"Trace BG" JSC and "Trace Serbia" AD (JSC) are specialised in the construction of road infrastructure.

✓ **Construction of subways (metro);**

"Trace Group Hold" PLC has been actively involved in the construction of the "Sofia Metro" since the very beginning of its construction. Twelve of the existing metro stations and the adjacent metro lines have been built by "Trace Group Hold" PLC. Currently, the entity is designing and building 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 of the Geismar system;**

Railway substructure and superstructure activities are being executed:

- Mechanised rehabilitation, reconstruction and new construction of railway tracks
- Mechanised laying of 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 Group Hold" PLC is currently implementing several major, large-scale railway projects. It engages in the modernisation of a railway, catenary, signalling and telecommunications systems at "Plovdiv" station and the construction of a communication and transport breakthrough under the railway area of "Plovdiv" station; Restoration of the design parameters of "Yastrebovo" station and "Senovo" 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 "Graf Ignatievo" Airport is an iconic project for the entity – all design and construction activities under the project 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 a state-of-the-art lighting system.

✓ **Construction of sewerage treatment plants; integrated water cycle; water-mains and eco projects;**

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

"Trace" 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.

"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 modern and functionally designed, including three residential sections and one office section, with a restaurant, shops, sport facilities and other entertainment facilities. "Trace Properties" LTD is investor in the project, while "Injproekt" LTD is the project's designer.

✓ **Trade in construction products and materials.**

"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" LTD: white and dark fuel and road bitumen, technical salt, rebar, railway consumables and materials, construction machinery and others.

The "Trace" portfolio further includes investments, international trade and logistics.

ORGANISATIONAL STRUCTURE

The parent, "Trace Group Hold" PLC, is managed by a Supervisory Board, consisting of three members, and a Managing Board, also consisting of three members, under a two-tier management system.

The Supervisory Board defines and monitors the strategic guidelines for the entity's development, it provides guidelines in determining the vision and controls their execution. It provides the Managing Board with guidelines in the development of the risk management system, including internal control and internal audit, the financial – information system and monitors their operations; it monitors for adherence to the laws and regulations, defined in the entity's Articles of Incorporation. The work of the Supervisory Board is supported by a Consulting Board, a Financial Board and an Audit Committee.

The Managing Board of "Trace Group Hold" PLC manages the Entity in an independent and responsible manner, in accordance with the established entity's strategies, vision, objectives, and the shareholders' interests. The Managing Board has established visions, corporate strategies and shareholders' interest. The Managing Board has established, adopted and adheres to the Entity's risk policy. An internal control and risk management system is established and operates under the control of the Managing Board. The Managing Board coordinates its activities with regards to the Entity's business plan, the significant transactions and other activities, defined under its Articles of Incorporation, with the Supervisory Board.

"Trace Group Hold" PLC is a holding entity with the following structure:

ENTITY	PRINCIPLA ACTIVITY	SHARE OF THE CAPITAL
Trace Group Hold PLC	Acquisition, management, valuation and sale of participating interests in Bulgarian and foreign entities; execution of building and construction works; project management in the fields of high-rise construction, road construction and railway construction.	Parent – consolidating
Trace BG JSC	Construction, reconstruction, rehabilitation and maintenance of subways (metros), railway infrastructure and construction of plants and facilities; rehabilitation, reconstruction, construction and maintenance of roads, highways, airports; construction of public infrastructure and urban landscaping of residential areas; implementation of projects targeting to increase energy efficiency; construction of water supply and sewerage systems, treatment plants, emergency and recovery activities in cases of natural disasters and industrial accidents, construction and maintenance of civil and military airports	100%
Trace Serbia JSC	Construction of roads and facilities, maintenance and repairs of specialised construction equipment and maintenance of the water supply and sewerage sector, including gas distribution and water supply networks, WWTPs, integrated water cycles, solid waste treatment plants; landfills, utilities; construction of railway infrastructure	1

Trace Yambol JSC	Construction and maintenance of roads, highways and road facilities, construction of public infrastructure and improvement of residential areas	0,9948
USM JSC	Management of construction machinery, repairs and maintenance	0,9969
Trace Mechanization JSC	Rental (lease) of mechanisation, rendering of building mechanical services	100%
Infra Commerce LTD	Domestic and foreign trade activities; trade intermediation and representation of Bulgarian and foreign individuals; trade in construction products and materials; logistics	100%
Trace Properties LTD	Property (real estate) management	100%
Aria Residence LTD	Investments in real estate, with the purpose of implementing projects in the real estate sector; purchase, construction and / or furnishing of real estate for sale, rental (lease), as well as performance of other administrative (dispositional) actions and any actions associated with the management of such real estate; transactions in real estate.	60%
Trace Build LTD	Construction of residential and non-residential buildings	100%

The production facilities and warehouses of "Trace Group Hold" PLC are located in the key transportation-communicational centres, allowing the quality implementation of the assigned projects and sites in the shortest possible time frames. Expanding its market scope, the entity equipped its production facilities with the highest class of specialised equipment. The main facilities of "Trace Group Hold" PLC include:

- Ten asphalt bases, two of which module-mobile
- Polymer-modified bitumen production installations. Bitumen emulsion production installation.
- Stone flower production installations
- Six inert materials quarries
- Ten crushing plants for stone fraction production, of which 4 are mobile
- Two machines for laying concrete pavement
- Excavation equipment
- Asphalt laying equipment
- Geismar system for laying S2PV railway
- Diesel locomotive series 55 and 12 platform wagons

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.

DEVELOPMENT STRATEGIES

The corona virus pandemic (COVID-19) has inevitably affected the global economy and has caused an economic recession that is difficult to predict. The closure of many construction sites, the restrictions imposed on the movement of workers and the supply of materials and equipment that have been severely disrupted by the coronavirus (Covid-19) pandemic, have resulted in the European construction industry recording significant

decreases (losses). In this new reality and unpleasant circumstances, the management of construction sites has become even more complicated as entities try to comply with new and drastic safety and health measures. On the other hand, pursuant to a decision of the European Commission, funds were relocated away from the European Regional Development Fund and the Structural Funds to financing (part of) the extraordinary costs required to be incurred to tackle the coronavirus. This has inevitably led to a reduction in the funds, allocated to infrastructure, thus resulting in the construction market shrinking. The circumstances associated with the restrictive measures following the pandemic have caused prices of raw materials and products to rise in 2021. The process accelerated in 2022 as a result of the war in Ukraine that began in February.

The Management of "Trace Group Hold" PLC puts efforts not to disturb the work efficiency, in all areas of its activities. The "Trace" Group activities have been restructured and optimised in the past two years. Future investment initiatives are refined with a view to conserving financial resources and acting as an insurance against the rising inflation.

Taking into account the critical circumstances, "Trace Group Hold" PLC shall continue to strengthen its market positions in Bulgaria and in the countries in which it operates by retaining and developing the human resource potential of the entity.

In Bulgaria, the entities within Group 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, 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 as an operational activity. The modern and 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 of Serbia. The entity entered the railway construction sector in the country in 2020 and it is currently rehabilitating a large section of the "Nis – Brestovac" railway line. 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.

The initiatives to penetrate the market in the neighbouring Romania are successfully developing too. The entity has already signed construction contracts with the municipalities of Focsani and of Constanta. In order to ensure the successful implementation of the forthcoming projects, a branch of the entity was registered in Bucharest in 2021. The Holding continues to research into opportunities to participate in upcoming tender procedures for infrastructure projects in Romania.

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

III. POLICIES

1. QUALITY, ENVIRONMENTAL, HEALTH AND SAFETY AT WORK POLICY

The continuous improvement of the quality of work is a priority for the Management of "TRACE GROUP HOLD" PLC. Such is achieved by designing a clear policy and strategy, aiming at gaining the trust and satisfying the requirements and expectations of clients and all stakeholders.

The Management's efforts are aimed at:

- Maintaining a system of continuous improvement and efficiency of the planning and management of key activities, related to the quality, environment, health and safety at work;

- Maintaining high-qualified personnel;
- Process optimisation;
- Conforming, implementing and ensuring compliance of all activities with the applicable legal and regulatory requirements related to quality, environment, health and safety at work;
- Following a proper approach in the selection of the entity's suppliers and subcontractors;
- Not allowing any preconditions for customers' objections and complains regarding our core activities;
- Prevention of injuries and diseases;
- Continuous improvement in the management and implementation of the OSH;
- Continuous improvement and prevention of pollution;
- Ensuring opportunities for the full realisation of each worker / employee of the entity, within his / her competences and authorities, so as to create a sense of gratitude and satisfaction;
- Periodic reviews, conducted personally by the Management, in order to assess the adequacy, effectiveness and efficiency of the functioning integrated system;
- Timely corrective and preventive actions in cases of deviations from documented process management rules or when there is a potential risk of such deviations;

To achieve these goals, "TRACE GROUP HOLD" PLC has created conditions for strict compliance with the requirements of the Integrated quality management system, health and safety at work, and for the active participation of the Management, and the Executive personnel, in the design and enhancement of the aforementioned system.

2. SOCIAL RESPONSIBILITY POLICY

The corporate group of "Trace" follows and promotes compliance with the internationally recognised human rights, and considers the preservation of integrity, health, rights and welfare of its employees and the environment as elements of primary and fundamental importance in the execution and development of its activities.

THE SOCIAL RESPONSIBILITY POLICY, adopted by the entities with the "TRACE" group in the implementation of their core activities, is focused on corporate strategic management, contributing to sustainable economic development, fair working relations with the personnel, their families, the local community and the society in general, with a view to improving the quality of life.

The guiding principles of "Trace Group Hold" PLC regarding social responsibility include:

- Respecting the human rights and fundamental freedoms as set out in the Universal Declaration of Human Rights;
- Protecting the generally accepted human values;
- Ensuring healthy and safe working conditions for its employees;
- Developing and motivating the personnel;
- Ensuring the security of payments;
- Maintaining adequate labour remuneration and ensuring timely payment of salaries and wages to the personnel, and payment of taxes and social security contributions in respect of the workers and employees;
- Formulating the rules for constructive business ethics and ensuring their compliance;
- Engaging in charity activities, including improvement of the local infrastructure, in a responsible manner;
- Maintaining beneficial interactions with the public and local authorities, as well as with non-governmental organisations, business associations, educational and expert institutions, and others;
- Disclosing information on the entity's activities in the mass media;

IV. ACTIVITIES AND IMPLEMENTATION

ENVIRONMENT

"Trace Group Hold" PLC and the entities within its Group maintain 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 Group 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: Project implementation in Bulgaria, participation in international tenders, both in Bulgaria and abroad. Construction, maintenance, reconstruction, rehabilitation and awarding of projects in the fields of: transport infrastructure (roads, highways, airports and railway infrastructure), public infrastructure, hydrotechnical construction and environmental landscaping, energy-efficiency infrastructure, high-rise construction and the adjacent infrastructure, electronic communicational networks and facilities. Consulting and engineering activities. Acquisition and management of participating interests and shares in the capital of entities, domiciled 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 on 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;
- Prevention of pollution 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;

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 in the course of the entities' activities. All production facilities (crushing plants, asphalt plants, stone flour 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 produced by using a dry technological 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.

"Trace Group Hold" PLC is one of the first Bulgarian construction companies to introduce the "cold recycling on site" method. This is a modern method to recover defaulted road surface. It allows the use of 100% of the available material on site and this is a huge advantage as it leads to reduction in the total construction works; harmful emissions; the construction's deadlines and cost. The entity applies the most modern mechanisation and provides a wide range of technologies – traditional and innovative – in the implementation of this method.

The specialised machinery and trucks meet the European and international standards for environmental protection. The entity invests in modern machines and equipment, and aims to introduce innovative productions in order to preserve and protect the eco balance. At the same time, "Trace Group Hold" PLC, via "Trace BG" JSC, has secured contracts for the repurchase of processed oils and greases, and for recycling of car and truck tires.

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 projects and 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 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.

The development strategy of "Trace Group Hold" PLC includes the holding's participation in long-term socially useful projects in the field of environmental protection. A waste separation system has been developed and implemented.

Trace has conducted contracts for the disposal of waste, generated in the execution of the entity's principal activity. Waste is managed in accordance with the requirements of the applicable legislation and no problems have been encountered so far.

HEALTH AND SAFETY AT WORK

The entity monitors the main indexes, concerning accidents at work.

Data from the last 3 years is disclosed hereafter.

The disclosed data conveys a tendency of stability, namely in the absence of accidents at work and incidents during work.

COMPARISON OF THE INJURIES AND OCCUPATIONAL ILLNESSES OVER THE YEARS

	2019	2020	2021
Number of cases of accidents at work	15	18	0
Number of cases of injuries (accidents)	0	0	0
Number of cases of professional (occupational) diseases	0	0	0

The identified health and safety requirements at work are implemented at all organisational levels.

The conditions and order for conducting "health and safety at work" trainings and instructions to employees are carried out in compliance with the requirements of ORDINANCE № RD-07-2, dated 16.12.2009, on the conditions and order for conducting periodic training and instruction to workers and employees under the rules for ensuring healthy and safe working conditions, through initial and periodic training, and training officials on the health and safety.

When first appointed within the structure, the newly recruited employees are required to familiarise themselves with the following documents:

- Rules of the Internal Labour Code;
- Action plans in the event of disasters, emergencies, accidents and fires;
- Fire regulations;
- Risk assessment with respective card for the job performed.

The entities have a set of safety instructions for all types of activities when carrying out construction and assembly work.

SOCIAL RESPONSIBILITY

CHILD LABOUR

"Trace Group Hold" PLC does not use or encourage child labour.

The entity's policy prohibits the use of child labour. This policy is in accordance with the applicable statutory requirements, defined in the Labour Code, the Child Protection Act, and other current regulatory requirements.

ENFORCED AND COMPULSORY LABOUR

All workers and employees of "Trace Group Hold" PLC and its subsidiaries work on a voluntarily basis.

In order to ensure the voluntary nature of work, the entity is committed to ensure that all workers and employees are aware of their rights and obligations, arising from their employment contracts. An "Internal Work Order Manual" has been developed and the personnel is familiar with it. Each employment contract sets out the terms and conditions of employment, namely: the respective wage and / or salary, the working hours, the annual paid leave, the position, the notice period upon termination of the employment relationship.

FREEDOM TO ASSOCIATE

All workers and employees of "Trace Group Hold" PLC have the right to form, participate and organise in trade unions of their choice, and to negotiate collectively with the entity, on their own behalf. Personnel are being informed that they are free to participate in an organisation of their choice and that this will not lead to negative consequences or repressive measures on behalf of the entity. The functioning and management of these workers' organisations is free and not restricted by the entity's intervention.

DISCRIMINATION

"Trace Group Hold" PLC does not discriminate in recruiting personnel; there is no discrimination in the remuneration, access to training, promotion, retirement or contract termination on the grounds of race, nationality, social origin, society status, family background, religion, disability, gender, sexual orientation, family obligations and responsibilities, marital status, trade union membership, political views or another condition that could lead to any form of discrimination.

The entity does not interfere in the personnel, exercising their right to observe principles, practices or meet their needs based on their race, nationality or social origin, religion, disability, gender, sexual orientation, family obligations and responsibilities, trade union membership, political views or other conditions that could lead to discrimination. The entity's employees are of different religious affiliation and this does not interfere with their joint and team work. The entity is open to recruit disadvantaged people (representative of different minority groups, disabled, etc). The entity strives to ensure young people with career and personal growth opportunities.

The entity does not tolerate any sexual harassment or any form of abusive, exploitative or threatening behaviour, including gestures, language and physical contact at work.

COMPARISON OF THE MALE – FEMALE PERSONNEL

	2019	2020	2021
Total personnel	1147	872	810
Of which male	948	722	673
Of which female	199	146	136

Personnel, appointed at managerial positions	104	72	85
Of which male	84	62	70
Of which female	20	10	15

There are no age or gender pay gaps. Salaries and wages are defined based on the position, hold by the respective personnel, after such are agreed with the Executive Director, and are in accordance with the Salaries and Wages Regulations.

The Management, site managers, and all persons, appointed at managerial positions, treat all personnel with dignity and respect. All disciplinary practices are specified in the Internal Work Regulations.

The Labour Code does not provide for any "fines" being imposed on employees, and thus "Trace Group Hold" PLC does not impose, nor does it intend to impose, such. Only the disciplinary measures, defined under Art. 188 of the LC, are enforced in the event of breaches of the labour discipline of "Trace Group Hold" PLC. Three disciplinary measures are provided – notice, dismissal notice and disciplinary dismissal.

WORKING HOURS

"Trace Group Hold" PLC complies with the industry standards and the applicable legislation on the working hours and public holidays. The standard workweek does not exceed 40 hours. Personnel are provided with at least one day off on every six consecutive working days.

The extraordinary circumstances, arising from the spread of the Covid-19 pandemic, imposed the requirement to timely reorganised the work space in light of the measures, adopted by the Bulgarian and Serbian Governments in order to retain and preserve the health and lives of the personnel and their families.

* Design and implementation of rules and procedures for work in a "state of emergency"

* Providing cleaning materials and disinfectants

* ensuring "home office" options

* Organising the work activities at construction sites in accordance with the prescribed guidelines on indoor and outdoor work of the National Criss Staff.

REMUNERATION, FINANCIAL STIMULUS

The remuneration, provided by "Trace Group Hold" PLC and its subsidiaries, meets the legal and / or minimum industry standards that are sufficient to meet the core needs of the personnel and to ensure discretionary income.

"Trace Group Hold" PLC and the subsidiaries within its group treat fairly their workers and employees in terms of the payment of the agreed salaries and social insurance contributions. The entity motivates its employees, specialists and workers by further providing additional remuneration.

Fast response and increased flexibility are required in order to sustain business in the difficult economic environment resulting from the COVID-19 pandemic. Daily monitoring of the external factors affecting the Entity and daily reporting of the work on income-expenditure items are necessary. Pursuant to the decisions taken in 2020 and 2021, an option was found with regards to human capital, which to simplify the company's processes, reduce costs and minimise losses, so that the Entity's commitments, in its capacity of an employer, are properly fulfilled. This option has ensured regular payment of wages and salaries and social insurance contributions without any delays.

DONATIONS

As a public, socially responsible company, "Trace Group Hold" PLC has supported a number of donation initiatives over the years. Such initiatives are in the fields of social activities, ecology, cultural-historical heritage and education and are in line with the corporate culture of "Trace".

The "Trace for People" Foundation unites the efforts of all the entities within the Group in the fields of corporate and social responsibility.

Among the 2021 initiates were:

- Construction of a monument to the brothers Sv. Sv. Kiril and Metodiy (transl. St. St. Cyril and Methodius), in Tsaribrod, Serbia
- Publication of the "KMETAT NA SOFIA Eng. Ivan Ivanov" (transl. "THE MAYOR OF SOFIA Eng. Ivan Ivanov") book – a documentary novel about the life of Eng. Ivanov, who served as Mayor of Sofia in the period 1934 – 1944.
- Planting of 50 oak trees in the "Hipodrouma" (transl. "Hippodrome") Park in Sofia.
- Supporting stage art – Summer festival "Mouzi na Vodata" (transl. "Muses on the Water").
- Supporting sports – the "Beroe" basketball and wrestling clubs, the children and youth academy of FC "Vereya".
- Supporting young talents – The poetic bilingual book "Similarities", with author the high-school senior Nia – Katya Barzakova, was published .
- Support of the "Dostoynite Bulgari" (transl. "Worthy Bulgarians") and "Otlichnitsite na Bulgaria" (transl. "The excellent ones of Bulgaria") initiatives.

ANTI-CORRUPTION POLICY

No form of bribery or corruption is tolerated within "Trace Group Hold" PLC. The entity abstains from any actions and behaviour that could be perceived as active or passive bribery. The policy is applicable to all types of corruption practices, including:

- Active bribery – granting, promising, or offering bribes;
- Passive bribery – requesting, consenting to receive or accepting bribes;
- Bribery of public or State officials;
- Increase in one's personal wealth that cannot be justified – misuse of the entity's assets;
- Unregulated private use of goods and assets.
- The entity has adopted a Code of Ethics, which is mandatory for all personnel.

The entities within the "Trace" Group observe the rules for crystalised, transparent donations and / or sponsorships. All donations are conducted through the "Trace for People" Foundation, which in turn prepares annual public reports on its activities.

No corruption-related risk assessment system has been implemented within the Group, yet all processes and procedures are conducted in a way that excludes any form of corruption within the entities. All transactions, conducted by the entities within the "Trace" structure, are individually evaluated in advance and those of significant value are approved both by the Holding's Management and the Management of the entity, conducting the respective transaction.

CAREER DEVELOPMENT AND TRAINING

Personnel's motivation is an important factor in the achievement of the development targets, set on the entity. The Management of "Trace Group Hold" PLC has a clear development strategy for each person, appointed to work in the Holding structure. The strategy covers areas such as:

• Professional development of the specialists and workers by organising trainings that target to maintain and improve their qualifications, as well as by providing options for high specialisation in the specific professional fields;

• Providing opportunities and allowing the requisite time to increase one's education and for him / her to acquire more qualifications;

• Stimulating the initiative to learn foreign languages, work with specialised software, implement new technologies, acquire knowledge on new equipment and technologies;

• Stimulate innovative thinking, allowing creative people to apply their ideas in practice;

• Providing options for career growth within the Group's structure, depending on the personal and professional interests of each individual worker, employee and Manager.

PERSONNEL MOTIVATION AND GROWTH

All operational activities of "Trace" – design, construction, reporting, accounting, planning, supply – are being digitalised. The implementation of the system, designed exclusively for the entity, leads to a fundamental change in the way the organisation works, in the task distribution, their implementation and control. At the same, the different teams of "Trace" undergo trainings.

Machines, asphalt bases and inert material quarries, as well as cars, owned by the Holding have all been digitised. Mobile connection modules, as well as different sensors and detectors, allow automation of processes, monitoring, maintenance and detection of potential problems. The software allows the gathering of real-time data on the location, work load, fuel consumption and work performed by each of the machines; it also helps to control the construction process and achieve efficiency. Real-time data collection improves operational efficiency and allows for in-depth analysis and complex management decisions.

The ERP software of "Trace" allows interconnection of all units and systems within the entity – from production to accounting and financial transactions; its supports reporting by making it easier, faster and more efficient. Any correspondence related to the construction projects and sites of "Trace" is done digitally and simultaneously, with each employee (depending on its role) receiving automated access to the electronic part of the projects and the administrative work on those, according to his assigned role within the team.

Pursuant to the Covid-19 pandemic, the construction sector, as one of the least digitalised, has been forced to speed up the digitalisation processes in order to be able to perform the day-to-day activities in "state of pandemic" and in line with the implemented anti-epidemic measures taken in this respect. "Trace Group Hold" PLC strives to keep up with the current international market trends and flows by relying exclusively on world-renowned and premium digital solutions, aimed at improving the entity's processes. This in turn facilitates some processes, shortens information flow and improves Management's awareness.

Eng. Boyan Delchev
Executive Director

Digitally signed by Boyan Stoyanov Delchev
Date: 2022.05.02 18:56:34 +03'00'

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Non-financial Statement pursuant to Art. 51 and in conjunction with Art. 48, Art. 49 and Art. 50 of the Accountancy Act*, from Bulgarian to English language, consisting of *12 (twelve) pages*, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator: .....

CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

The Group performs activities in the extractive industry, and, in particular mining of underground natural resources, exploitation of mineral raw materials and mining and blasting activities, and pursuant to Art. 53 in conjunction with Art. 59 of the Accountancy Act it is obliged to prepare and publish together with its annual consolidated management report a consolidated report on payments to Governments.

The following subsidiaries of the Group engaged in mining activities in 2021:

Trace BG JSC, Bulgaria (mining of underground natural resources)

Trace Yambol JSC, Bulgaria (mining of underground natural resources)

Trace Serbia AD (JSC), Serbia (exploitation of mineral raw materials)

The Group discloses hereafter the information, required by the Accountancy Act (Chapter seven, Section V).

1. Payments under concession agreements

In accordance with 5 agreements, concluded in the Republic of Bulgaria, the Group has been granted concessions for the extraction of underground natural resources – construction materials – marble, marble limestone, limestone and dolomites. The concession agreements were signed in 2001, 2005 and 2011 by and between the Grantor – the Council of Ministers of the Republic of Bulgaria – and the Concessionaire – entities within the Group.

According to the agreements, the entities within the Group are granted with the exclusive right to develop and extract construction materials from fields in the Republic of Bulgaria, located in Topolovgrad, Zmeevo, Vinarovo (2 fields) and Boyanovo, within the concession area, and to acquire the extracted materials.

The extraction of construction materials from fields, located within the Republic of Bulgaria, is carried out through open-pit mining, within the concession area, under the following conditions:

- Concession area frames – 831 thousand square meters;
- Extraction term – between 25 and 35 years, with the term starting as of the date on which the respective concession agreement enters into force;

Concession payments, amounting to BGN 322 thousand, were paid to the Ministry of Energy of the Republic of Bulgaria in 2021. Part of these include amounts transferred to a special account for the purpose of the entities' obligation for subsequent re-cultivation of the exploited concession areas.

2. Payments under approvals for exploitation of mineral raw materials

In accordance with the enacting legislation in the Republic of Serbia, an entity within the Group has obtained approvals from the Ministry of Mining and Energy, dated 2008 and 2017, to exploit mineral raw materials (№310-02-00235/2008-06 and 310-02-00990/2012-02), and in 2010 it has obtained an approval (by the same Ministry) to execute mining and blasting works on lands owned by it (№310-02-00616/2009-06).

The approvals, obtained by the entity, grant it the exclusive right to perform mining and blasting works and exploit mineral raw materials from the field, located in the village Dolac, Municipality of Bela Palanka, Republic of Serbia, within the area owned by the entity.

Extraction of construction materials from fields, located in the Republic of Serbia, is carried out through open-pit mining under the following conditions:

- Concession area frames – 180 000 thousand square meters;
- Extraction term – termless, with the term starting as of the date on which the approval is obtained;

BGN 112 thousand were paid to the Ministry of Mining and Energy of the Republic of Serbia in 2021, in the form of quarterly instalments. The quarterly instalments are calculated based on the extraction realised within the respective quarter.

3. Taxes paid

The entities within the Group, engaging in mining activities, and in particular in the extraction of underground natural resources, exploitation of mineral raw materials and mining and blasting works, have paid BGN 171 thousand for "other taxes" to the National Revenue Agency of the Republic of Bulgaria in 2021 and BGN 1 784 thousand to the Tax Office of the Republic of Serbia, of which:

- BGN 139 thousand – tax paid for entertainment and social expenses, and other taxes in 2021 (in Serbia – BGN 1 thousand);
- BGN 587 thousand – advance payments of corporate tax due in 2021 (in Bulgaria – none);
- BGN 620 thousand – corporate tax paid as per the submitted annual tax returns in 2020 (in Bulgaria – BGN 33 thousand);
- BGN 609 thousand – withholding tax paid in 2021 (in Bulgaria – none);

The entities, engaged in mining activities, have also paid BGN 69 thousand for local taxes and fees to Municipalities in the Republic of Bulgaria and BGN 130 thousand – to Municipalities in the Republic of Serbia.

4. Payments under projects

In 2021, the entities within the Group engaging in mining activities have not concluded any projects, and thus payments, to persons, representing Governments within the legal meaning of the term.

Eng. Boyan Delchev
Executive Director

Digitally signed by Boyan Stoyanov Delchev
Date: 2022.05.02 18:57:00 +03'00'

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Consolidated Report on Payments to Governments for 2021*, from Bulgarian to English language, consisting of *2 (two) pages*, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator: .....

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS
OF "TRACE GROUP HOLD" PLC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of "TRACE GROUP HOLD" PLC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and consolidated 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 consolidated financial statements" section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 this key audit matter was addressed in our audit*
Revenue from contracts with customers – Revenue from construction contracts (BGN 131 904 thousand in 2021) Note I.2.22.1. and Note II.2.1.1. to the consolidated financial statements The Group's revenue from contracts with customers comprise mainly revenue from construction contracts. Such amount to a total of BGN 131 904 thousand in 2021 and form 81% of the total revenue, realised by the Group within the period. Assets that are controlled by the customers are created and / or enhanced in the implementation of construction contracts and the Group identifies performance obligations satisfied over time, respectively. The Group recognises the revenue that it expects to be entitled to in accordance with the satisfied performance obligations. The Group recognises revenue from satisfied performance obligations under construction contracts, only if the Group 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 Group 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.	• Our audit procedures in this field include, but are not limited to: • Assessment of whether the accounting policies, applied by the Group 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 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 consolidated financial statements of the Group regarding the measurement of revenue from construction contracts, included under Note I.2.22.1. and Note II.2.1.1. to the consolidated financial statements.

Emphasis of matter

We draw attention to:

1. the disclosed under item II.3.11. "Events after the reporting period" of the Notes to the consolidated financial statements, regarding:

- the military conflict that has arisen between the Russian Federation and the Republic of Ukraine, in response to which various economic sanctions have been imposed on the Russian Federation and on related with it individuals and legal entities worldwide. According to the initial estimates of the Management, these events would not have a significant impact on the Group currently, in so far as the Group is not related and does not engage in transactions with individuals and legal entities, subject to the aforementioned sanctions. Nonetheless, due to the unpredictable dynamics of the circumstances and the potential pervasiveness of the conflict, it is currently practically impossible to make any reliable measurement and assessment of the potential long-term effect of the latter; and

- the announced on 04 January 2022 commencement of the next procedure to repurchase own shares of the capital of the Parent (treasury shares), under terms and conditions, defined by the General Meeting of Shareholders and beginning on 06 January 2022; as well as

2. the disclosed under item II.3.12. "Reclassifications" of the Notes to the consolidated financial statements regarding the reclassified cash that are not available to the Group.

Our opinion is unmodified with regards to those matters.

Other matters

The consolidated financial statements of "TRACE GROUP HOLD" PLC for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on 29 April 2021.

Information other than the consolidated 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 consolidated management report, a statement on corporate governance, consolidated non-financial statement and consolidated report on payments to Governments, prepared by the Management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 to our audit of the consolidated financial statements, our responsibility is to read the additional information and, in doing so, consider whether the additional information is materially inconsistent with the consolidated 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 consolidated financial statements

The Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management is responsible for assessing the Group'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 Group or to cease operations, or the Management has in fact no alternative but to do so.

Those charged with governance are responsible for monitoring the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 user's economic decisions, taken on the basis of these consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence on the financial information of the entities and the economic activities within the Group, in order to express opinion on the consolidated financial statements. We are responsible for guiding, monitoring and conducting the Group's audit. We bear ultimate responsibility for our audit opinion.

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 consolidated financial statements of the current period and are therefore the 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 "Information other than the consolidated financial statements and the auditor's report thereon" section, we have also performed procedures with regards to the consolidated management report, the statement on corporate governance of the Group, the consolidated non-financial statement and the consolidated report on payments to Governments. Such procedures, 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)", are additional to those required under IAS. These procedures refer to testing the existence, form and content of this additional information 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 (3) and (4) 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 consolidated management report for the financial reporting year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements;
b) The consolidated 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 of the Group for the financial reporting year for which the consolidated financial statements have been prepared provide 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 consolidated non-financial statement for the financial reporting year for which the consolidated financial statements have been prepared is provided and has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act;
e) The consolidated report on payments to Governments for the financial reporting year for which the consolidated financial statements have been prepared is provided and has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100 (n), paragraph 10 in conjunction with Art. 100 (n), paragraph 8 (3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about the Group's activity and the environment in which it operates, the description of the main

characteristics of the Group's internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated 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.

Reporting on compliance of the electronic reporting format of the consolidated financial statements, included in the annual consolidated financial statements for the activities under Art. 100 (n), paragraph 5 of POSA, with the requirements of the ESEF Regulation

We have performed an assurance engagement (an engagement to express reasonable assurance) on the compliance of the electronic format of the consolidated financial statements of "TRACE GROUP HOLD" PLC for the year ended 31 December 2021, attached in the electronic file "TRACE GROUP HOLD Reporting package.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 single electronic reporting format ("ESEF Regulation"). Our opinion is limited only to the electronic reporting format of the consolidated financial statements and does not cover the additional information, included in the annual consolidated financial statements for the activities under Art. 100 (n), paragraph 5 of POSA.

Description of the engagement's subject and the applicable criteria

The Management has prepared an electronic format of the consolidated financial statements of the Group for the year ended 31 December 2021, in compliance with the ESEF Regulation, in order to comply with the requirements of POSA. The rules for preparing consolidated financial statements in this electronic reporting format are stipulated in the ESEF Regulation and, in our opinion, have the characteristics of appropriate criteria for forming an opinion with reasonable assurance.

Responsibilities of the Management and those charged with governance

The Group's Management is responsible for complying with the requirements of the ESEF Regulation in preparing consolidated financial statements in an electronic XHTML format. Such responsibilities include the selection and application of appropriate mark-ups (iXBRL tags), using the ESEF taxonomy, as well as the introduction and endorsement of such internal control system as the Management deems as necessary for the preparation of annual consolidated financial statements of the Group in an electronic reporting format that are free from any material inconsistencies with the requirements of the ESEF Regulation.

Those charged with the governance, are responsible to monitor the preparation of the annual consolidated financial statements of the Group, including application of the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion, with reasonable certainty, as to whether the electronic reporting format of the consolidated financial statements complies with the requirements of the ESEF Regulation. To this end, we have implemented the "Guidelines on expressing an audit opinion on the implementation of the European Single Electronic Format (ESEF) for the 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)" and we have conducted an assurance engagement (an engagement to express reasonable assurance) in accordance with ISAE 3000 (amended) "Assurance Engagements, Other Than Audits or Reviews of Historical Financial Information" (ISAE 3000 (amended)). This standard requires us to comply with the ethical requirements, to plan and perform appropriate procedures, to obtain reasonable assurance whether the electronic format of the consolidated financial statements of the Group have been prepared, in all material respects, in compliance with the applicable criteria, disclosed hereabove. The nature, time and scope of the selected procedures depend on our professional judgement, including the risk assessment of significant inconsistencies with the requirements of the ESEF Regulation, regardless of whether such are a result of fraud or error.

Reasonable assurance is a high level of certainty, but it does not guarantee that an engagement, performed in compliance with ISAE 3000 (amended) shall always detect significant inconsistencies with the requirements, when such exist.

Quality control requirements

We apply the requirements of the International Quality Control Standard (IQCS) 1 and, respectively – maintain a thorough quality control system, including and documented policies and procedures on the adherence with the ethical requirements, the professional standards and the legal and regulatory requirements, applicable to the registered auditors in Bulgaria.

We comply with the ethical and independence requirements of the International Code of Ethics for Professional Accountants (including the International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), endorsed by IDES through the IFAA.

Summary of the activities performed

The planned and performed by us procedures aim to obtain reasonable assurance that the electronic format of the consolidated financial statements have been prepared, in all material respects, in accordance with the requirements of the ESEF Regulation. As part of assessing compliance with the ESEF Regulation' requirements regarding the electronic (XHTML) reporting format of the consolidated financial statements of the Group, we maintained professional scepticism and employed our professional judgement. We also:

- obtained understanding of the internal control and the processes, related with the application of the ESEF Regulation with regards to the consolidated financial statements of the Group and including the preparation of the consolidated financial statements of the Group in an XHTML reporting format and its mark-up in machine-readable language (iXBRL);
- reviewed whether the applied XHTML format is valid;
- reviewed whether the human-readable part of the electronic format of the consolidated financial statements corresponds to the audited consolidated financial statements;
- assessed the completeness of the markings in the consolidated financial statements of the Group using machine-readable language (iXBRL) in accordance with the ESEF Regulation requirements;
- assessed the appropriateness of the iXBRL mark-ups used, selected from the basic taxonomy, as well as the creation of an element of the extended taxonomy in accordance with the ESEF Regulation, when an appropriate element in the basic taxonomy is missing;
- assessed the appropriateness of the correlation (fixation) of the elements of the extended taxonomy in accordance with the ESEF Regulation.

We believe that the evidence that we obtained are appropriate and sufficient to ensure a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statements with the ESEF Regulation requirements

In our opinion, based on the procedures that we have performed, the electronic reporting format of the consolidated financial statements of the Group for the year ended 31 December 2021 that are part of the attached electronic file "TRACE GROUP HOLD Reporting package.zip" have been prepared, in all material respects, in compliance with the ESEF Regulation requirements.

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 consolidated financial statements of "TRACE GROUP HOLD" PLC for the year ended 31 December 2021. We were appointed by the General Meeting of Shareholders, held on 30 June 2021, for a period of one year;
- The audit of the Group's consolidated financial statements for the year ended 31 December 2021 is the first complete, continuous, statutory audit engagement, which we have conducted for this group.
- We hereby confirm that the audit opinion expressed is consistent with the additional report, submitted to the Audit Committee of "TRACE GROUP HOLD" PLC, 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 Group.
- 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 consolidated management report and / or the consolidated financial statements of the Entity, other than the performed audit.

Registered Auditor (CPA)

Kalin Apostolov

Digitally signed by Kalin Apostolov Apostolov

Date: 2022.05.02 21:12:44 +03'00'

02 May 2022

Sofia

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Independent Auditor's Report on the consolidated financial statements of "Trace Group Hold" PLC for the year ended 31 December 2021*, from Bulgarian to English language, consisting of *10 (ten) pages*, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator: .....

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