

„TRACE GROUP HOLD“ PLC

**CONSOLIDATED ANNUAL
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31.12.2018**

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 2018, the consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (IASs). 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 Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code) 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 judgment, 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
<i>Revenue from contracts with customers – Revenue from construction contracts Recognition and Measurement – (BGN 324 526 thousand, disclosed in the consolidated financial statements)</i> “Other disclosures” section Note 2.1.1 to the consolidated financial statements The Group’s revenue come from long-term construction contracts (contracts for building and construction works). These contracts often determine key stages of completion. The measurement of the contract’s income is affected by a variety of uncertainties that depend on the outcome of future events. That is why estimations and assumptions are necessary to be made regarding to: - Estimate of the expected loss from construction contracts and their correct reporting and recognition; - Estimate of the provisions for technical and trade risks related to future stages to be completed; The contract’s income are measured at fair value of the consideration received or receivable. Because of this we identified the recognition and evaluation of revenue and profit related to long-term contracts as key audit matter.	<i>In this field our audit procedures include:</i> • Review of the adequacy and consistency of the accounting policies, applied by the Group with regards to the reporting and measurement of the group’s income from construction contracts; • Tests of the effectiveness of key controls, related to the project management process and related to the operational control over the contract’s execution. • Review the accuracy of information, entered into a contract (input data, related with the contract’s reporting). Discussions of reports on the status and the stage of completion of the contract, and the execution within the next reporting period, with the Management and the technical personnel. • Review the adequacy and completeness of the disclosures.

Information Other than the Consolidated Financial Statements and the Auditor’s Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor’s report, comprises the consolidated management report, including the statement on corporate governance and the 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 other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as 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, 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 Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing 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 includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit, conducted in accordance with IASs, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with IASs, we exercise professional judgment 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 for 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 appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 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 IASs, described above in the "Information Other than the Consolidated Financial Statements and Auditor's Report Thereon" section, in relation to the consolidated management report, the statement on corporate governance, consolidated nonfinancial report and consolidated report on payments to governments, we have also performed procedures added to those required under IASs in accordance with the "Guidelines on new and expanded audit reports and communication by the auditor" of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA)". These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other 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 referring to the financial 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 corporate governance statement referring to the financial year for which the consolidated financial statements have been prepared provide the information required in accordance with the requirements of Chapter Seven of the Accountancy Act and Art. 100 (n), paragraph 8 of the Public Offering of Securities Act.
- d) The consolidated nonfinancial report referring to the financial year for which the consolidated financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act
- e) The consolidated report on payments to governments referring to the financial year for which the consolidated financial statements have been prepared is provided and 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, in our opinion, 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 any material misrepresentations.

Reporting in accordance with Art. 10 of Regulation (EU) No. 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 in connection with Art. 10 of Regulation (EU) No. 537/2014, we hereby additionally report the disclosed hereafter information.

- Zaharinova Nexia LTD was appointed as a statutory auditor of the consolidated financial statements of TRACE GROUP HOLD PLC for the year ended 31 December 2018. The auditing company was appointed by the General Meeting of Shareholders, held on 21.06.2018, for a period of one year.

- The audit of the Group's consolidated financial statements for the year ended 31 December 2018 is the second full, continuous statutory audit engagement for that group, carried out by Zaharinoва Nexia LTD.
- 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 hereby confirm that we have not provided the defined under Art. 64 of the Independent Financial Audit Act prohibited non-audit services.
- We hereby confirm that in conducting our audit we have remained independent from the Group.

Auditing company

“ZAHARINOVA NEXIA” LTD

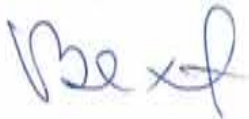
Manager:

Marina Krasteva



Registered auditor, responsible for the audit:

Dimitrina Zaharinoва



Sofia,

25.04.2019

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**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31.12.2018**

The Consolidated Financial Statements for the year ended 31.12.2018, pages 1 to 102, have been approved by the Managing Board and have been signed on behalf of "Trace Group Hold" PLC on 25 April 2019 by:

Executive Director:
Eng. Boyan Delchev



Compiler:
Boyan Hristov



**CONSOLIDATED MANAGEMENT REPORT AND
CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS
FOR THE YEAR ENDED AS AT 31.12.2018**

The Consolidated Management Report, pages 1 to 42, and the Consolidated Report on Payments to Governments, pages 1 to 2, have been approved by the Managing Board and have been signed on behalf of "Trace Group Hold" PLC on 25 April 2019 by:

Executive Director:
Eng. Boyan Delchev



	Note	31.12.2018 BGN'000	31.12.2017 * BGN'000
ASSETS			
Non-current assets			
Property, plant, machinery and equipment	1.1.	74 456	76 098
Investment property	1.2.	6 850	2 906
Non-current intangible asset	1.3.	1 398	1 524
Investments in joint ventures	1.4.	24	24
Non-current financial assets	1.5.	22	16
Investments recognized under equity method	1.6.	1 748	1 788
Non-current trade receivables	1.7.	8 969	10 336
Other non-current receivables and assets	1.8.	405	1 837
Deferred tax assets	1.9.	3 736	3 836
Goodwill	1.10.	-	447
Total non-current assets		97 608	98 812
Current assets			
Inventories	1.11.	7 964	9 206
Current trade receivables	1.12.	72 155	106 991
Other current receivables and assets	1.13.	6 925	10 320
Current financial assets	1.14.	113	1 787
Cash and cash equivalents	1.15.	36 407	36 484
Total current assets		123 564	164 788
Total assets		221 172	263 600

* The Company applied IFRS 9 and IFRS 15 for the first time on 1 January 2018. In accordance with the transition method chosen, comparative information is not restated, but is reclassified.

The notes on pages 7 to 102 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinoва Nexia Ltd.

Sofia, 25 April 2019



	Note	31.12.2018 BGN'000	31.12.2017 * BGN'000
EQUITY AND LIABILITIES			
Equity			
Share capital	1.16.1.	24 177	24 184
Registered capital		24 200	24 200
Shares redeemed		(23)	(16)
Share premium	1.16.2.	21 739	21 742
Translation reserve	1.16.3.	(798)	(558)
Reserves	1.16.4.	69 389	60 486
Financial result	1.16.5.	(13 624)	(8 079)
Accumulated profit / (loss)		(19 529)	(11 924)
Current year's profit / (loss)		5 905	3 845
Equity attributable to shareholders of the parent company		100 883	97 775
Non-controlling interests		335	340
Total equity		101 218	98 115
Non-current liabilities			
Non-current financial liabilities	1.17.	7 609	2 851
Non-current trade payables	1.18.	10 033	9 931
Non-current provisions	1.19.	677	627
Deferred tax liabilities	1.20.	1 003	919
Other non-current payables and liabilities	1.21.	1 128	1 231
Total non-current liabilities		20 450	15 559
Current liabilities			
Current financial liabilities	1.22.	2 942	3 427
Current trade payables	1.23.	76 873	122 133
Tax liabilities	1.24.	2 936	1 390
Employee benefits payables	1.25.	4 351	3 203
Current provisions	1.26.	6 772	11 901
Other current payables and liabilities	1.27.	5 630	7 872
Total current liabilities		99 504	149 926
Total equity and liabilities		221 172	263 600

* The Company applied IFRS 9 and IFRS 15 for the first time on 1 January 2018. In accordance with the transition method chosen, comparative information is not restated, but is reclassified.

The notes on pages 7 to 102 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinova Nexia Ltd.

Sofia, 25 April 2019



TRACE GROUP HOLD PLC
CONSOLIDATED INCOME STATEMENT for 2018

TRACE

	Note	2018 BGN'000	2017 * BGN'000
Income			
<i>Revenue from contracts with customers</i>	2.1.1.	346 572	309 399
Revenue from construction contracts		324 526	292 249
Revenue from finished products		10 564	8 559
Revenue from sales of goods		10 522	7 885
Revenue from sales of services		960	706
<i>Other operating income/(losses), net</i>	2.1.2.	5 303	5 141
<i>Financial income</i>	2.1.3.	711	1 614
Total Income		352 586	316 154
Expenses			
<i>Expenses per economic items</i>		(332 413)	(300 875)
Raw materials, materials and consumables	2.2.1.	(61 402)	(60 179)
Cost of external services	2.2.2.	(227 720)	(193 948)
Depreciation and amortisation costs	2.2.3.	(5 066)	(4 821)
Employee benefits	2.2.4.	(29 100)	(28 256)
Impairment of assets	2.2.5.	(4 047)	(1 746)
Other costs	2.2.6.	(5 078)	(11 925)
<i>Allowances</i>	2.2.7.	(10 844)	(8 339)
Net book value of assets disposed (excluding production)		(10 681)	(8 446)
Capitalised costs at assets		4	22
Changes in inventories of finished goods and work in progress		(108)	(78)
Other costs		(59)	163
<i>Finance costs</i>	2.2.8.	(2 665)	(2 270)
Total expenses, excluding tax expenses		(345 922)	(311 484)
<i>Gain/(Loss) from associates companies</i>	2.2.9.	2	3
Profit / (Loss) before income tax		6 666	4 673
<i>Tax expense</i>	2.2.10.	(733)	(802)
Current tax expense		(408)	(399)
Deferred tax changes		(325)	(403)
Profit / (Loss) from continuing operations		5 933	3 871
Profit / (Loss)		5 933	3 871
to shareholders of the parent company		5 905	3 845
to non-controlling interests		28	26

	2018 BGN	2017 * BGN
Primary Net Earnings per Share	0,25	0,16
from continuing operations	0,25	0,16

* The Company applied IFRS 9 and IFRS 15 for the first time on 1 January 2018. In accordance with the transition method chosen, comparative information is not restated, but is reclassified.

The notes on pages 7 to 102 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinoва Nexia Ltd.

Sofia, 25 April 2019

TRACE
ТРЕЙС ГРУП ХОЛДЪНГ
Финансов отчет,
върху който сме издали одиторски
доклад с дата:
25. 04. 2019
„Зехаринова Нексия ООД“
Zaharinoва Nexia Ltd.



	Note	2018 BGN'000	2017 * BGN'000
Profit / (Loss)		5 933	3 871
Other comprehensive income	2.3.1.	(185)	(86)
<i>Items that are not subject to subsequent reclassification in profit or loss, including:</i>			
Actuarial gains / (losses)		55	49
<i>Items that are not subject to subsequent reclassification in profit or loss, including:</i>			
Gains / (Losses) from translation of foreign currency		(240)	(135)
Total comprehensive income		5 748	3 785
to shareholders of the parent company		5 720	3 759
to non-controlling interests		28	26

* The Company applied IFRS 9 and IFRS 15 for the first time on 1 January 2018. In accordance with the transition method chosen, comparative information is not restated, but is reclassified.

The notes on pages 7 to 102 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinoва Nexia Ltd.

Sofia, 25 April 2019



	2018 BGN'000	2017 BGN'000
Cash flows from operating activities		
Proceeds from contractors	365 561	339 375
Payments to contractors	(312 568)	(306 800)
Net cash flows to personnel and social insurance contributions	(30 483)	(27 866)
Tax paid (excluding income tax)	(7 281)	(9 107)
Proceeds from tax (excluding income tax)	3 563	3 382
Income tax paid	(450)	(826)
Tax reimbursed	19	239
Payments under profit distribution	(2 075)	(1 177)
Payments of guarantees	(1 449)	(1 103)
Net foreign exchange gains / (losses)	(2)	(13)
Other cash flows from operating activities	(139)	(430)
Net cash flows from operating activities	14 696	(4 326)
Cash flows from investing activities		
Purchases from acquisitions of non-current assets	(5 797)	(5 621)
Proceeds from disposals of non-current assets	80	315
Payments under transactions with financial assets	(10)	(47)
Proceeds from sales of financial assets	3	-
Payments of loans granted	(250)	(13)
Proceeds from loans granted	317	81
Proceeds from interest on loans granted	13	-
Payments on deposits	-	(69)
Proceeds from deposits	-	85
Proceeds from cession contracts	-	18 874
Payments under cession contracts	(8 528)	(2 033)
Dividends received	6	-
Net Cash flows from investing activities	(14 166)	11 872
Cash flows from financing activities		
Payments for repurchases of shares and other capital instruments bought back in the entity	(37)	(41)
Payments for dividends	-	(451)
Proceeds under loans received	8 193	900
Payments under loans received	(7 411)	(2 698)
Payments of interest on loans received	(479)	(530)
Proceeds from deposits	128	-
Payments under finance lease	(956)	(895)
Net foreign exchange gains / (losses)	(9)	(11)
Other cash flows from financing activities	(12)	(48)
Net Cash flows from Financing activities	(583)	(3 774)
Net cash increase / (decrease) in cash and cash equivalents	(53)	3 472
Cash and cash equivalents as at 1 January	36 484	32 845
Translation reserve	6	167
Cash and cash equivalents as at 31 December	36 437	36 484

The notes on pages 7 to 102 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinova Nexia Ltd.

Sofia, 25 April 2019

TRACE
ТРЕЙС ГРУП ХОЛД ПЛС

Финансов отчет,
върху който сме издали одиторски
доклад с дата:

25. 04. 2019

„Зahariнова Нексия ООД“
Zaharinova Nexia Ltd.



	Share capital	Share premium	Translation reserve	General and other reserves	Accumulated profit / (loss)	Total Equity for the Group	Total Equity for Non-controlling interest	Total Equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as at 31.12.2016	24 199	21 744	(423)	59 399	(11 255)	93 864	352	94 216
Changes in equity for the financial reporting 2017	(15)	(2)	(135)	887	3 176	3 911	(12)	3 899
Other comprehensive income	-	-	(135)	-	49	(86)	-	(86)
Actuarial gains / (losses)	-	-	-	-	49	49	-	49
Translation of foreign activities	-	-	(135)	-	-	(135)	-	(135)
Profit / (loss) for the period	-	-	-	-	3 845	3 845	26	3 871
Total Comprehensive Income for 2017	-	-	(135)	-	3 894	3 759	26	3 785
Treasury shares	(15)	(2)	-	-	-	(17)	-	(17)
Profit distribution	-	-	-	951	(951)	-	-	-
Acquired/Disposed subsidiaries	-	-	-	-	227	227	-	227
Changes in a parent's ownership interest in a subsidiary without losing control	-	-	-	(64)	6	(58)	(35)	(93)
Other changes at equity	-	-	-	-	-	-	(3)	(3)
Balance as at 31.12.2017	24 184	21 742	(558)	60 486	(8 079)	97 775	340	98 115
Impact of the initial adoption of IFRS 9 and IFRS 15, net of taxes	-	-	-	-	(1 085) *	(1 085)	-	(1 085)
Balance as at 01.01.2018 (restated)	24 184	21 742	(558)	60 486	(9 164)	96 690	340	97 030
Changes in equity for the financial reporting 2018	(7)	(3)	(240)	8 903	(4 460)	4 193	(5)	4 188
Other comprehensive income	-	-	(240)	-	55	(185)	-	(185)
Actuarial gains / (losses)	-	-	-	-	55	55	-	55
Translation of foreign activities	-	-	(240)	-	-	(240)	-	(240)
Profit / (loss) for the period	-	-	-	-	5 905	5 905	28	5 933
Total Comprehensive Income for 2018	-	-	(240)	-	5 960	5 720	28	5 748
Treasury shares	(7)	(3)	-	-	-	(10)	-	(10)
Dividends	-	-	-	-	(1 529)	(1 529)	(18)	(1 547)
Profit distribution	-	-	-	8 903	(8 903)	-	-	-
Acquired/Disposed subsidiaries	-	-	-	-	-	-	-	-
Changes in a parent's ownership interest in a subsidiary without losing control	-	-	-	-	12	12	(15)	(3)
Balance as at 31.12.2018	24 177	21 739	(798)	69 389	(13 624)	100 883	335	101 218

* The Company applied IFRS 9 and IFRS 15 for the first time on 1 January 2018. In accordance with the transition method chosen, comparative information is not restated, but is reclassified.

The notes on pages 7 to 102 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm:
Zaharionova Nexia Ltd.

Sofia, 25 April 2019



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I. General information, accounting policies, baselines**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 in the Stara Zagora District Court, under company file №255/2005, entered in the Registry Agency with UIC: 123682269 and is domiciled, and has its address of registered office at: №12 "Nikola Obrazopisov" Str., 1408, Sofia.

The principal activity of the parent involves acquisition, management, valuation and sale of interests in Bulgarian and foreign entities, building and construction works, project management in the fields of high-rise building, road and railway construction, consulting services, trade activities and rental (sublease) of non-current assets.

Trace Group Hold PLC is a public company as per / in accordance with the Public Offering of Securities Act.

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

Subsidiaries

At 31.12.2018, subsidiaries of the Group are:

- TRACE – SOFIA LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the surrounding them infrastructure;
- TRACE – ROAD CONSTRUCTION JSC, SOFIA, BULGARIA – 99.86% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- 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 EOOD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Trade activities in Bulgaria and abroad, trade representation and trade intermediation;
- TRACE COMMERCE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC until its merger in Infra Commerce EOOD, Bulgaria on 04.04.2018.
Principal activity: Trade activities in Bulgaria and abroad, trade representation and trade intermediation;
- TRACE TRANS LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Transport activities, repairs and maintenance of transport vehicles, rental (sublease) of transport vehicles and complex transport services;
- USM JSC, STARA ZAGORA, BULGARIA – 99.69% owned by Trace Group Hold PLC
Principal activity: Rendering of services, by means of building mechanisation;
- TRACE PROPERTIES EOOD (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Travel and tourism, and trade activities in Bulgaria and abroad, hospitality, as well as all types of auxiliary services;
- TRACE PLOVDIV LTD, PLOVDIV, BULGARIA – 100% owned by Trace Group Hold PLC

Principal activity: Construction and reconstruction of roads and road facilities;

- TRACE SVILENGRAD LTD, SOFIA, BULGARIA – 60% owned by Trace – Sofia LTD and 40% owned by Trace – Road Construction JSC
Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the surrounding them infrastructure;
- METRO DRUZHBA LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Tunnel and bridge construction;
- TRACE SOP LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Road design and road construction;
- TRACE UKRAINE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Transport activities, maintenance and repairs of transport vehicles, rental (sublease) of transport vehicles;
- TRACE INTERNATIONAL LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Construction, trade in construction materials and products, trade activities in Bulgaria and abroad, trade representation and intermediation;
- TRACE SERBIA AD (JSC), NIS, SERBIA – 100% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of road and road facilities, current repairs and winter maintenance;
- TRACE PZP VRANJA OOD (LTD), VRANJA, SERBIA – 100% owned by Trace Group Hold PLC until its merger in Trace Serbia AD (JSC), Serbia on 02.08.2018
Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- VIOR VELIKA MORAVA JSC, BELGRADE, SERBIA – 100% owned by Trace International LTD
Principal activity: Design and supervision of water infrastructure projects and engineering activities;
- TRACE BALKANS LTD, BELGRADE, SERBIA – 100% owned by Trace International LTD
Principal activity: Construction of roads and highways;
- NEW BRIDGES EOOD (LTD), BELGRADE, SERBIA – 100% owned by Trace Balkans LTD until its merger in Trace Serbia AD (JSC), Serbia on 02.08.2018
Principal activity: Construction of road facilities;
- TRACE AL JUNAIBI LTD, THE SULTANATE OF OMAN – 70% owned by Trace International LTD
Principal activity: Construction, repairs and maintenance of roads, highways, airport landing strips and premises, trade of construction materials, services and equipment;

Entities and Alliances under the Law on Obligations and Contracts:

- METRO TRACE ALLIANCE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of Trace Group Hold PLC and 15% participation of Trace – Sofia LTD
Principal activity: Other specialised construction activities;
- METRO MLADOST ALLIANCE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of Trace – Road Construction JSC and 15% participation of Trace – Sofia LTD
Principal activity: Construction of roads, airport runways and sports fields;

- **TRACE HIGHWAY, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 75% participation of Trace Group Hold PLC and 10% participation of Trace – Road Construction JSC
Principal activity: Construction of roads, airport runways and sports fields;
- **TRACE – PLEVEN, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 51% participation of Trace Group Hold PLC and 49% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
- **TRACE – BG, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 51% participation of Trace Group Hold PLC and 49% participation of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
- **TRACE RODOPI, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 60% participation of Trace Group Hold PLC and 25% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
- **TRACE ENGINEERING, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 51% participation of Trace Group Hold PLC
Principal activity: Architectural and engineering activities, and technical consulting;
- **KARDZHALI, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 51% participation of Trace – Road Construction JSC and 49% participation of Trace Yambol JSC
Principal activity: Construction of roads, airport runways and sports fields;
- **KARDZHALI 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 52% participation of Trace – Road Construction JSC and 24% participation of Trace Yambol JSC
Principal activity: Construction of roads, airport runways and sports fields;
- **PSI – STROYINZHENERING, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 100% owned by Trace – Road Construction JSC
Principal activity: Winter maintenance and current road repairs;
- **STARA ZAGORA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 55% participation of Trace – Road Construction JSC
Principal activity: Construction of roads, airport runways and sports fields;
- **TRACE BOURGAS – CK-13 TRANSSTROY, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 55% participation of Trace – Road Construction JSC
Principal activity: Construction of electrical installations;
- **TRACE INJECT, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 60% participation of Trace Group Hold PLC and 40% participation of Trace – Sofia LTD
Principal activity: Construction of residential and non-residential buildings;
- **SOFIA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 52% participation of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;

- LOVECH 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace – Road Construction JSC
Principal activity: Construction of roads, airport runways and sports fields;
- EURO PARK 2011, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99% participation of Trace Yambol JSC
Principal activity: Overall construction works of buildings and construction facilities;
- HEMUS A2, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC
Principal activity: Construction of roads, airport runways and sports fields;
- TRACE SVOGE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
- TRACE VIA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95 % participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
- LOVECH 2011, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 100% participation of Trace – Road Construction JSC
Principal activity: Construction of roads, airport runways and sports fields;
- TRACE – APOLONIA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace – Road Construction JSC and 40% participation of Trace – Sofia LTD
Principal activity: Construction of other facilities, not classified elsewhere;
- TRACE RADNEVO 2012, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace Yambol JSC and 49% participation of Trace – Road Construction JSC
Principal activity: Construction of roads, airport runways and sports fields;
- TRACE SOP, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC and 20% participation of Trace – Road Construction JSC
Principal activity: Construction of roads, airport runways and sports fields;
- LYULIN TRACE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participation of Trace Group Hold PLC and 5% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
- METRO DRUZHBA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 98% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
- TRACE SLANCHEV BRYAG (TRANSL. SUNNY BEACH), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace Group Hold PLC and 30% participation of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
- TRACE 2012, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 65% participation of Trace – Road Construction JSC and 20% participation of Trace – SOFIA LTD

- Principal activity: Construction of highways, roads and airport runways;
- VITOSHA 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
 - TRACE – KORDEEL – PERNIK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
 - TRACE STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace – Sofia LTD and 30% participation of Trace – Road Construction JSC
Principal activity: Overall construction works of buildings and construction facilities;
 - TRACE OBHOD (TRANSL. BYPASS) VRATSA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Group Hold PLC and 10% participation of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
 - TRACE AIR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participation of Trace Group Hold PLC and 15% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
 - TRACE OBHOD (TRANSL. BYPASS) MONTANA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Group Hold PLC and 10% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
 - TRACE INFRAPERFECT – APRILTZI, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace – Road Construction JSC
Principal activity: Other business services, not classified elsewhere;
 - YAMBOL, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 67% participation of Trace Yambol JSC and 1% participation of Trace – Road Construction JSC
Principal activity: Other specialised construction activities, not classified elsewhere;
 - LYUBIMETS – 2013, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace Yambol JSC and 49% participation of Trace – Sofia LTD
Principal activity: Construction of residential and non-residential buildings;
 - SMOLYAN – YUG (TRANSL. SOUTH), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace Group Hold PLC and 10% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
 - TRAPEZITSA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
 - TRACE INFRA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participation of Trace Group Hold PLC and 20% participation of Trace – Road Construction JSC

- Principal activity: Construction of highways, roads and airport runways;
- PS 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
 - TMA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 65% participation of Trace – Road Construction JSC and 35% participation of Trace – Sofia LTD
Principal activity: Construction of other premises, which are not classified elsewhere;
 - TRACE VITOSHA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participation of Trace Group Hold PLC and 20% participation of Trace – Sofia LTD
Principal activity: Construction of highways, roads and airport runways;
 - TSARIGRADSKO, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
 - CHEPELARE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
 - TRACE PRIBOR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace Group Hold PLC, 19% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
 - PB – MARK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
 - MARKIROVKA (TRANSL. MARKING) 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace Group Hold PLC
Principal activity: Construction of highways, roads and airport runways;
 - SAMARA 2015, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace Group Hold PLC
Principal activity: Construction of other facilities, not classified elsewhere;
 - GABROVO CENTAR (TRANSL. CENTER), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
 - EE KYUSTENDIL BLOCK 27, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 91% participation of Trace – Sofia LTD
Principal activity: Construction of other facilities, not classified elsewhere;
 - EE KYUSTENDIL BLOCK 82 and BLOCK 83, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace – Sofia LTD
Principal activity: Construction of residential and non-residential buildings;
 - VIDELINA 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 75% participation of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;

- STARA ZAGORA 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Yambol JSC
Principal activity: Implementation of engineering – design activities and execution of building and construction works in connection to the realisation of the National Program for Energy Efficiency of Multifamily Residential Buildings (NPEEMRB) on the territory of the Municipality of Stara Zagora – multifamily residential building at No. 6, Slavyanski Blvd., Stara Zagora;
- HEMUS 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Yambol JSC
Principal activity: Construction, performance of engineering, design, copy right supervision;
- TRACE – ARCH, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 85% participation of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
- TRACE ALFA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participation of Trace – Sofia LTD
Principal activity: Construction of highways, roads and airport runways;
- ULITSI (TRANSL. STREETS) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participation of Trace Group Hold PLC and 20% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and airport runways;
- TOPOLOVGRAD 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participation of Trace Yambol JSC and 5% participation of Trace – Road Construction JSC
Principal activity: Construction works – laying of road markings;
- STARA ZAGORA 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Yambol JSC
Principal activity: Design and execution of building and construction works in connection to the realisation of the National Program for Energy Efficiency of Multifamily Residential Buildings (NPEEMRB);
- HEMUS 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Yambol JSC
Principal activity: Construction, performance of engineering, design, copy right supervision;
- TRACE – ARCH, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 85% participation of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
- EE 32 – 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Yambol JSC
Principal activity: Investment project activities on buildings;
- EE LUKOVIT, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participation of Trace Sofia LTD
Principal activity: Construction of residential and non-residential buildings;
- ZGORIGRAD, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Group Hold PLC
Principal activity: Construction of residential and non-residential buildings;

- GRADSKA SREDA (TRANSL. URBAN ENVIRONMENT) PLEVEN, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participation of Trace Group Hold PLC and 20% participation of Trace – Road Construction JSC
Principal activity: Other finishing building and construction works;
- PIRGOS 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participation of Trace – Road Construction JSC
Principal activity: Other finishing building and construction works;
- ZDRAVE (TRANSL. HEALTH) 2015, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participation of Trace Yambol JSC and 30% participation of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and railway runways;
- ZELENA SREDA (TRANSL. GREEN ENVIRONMENT), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 93% participation of Trace Yambol JSC
Principal activity: Construction of highways, roads and railway runways;
- INZHENERING (TRANSL. ENGINEERING) 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participation of Trace Yambol JSC
Principal activity: Construction, performance of engineering, design, copy right supervision;
- INZHENERING (TRANSL. ENGINEERING) 2017, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participation of Trace Yambol JSC
Principal activity: Construction, performance of engineering, design, copy right supervision;
- ZHELEZOPATNA INFRASTRUKTURA (TRANSL. RAILWAY INFRASTRUCTURE), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50.5% participation of Trace Group Hold PLC
Principal activity: Construction of underground and over ground rail ways;

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

Changes in the corporate name, the principal activity and the representatives of "Trace Holiday" LTD have been entered in the Commercial Register on 01.02.2018. The new corporate name of the entity is "Trace Properties" EOOD (LTD). The principal activity is: real estate management, as well as all types of auxiliary services, and any other services that are not prohibited by the Laws. Yanko Petkov Yanchev is representative of the entity.

"Trace Commerce" LTD has been restructured by merger into the receiving subsidiary "Infra Commerce" EOOD in accordance with the provisions of Article 262 and the following of the Commercial Act. As a result of the merger, all assets of the merging entity have been passed to the receiving entity, and the merging entity has been terminated without liquidation proceedings. In accordance with Article 263 (g), paragraph 1 of the Commercial Act, "Trace Commerce" LTD terminates as a separate legal entity and "Infra Commerce" EOOD becomes its universal successor, effective as of 04.04.2018. All assets and liabilities of "Trace Commerce" LTD have been passed to "Infra Commerce" EOOD.

A branch of "Trace Group Hold" PLC in Skopje was registered in the Central Register of the Republic of North Macedonia on 03.05.2018. The principal activity of "Trace Group Hold" PLC – Skopje branch is: design, construction, reconstruction of roads, road facilities and road infrastructure, railway infrastructure, underground construction and others.

"Trace Group Hold" PLC registered a branch of the entity in Kiev – "Trace Group Hold" PLC - Kiev branch – in the Ukrainian Ministry of Economic Development and Trade, with Registration № GII – 5367, on 18.07.2018. The principal activity of the branch is: design, construction, reconstruction of roads, road facilities and road infrastructure; design, construction, reconstruction, furnishing, refurbishment of commercial and residential construction sites; trade representation and trade intermediation; and other activities, not prohibited by the laws; commercial transactions and services; intra-trade transactions of the above stated types.

A restructuring through the merger of "Trace PZP Vranja" EOOD (LTD) and "New Bridges" LTD into "Trace PZP Vranja" AD (JSC), all subsidiaries of "Trace Group Hold" PLC, was entered in the Register of the Republic of Serbia on 02.08.2018. The corporate name of "Trace PZP Nis" AD (JSC) is changed to "Trace Serbia" AD (JSC). The capital of "Trace Serbia" AD (JSC) increases upon the merger by increase in the nominal value of shares and amounts to 969,539,255,5 Serbian Dinars, distributed among 591 527 shares at nominal value 1.639,044303 Serbian Dinars each. "Trace Group Hold" PLC holds 591 526 shares and "Trace Balkans" EOOD (LTD) owns 1 share. "Trace Serbia" AD (JSC) is managed by a Board of Directors, comprised of Teodor Odrinski – Chairman, Predrag Spasov – Executive Director, Stoyko Meshkov – Executive Director, Krasimira Mihaylova – Member and Yanko Yanchev – Member.

Changes in the circumstances of "Trace Group Hold" PLC were entered in the Commercial Register, kept by the Registration Agency, on 09.10.2018. Miroslav Manolov was dismissed as a member of the Managing Board and as an Executive Director. Ms Desislava Ivanova Lyubenova was appointed as a Member and Chairman of the Managing Board of "Trace Group Hold" PLC.

Joint Ventures

At 31.12.2018, joint venture of the Group is:

- **TRACE – M INVEST, GERMANY** – 50% participation of Trace Group Hold PLC
Principal activity: Specialised building works, related with the construction and repairs of highways, engineering facilities, high class roads and others;

Associates

At 31.12.2018, associates of the Group are:

- **TECHNOSTROY – INZHENERING 99 AD, BULGARIA** – 33% participation of "Trace Group Hold" PLC
Principal activity: Construction, repairs and maintenance of roads and road facilities;
- **REDKO TRACE INTERNATIONAL, QATAR** – 49% participation of Trace International LTD
Principal activity: Construction of buildings, roads, bridges, railway and metro (subway) lines;
- **VODEN PROEKT (TRANSL. WATER PROJECT) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA** – 30% participation of Trace Group Hold PLC and 4% participation of Trace – Road Construction JSC
Principal activity: General construction of buildings and construction facilities;

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.

At 31.12.2018, the ownership is distributed as follows:

	%
Nikolay Mihaylov	66,97%
Galini – N LTD	9,00%
Trace Group Hold PLC (repurchased treasury shares)	0,02%
Other individuals and legal entities	24,01%
	100,00%

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

Members of the Supervisory Board (SB) at 31.12.2018:

Nikolay Mihaylov	Chairman
Manol Denev	Member
Anton Donchev	Member

Members of the Managing Board (MB) at 31.12.2018:

Desislava Lyubenova	Chairman
Boyan Delchev	Member
Rositsa Dineva – Georgieva	Member

As at 31.12.2018, the parent is represented and managed by the Executive Director Eng. Boyan Delchev.

Members of the Audit Committee (AC) at 31.12.2018:

Boyka Georgieva	Chairman
Hristina Nikolova	Member
Hristo Hristov	Member

1.2. Other information

Compiler of the financial statements: Boyan Hristov

Lawyers: Tsvetelina Angelova

Auditor: Zaharinova Nexia LTD

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

At the date of these consolidated annual financial statements, the average number of personnel, employed within the Group, amounts to 1 163 workers and employees (2017: 1 415 workers and employees).

2. Accounting policies

2.1. Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union Committee. These include International Accounting Standards (International Accounting Standards (IAS)), International Financial Reporting Standards (International Financial Reporting Standards (IFRS)) and Interpretations for their implementation (SIC – IFRIC interpretations).

The International Financial Reporting Standards include and the subsequent amendments and supplements to existing Standards and Interpretations, as well as future Standards and Interpretations developed by the International Accounting Standards Board (International Accounting Standards Board (IASB)).

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

2.2. Going concern

The financial statements of the Group for the year ended at 31 December 2018 have been prepared on a going concern basis.

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 /note 2.4/.

The Group applies the following new Standards, amendments to existing Standards and Interpretations to IFRS, developed and published by the International Accounting Standards Board that have an effect on the financial statements of the Group and are mandatory for annual periods beginning on 01 January 2018:

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 01 January 2018)

The Standard aims at improving the accounting and reporting of financial instruments by eliminating the weaknesses that arose in this respect during the financial crisis. In particular, IFRS 9 has been developed and endorsed in response to calls for a more forward-looking model for the recognition of the expected credit loss model (accounting for expected credit losses on financial assets).

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 01 January 2018)

The development and endorsement of this Standard aims at improving revenue recognition and the comparability of financial statements globally.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 01 January 2018)

The project aims to clarify the guidelines, provided in the Standard on matters that arose in the course of its discussion.

IFRS 9 Financial Instruments and IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 01 January 2018)

The project aims to address the temporary consequences of the different effective dates for IFRS 9 and IFRS 4, providing for exemptions for insurers.

Annual Improvements to IFRSs 2014 – 2016 cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards (effective for annual periods beginning on or after 01 January 2018)

The project is part of the Annual Improvements to IFRS 2014 – 2016 cycle and aims to delete some of the short-term exceptions in the Standard that have fulfilled their purpose.

IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 01 January 2018)

The project is part of the Annual Improvements to IFRS 2014 – 2016 cycle and aims to clarify the provided exemption to the requirement of applying uniform accounting policies, applicable for investments held by an investment company.

Other Amendments and Interpretations:

IFRS 2 Share-based Payment (effective for annual period beginning on or after 01 January 2018)

The project to amend the Standard unites three amendment initiatives for share-based payment in non-market vesting conditions and accounting for a modification of an agreement that changes the classification of the transaction from cash-settled to equity-settled.

IAS 40 Investment Property (effective for annual period beginning on or after 01 January 2018)

The project aims to clarify the Standard's requirements on transfers to, or from, investment properties.

IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 01 January 2018)

The Interpretation defines the requirements on the exchange rate used when accounting for receipts of advance considerations that are denominated in a foreign currency.

Standards, Amendments and Interpretations to existing Standards that are not yet effective and are not applied by the Group from an earlier date

At the date of approval and authorisation of these financial statements, some new Standards, Amendments and Interpretations to existing Standards have been published but are not yet effective and have not been applied by the Group from an earlier date.

IFRS 16 Leases (effective for annual periods beginning on or after 01 January 2019)

The project aims to develop a new Leases Standard so that both parties, lessors and lessees, can provide relevant information that faithfully represents the transactions concluded between them.

IFRS 9 Financial Instruments (effective for annual periods beginning on or after 01 January 2019)

The amendments allow certain financial assets to be measured at amortised cost.

IFRIC 23 Uncertainty over Income Tax Treatments (effective for annual period beginning on or after 01 January 2019)

The Interpretation contains requirements to improve the appropriateness and transparency of accounting for uncertain tax effects and to facilitate the assessment and comparability of financial information.

Annual improvements and Standards that are effective for future periods, but have not yet been adopted by the EU:

IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 01 January 2021)

The project aims to create a uniform Standard, including all principles, so that it is applicable to all insurance and reinsurance contracts, thereby improving comparability between companies, jurisdictions and markets.

IAS 28 Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 01 January 2019)

The project aims to clarify the exemptions under IFRS 9 from applying the equity method to measure investments in associates and joint ventures.

Annual Improvements to IFRSs 2015 – 2017 cycle

IFRS 3 Business Combinations (effective for annual periods beginning on or after 01 January 2019)

The amendments clarify the requirements for assessment when obtaining control of a business that was previously a joint operation.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 01 January 2019)

The amendments clarify the requirements for assessment when obtaining joint control of a business that was previously a joint operation.

IAS 12 Income Taxes (effective for annual periods beginning on or after 01 January 2019)

The amendments clarify the accounting for income tax consequences of dividends.

IAS 23 Borrowing Costs (effective for annual periods beginning on or after 01 January 2019)

The amendments clarify the requirements for the time to suspend capitalisation of borrowing costs, when the asset to which they relate is in the intended condition.

Other Amendments and Interpretations:

IAS 19 Employee Benefits (effective for annual periods beginning on or after 01 January 2019)

The amendments clarify the accounting for a plan amendment, curtailment or settlement.

IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (IASB suspended the effective date of these changes indefinitely)

Amendments to the Conceptual Framework in IFRS for Standards issued after 29 March 2018

IFRS 3 Business Combinations (effective for annual periods beginning on or after 01 January 2020)

The amendments narrow and clarify the definition of “business”. They also permit a simplified assessment of whether an acquired set of activities and assets is “a group of assets” rather than “a business”.

IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020)

The amendments clarify and align the definition of “material” and provide guidelines to help improve consistency in the application of that concept.

2.4. Disclosure on initial adoption

Classification of financial assets and effect of transition to IFRS 9 - Financial Instruments: Classification and Measurement

IFRS 9 becomes effective and is mandatory for application to financial statements for the year beginning on or after 01 January 2018.

The Group has reviewed its financial assets and liabilities for effects on their classification under the new Standard, effective as of 01 January 2018, and there are no financial assets whose classification has changed as a result of the adoption of IFRS 9 compared with their classification under IAS 39. The entity does not have any financial assets and financial liabilities designated as measured at fair value through profit or loss in accordance with IAS 39 and reclassified to another category under IFRS 9. The entity retains the classification of the financial assets measured at amortised cost, performing also classification accuracy tests in accordance with IFRS 9 and the entity does not have any financial assets and liabilities that are classified as measured at fair value on the transition.

On the introduction of IFRS 9 Financial Instruments, the Group has applied for the first time the exemptions (relieves) on its initial adoption, applying the requirements of the Standard on the financial instrument contracts that have been established on 01.01.2018.

Type of instrument	Category, in accordance with IAS 39	Category, in accordance with IFRS 9	Effect of transition (BGN' 000)
Financial assets			
Loan receivables	Loans and receivables	Financial assets measured at amortised cost	(101)
Other receivables	Loans and receivables	Financial assets measured at amortised cost	(255)
Trade receivables	Loans and receivables	Financial assets measured at amortised cost	(828)
Cash and deposits	Loans and receivables	Financial assets measured at amortised cost	(31)
Total financial assets			(1 215)
Financial liabilities			
Financial guarantee contracts	Financial liabilities measured at amortised cost	Financial liabilities measured at amortised cost	9
Total financial liabilities			9
Tax effect			139
Total effect			(1 085)

The reference correlation between the classifications of the Group's financial assets and liabilities under IFRS 9 and IAS 39 is presented in the table hereafter:

Before reclassification as at 01.01.2018		After reclassification as at 01.01.2018	
Item, heading	Carrying amount (BGN '000)	Item, heading	Carrying amount (BGN '000)
Non-current assets			
Non-current trade and other receivables		Non-current trade and other receivables	
Receivables from related parties outside the group (net)		Receivables from related parties outside the group (net)	

Sales receivables	4 975	Contract receivables from contracts with customers	4 975
		Contract assets from contracts with customers	
		Operating lease receivables	
		Other trade receivables	
	4 975		4 975
Non-current trade and other receivables		Non-current trade and other receivables	
Sales receivables (net)			
Sales receivables	5 361	Contract receivables from contracts with customers	5 361
		Contract assets from contracts with customers	
		Operating lease receivables	
		Other trade receivables	
	5 361		5 361
Non-current trade and other receivables		Other non-current receivables and assets	
Other non-current receivables		Other non-current receivables and assets (net)	
Guarantees / bonds issued and deposits placed	328	Guarantees / bonds issued and deposits placed	328
Advance payments	382	Advance payments	382
Other receivables	6 368	Other receivables	6 368
Impairment of other receivables	(5 241)	Impairment of other receivables and assets	(5 241)
	1 837		1 837
Non-current trade and other receivables – total	12 173	Non-current trade receivable – total	10 336
		Other non-current receivables and assets – total	1 837
Total	12 173	Total	12 173
Current assets			
Current trade and other receivables		Current trade receivables	
Receivables from related parties outside the group (net)		Receivables from related parties outside the group (net)	
Sales receivables	17 927	Contract receivables from contracts with customers	17 927
		Assets receivables from contracts with customers	
		Operating lease receivables	
		Other trade receivables	

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	17 927		17 927
Advance payments receivables	10 825	Advance payments receivables	10 825
	10 825		10 825
Current trade and other receivables		Other current receivables and assets	
Receivables from related parties outside the group (net)		Receivables from related parties outside the group (net)	
Dividends receivables	331	Dividends receivables	331
	331		331
Current trade and other receivables		Current trade and other receivables	
Sales receivables (net)			
Sales receivables	67 876	Contract receivables from contracts with customers	67 876
		Contract assets from contracts with customers	
		Operating lease receivables	
		Other trade receivables	
	67 876		67 876
Impairment of sales receivables	(232)	Impairment of contract receivables from contracts with customers	(232)
		Impairment of contract assets from contracts with customers	
		Impairment of operating lease receivables	
		Impairment of other receivables	
	(232)		(232)
Current trade and other receivables		Current trade receivables	
Advance payments receivables (net)		Advance payments receivables (net)	
Advance payments receivables	10 621	Advance payments receivables	10 621
Impairment of advance payments receivables	(26)	Impairment of advance payments receivables	(26)
	10 595		10 595
Current trade and other receivables		Other current receivables and assets	
Litigations receivables (net)		Litigations receivables (net)	
Litigations receivables	4 266	Litigations receivables	4 266
Impairment of litigations receivables	(2 291)	Impairment of litigations receivables	(2 291)
	1 975		1 975
Current trade and other receivables		Other current receivables and assets	
Social insurance receivables		Social insurance receivables	

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Social insurance	27	Social insurance	27
	27		27
Current trade and other receivables		Other current receivables and assets	
		Other current receivables and assets	
Dividends receivables	6	Dividends receivables	6
Other current receivables			
Guarantees / bonds issued and deposits placed	908	Guarantees / bonds issued and deposits placed	908
Insurance receivables	25	Insurance receivables	25
Advance payments	1 489	Advance payments	1 489
Other receivables	398	Other receivables	398
Impairment of other receivables	(16)	Impairment of other receivables	(16)
	2 810		2 810
Taxes recoverable		Other current receivables and assets	
		Taxes recoverable, including:	
Value Added Tax	4 944	Value Added Tax	4 944
Corporate income tax	229	Corporate income tax	229
Other taxes	4	Other taxes	4
	5 177		5 177
Current trade and other receivables – total	112 134	Current trade receivables – total	106 991
Taxes recoverable	5 177	Other non-current receivables and assets – total	10 320
Total	117 311	Total	117 311

Before reclassification as at 01.01.2018		After reclassification as at 01.01.2018	
Item, heading	Carrying amount	Item, heading	Carrying amount
	(BGN '000)		(BGN '000)
Non-current liabilities			
Non-current trade and other payables		Non-current trade payables	
Payables to related parties outside the group (net)		Payables to related parties outside the group (net)	
Supply payables	1 420	Supply payables	1 420
	1 420		1 420
Non-current trade and other payables		Non-current trade payables	
Supply payables	8 511	Supply payables	8 511

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	8 511		8 511
Non-current trade and other payables		Other non-current payables and assets	
Deposits and bonds payables	159	Deposits and bonds payables	159
Concessions payables	1 072	Concessions payables	1 072
	1 231		1 231
Non-current trade and other payables – total	11 162	Non-current trade payables – total	9 931
		Other non-current payables and liabilities – total	1 231
Total	11 162	Total	11 162
Current liabilities			
Current trade and other payables		Current trade payables	
Payables to related parties outside the group (net)		Payables to related parties outside the group (net)	
Supply payables	18 501	Supply payables	18 501
Advances received payables	20 335	Contract liabilities from contracts with customers	
		Advances received payables	20 335
	38 836		38 836
Current trade and other payables		Current trade payables	
Supply payables	66 944	Supply payables	66 944
Advances received payables	16 353	Contract liabilities from contracts with customers	
		Advances received payables	16 353
	83 297		83 297
Current trade and other payables		Other current payables and liabilities	
Payables to related parties outside the group (net)		Payables to related parties outside the group (net)	
Deposits and bonds payables	810	Deposits and bonds payables	810
Dividends payables	3 819	Dividends payables	3 819
Other payables	10	Other payables and liabilities	10
	4 639		4 639
Current trade and other payables		Other current payables and liabilities	
Deposits and bonds payables	453	Deposits and bonds payables	453
Insurance payables	80	Insurance payables	80
Concessions payables	108	Concessions payables	108
Dividends payables	174	Dividends payables	174

Other payables	2 418	Other payables and liabilities	2 418
	3 233		3 233
Current trade and other payables – total	130 005	Current trade payables – total	122 133
Grants obtained – total	-	Other non-current payables and liabilities – total	7 872
Total	130 005	Total	130 005

Prior transitional disclosures in the year of initial adoption of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 provides a single model to be applied by entities in the accounting of revenue from contracts with customers. IFRS 15 replaces all previous revenue recognition principles – IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations.

The core principle of IFRS 15 requires, when transferring goods or services to customers, revenue to be recognised in an amount that reflects the consideration which the entity expects to be entitled in exchange for those goods or services. More specifically, the Standard delivers a five-step model framework for revenue recognition:

Step 1: Identify the contract(s) with customers;

Step 2: Identify performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Determine the transaction price and the amounts allocated to performance obligations in the contract;

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

In accordance with IFRS 15, the entity recognises revenue when (or as) the entity satisfies a performance obligation, i.e. when control over the goods or services, covered by the specific performance obligation, is passed to the customer.

IFRS 15 provides and very detailed guidelines on the accounting treatment of specific scenarios, as well as requirements for detailed disclosures.

The group identifies that only construction contracts fall within the scope of this Standard with regards to revenue recognised over time (i.e. on a percentage of completion). The group has analysed the recognition of revenue from construction contracts. This analysis includes the identification of performance obligations under the respective contracts and their periodicity. The value of the performance obligations under construction contracts is fixed and can be determined accurately. Revenue from construction contracts is recognised in so far as the services are consumed by the customer and / or an asset, controlled by the customer, is being created or enhanced, i.e. the performance obligations are satisfied over time. Other revenue relates to sales of goods or services, the performance obligations of which are typically satisfied at a certain point in time, and to routine and recurring services, under which the customer receives and consumes the benefits in series – the performance obligations are satisfied over time.

On the initial adoption of IFRS 15, the entity has not identified any contracts with customers, containing a significant financing component that would require adjustments of already recognised revenue and results.

The reference correlation between the classification of revenue in the Group is illustrated in the table hereafter:

Before reclassification as at 01.01.2018		After reclassification as at 01.01.2018	
Item, heading	Amount	Item, heading	Amount
	(BGN '000)		(BGN '000)
Sales revenue		Revenue from contracts with customers	
Sales of services, including:		Revenue from construction contracts, including:	
Building and construction works	292 249	Revenue, recognised within the period	292 249
		<i>Including by decreasing the opening balances of contract liabilities</i>	10 947
		Under already satisfied performance obligations	
	292 249		292 249
Sales of output, including:		Sales of output, including:	
Sales of asphalt mixtures	6 002	Sales of asphalt mixtures	6 002
Sales of aggregates	2 498	Sales of aggregates	2 498
Sales of concrete and lime solutions and SBE	15	Sales of concrete and lime solutions and SBE	15
Sales of emulsions	5	Sales of emulsions	5
Sales of mineral powder	3	Sales of mineral powder	3
Sales of others	36		36
	8 559		8 559
Revenue from sales of goods, including:		Revenue from sales of goods, including:	
Sales of machines and equipment	50	Sales of machines and equipment	50
Sales of fuel and oil	1 778	Sales of fuel and oil	1 778
Sales of reinforcing iron	1 422	Sales of reinforcing iron	1 422
Sales of aggregates and sand	10	Sales of aggregates and sand	10
Sales of salt	1 262	Sales of salt	1 262
Sales of railway materials	754	Sales of railway materials	754
Sales of bitumen	1 591	Sales of bitumen	1 591
Sales of concrete, cement	396	Sales of concrete, cement	396
Other sales	622	Other sales	622
	7 885		7 885
Revenue from sales of services, including:		Revenue from sales of services, including:	
Commissions		Commissions	
Services with mechanisation	254	Services with mechanisation	254
Transport services	211	Transport services	211
Laboratory services	69	Laboratory services	69
Consulting services	10	Consulting services	10

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Design services	19	Design services	19
Other services	143	Other services	143
	706		706
Sales revenue		Other revenue	
Other revenue, including:		Revenue from sales of materials	
Revenue from sales of materials	1 103	Revenue from sales of materials	1 103
	1 103		1 103
Sales revenue		Other revenue	
Other revenue, including:			
Rental income	377	Operating lease revenue	377
Sales of industrial waste	37	Sales of industrial waste	37
Insurance claims received	73	Insurance claims received	73
Surpluses of inventories	22	Surpluses of inventories	22
Penalties	96	Penalties	96
Payables written-off	387	Payables written-off	387
Reversed provisions under contracts for building and construction works	1 348	Reversed provisions under contracts for building and construction works	1 348
Reversed impairment of receivables	13	Reversed impairment of receivables	13
Writs and compensations awarded	173	Writs and compensations awarded	173
Reversed litigation provisions	712	Reversed litigation provisions	712
Unutilised provisions written-off	229	Unutilised provisions written-off	229
Others	333	Other revenue (net)	333
	3 800		3 800
		Other revenue	
Gains / (Losses) on disposals of non-current assets		Gains / (Losses) on disposals of non-current assets	
Gains on disposals of non-current assets	471	Gains on disposals of non-current assets	471
Book value of the assets disposed	(233)	Book value of the assets disposed	(233)
	238		238
Sales revenue – total	314 302	Revenue from contracts with customers	309 399
Gains / (Losses) on disposals of non-current assets	238	Other revenue	5 141
Total	314 540	Total	314 540

2.5. Prior disclosure before initial adoption

Prior disclosure in the year, preceding the initial adoption of IFRS 16 – Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their accounting treatment by lessors and lessees. The Standard replaces the existing principles of accounting for leases, including IAS 17 Leases and the related Interpretations.

IFRS 16 distinguishes between leases and service contracts on the basis of whether there is an identified asset, controlled during its use. The distinction between operating leases (off-balance sheet) and finance lease (on-balance sheet) is eliminated in the lessee's accounts and replaced by a model whereby the leased asset and the related liabilities should be recognised for all leases by the lessee (i.e. on-balance sheet), with the exception of short-term leases and leases of low value assets.

A qualifying asset is initially measured at its purchase price and subsequently – at acquisition cost (with some exceptions) less accumulated depreciation and impairment losses, adjusted for each reassessment of the lease liability. The lease liability is initially measured at the present value of the lease payments due at that date. The lease liability is subsequently adjusted by interest and lease payments, as well as by the effect of changes in the lease agreements. In addition, the cash flow classification shall also be affected as under IAS 17 payments under operating leases are included in cash flows from operating activities, whereas under the IFRS 16 model, lease payments shall be split into principal and interest payments that will be presented as cash flows from financing and operating activities, respectively.

Unlike the requirements for accounting treatment by lessees, IFRS 16 in fact transfers the accounting and reporting requirements to the lessor in accordance with IAS 17 and requires the lessor to classify the lease as either operating lease or finance lease, respectively.

IFRS 16 is effective for the financial reporting year beginning on 1 January 2019. The Group has decided not to apply it as of an earlier date. The Group has adopted the modified retrospective method of adoption of the new requirements of the Standard as of 01.01.2019. The comparative information for the financial reporting period preceding the initial adoption (2018) shall not be restated.

The effects of changes in the accounting policies from the introduction of IFRS 16 are presented hereafter:

Type of assets	Category in accordance with IFRS 16	As at 01.01.2019		
		Carrying amount of assets (BGN '000)	Lease payments	
			Present value (BGN '000)	Gross value (BGN '000)
Motor vehicles (cars)	Transport vehicles	212	212	232
Motor vehicles (cars)	Transport vehicles	24	24	27
Office, production and residential space	Buildings	94	94	99
Office, production and residential space	Buildings	1 248	1 248	1 367
Total rights to use non-current assets		1 578	1 578	1 725
Tax effect		158		
Total effect		158		

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

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

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

The functional currency of the entities of the Group in Bulgaria and the presentation currency of the Group is the Bulgarian Lev(a) (BGN). The Bulgarian Lev is fixed, under the BNB Law, to the Euro in a ratio BGN 1.95583:EUR 1.

Translations of foreign activities from functional to presentation currency are carried out in accordance with IAS 21 – Effects of Changes in Foreign Exchange Rates.

2.7. Comparative information

In these consolidated financial statements, the Group presents comparative information for one prior financial year.

When necessary, comparative information is reclassified (and restated) to achieve comparability with changes in the presentation for the current reporting period.

The effects of adjustments, resulting from the initial adoption of IFRS 9 and IFRS 15, are presented in the balance of retained earnings at the beginning of the period – 01.01.2018.

Financial instruments and revenue in the entity's Statement of Financial Position and Statement of Comprehensive Income as at 31.12.2017, included in the comparative information for the current period, are recognised and measured in accordance with the IFRSs, effective until 01.01.2018 – IAS 39 and IAS 11, IAS 18 and the related Interpretations (SIC and IFRIC), respectively. Detailed disclosures on the accounting policies for the recognition and measurement of financial instruments and revenue, until and as at 31.12.2017, are presented in the entity's published financial statements as at that date.

2.8. 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 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 an opportunity to influence the amount of that return by virtue of its powers over the investee.

Trace Group Hold PLC, Bulgaria, is the parent.

Subsidiary

A subsidiary is an entity, or other 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 consolidate 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.

Joint venture

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

The joint venture is included in the consolidated financial statements of the Group by applying the equity method – from the date on which the 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.

Associate

Associates are entities over which the Group has significant influence, evidenced by the power to participate in the decision making related to the financial and operating policies of the entity in which the Group has invested (investee), but without exercising control or joint control of those policies. Usually, 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, as to recognise the investor's share in the profit or loss of the associate, after the acquisition date. The Group's share in the profit or loss of the associate is recognised in the Consolidated Statement of Comprehensive Income, 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's 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. Where needed, the accounting policies of associates are amended in accordance with the accounting policies, adopted by the Group.

2.9. 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 as 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 by adopting uniform accounting policies.

2.9.1. 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 unified accounting policies. 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 in the fair value of all identifiable assets acquired, liabilities assumed and the contingent liabilities of each of the respective subsidiaries, determined (based on the share) under the proportional method (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.

2.9.2. Business combinations

All business combinations are accounted for by applying the acquisition method, which requires recognising the acquired entity's (acquiree's) identifiable assets and liabilities assumed, including the contingent liabilities, regardless of whether such were recognised in the financial statements of the acquiree before the business combination or not. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the Consolidated Statement of Financial Position at their fair value at acquisition, which, in conformance with the Group's accounting policy, serves as a basis for subsequent measurement. Goodwill is recognised after identifying all identifiable intangible assets and it represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired entity at acquisition date. Any excess of the identifiable net assets over the acquisition cost is recognised in profit or loss immediately after the acquisition.

2.9.3. Sale of subsidiaries

In sale, or other form 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 of loss of control, including all components of other comprehensive income, relating to those;
- The consideration received from the transaction, event or transaction 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 whose scope these components of equity 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.

2.9.4. Transactions with non-controlling interest

Non-controlling transactions are treated by the Group as transactions with entities owning the equity instruments of the Group. The results of sales of the parent's shares, without loss of control, to non-controlling interests are not treated as components of the Group's current profit or loss but as movements, and are

recognised directly in equity – typically to the “retained earnings” reserve component. Any difference between the amount paid in purchases of the parent, without acquiring control over additional shares of the participation of shareholders in non-controlling interests, and the respectively acquired share of the book value of the net assets of the subsidiary is recognised directly in the Consolidated Statement of Equity – typically in the “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).

2.9.5. 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) 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 reporting period represents its share of their net financial results from their economic activity for that period (after tax), and this share is recognised and presented in a separate line in the Consolidated Statement of Comprehensive Income. Similarly, the Group’s share in changes of other components of the comprehensive income of associates and joint ventures (entities) after acquisition is also recognised and presented as a movement in the other components of comprehensive income in the Consolidated Statement of Comprehensive Income, and respectively 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 loans to them, 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 interest in associates and joint ventures, and in the event of losses – impairment reviews are performed too. The deferred tax effect in such consolidation procedures is also accounted for.

2.10. Current and non-current assets and liabilities

2.10.1. 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.

2.10.2. 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.

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

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

2.11. Property, plant and equipment

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

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

Property, machines, 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 Group.

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
Machines, production equipment and facilities	10 – 20
Transport vehicles, excluding cars	15
Motor vehicles (cars)	7 – 10
All other depreciable assets	7

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

Depreciation of assets ceases at the earlier of the two dates:

- The date that the assets are classified as “held for sale” in accordance with IFRS 5; and
- The date that the assets are derecognised.

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

The residual value and the useful life of an asset is reviewed at each financial year-end, and if expectations differ from previous 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 when assets that are held for sale in the ordinary course of activities are transferred to inventories. In accordance with IFRS 15 “Revenue from Contracts with Customers”, proceeds from the sale of such assets are recognised as revenue when the customer receives 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 IAS 17 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 under “Other revenue” in the Income Statement.

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

2.12. Investment property

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

An investment property is recognised as an asset when, and only when it is probable that the future economic benefits that are associated with it will flow to the 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	Year
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. IAS 17 applies to disposals effected by entering into a finance lease or into a sale and leaseback.

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, and are recognised in profit or loss for the period and are presented at their net amounts in the Income Statement, under "Other revenue", unless IAS 17 requires otherwise on a sale and leaseback.

2.13. 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).

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
Computers, peripheral devices, software	5
All other assets, subject to amortisation	7
Assets with finite useful life	As per contract

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

Amortisation ceases at the earlier of:

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

Intangible assets are derecognised on disposal / sale, or when they are permanently withdrawn from use and no future economic benefits are 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. IAS 17 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, and are recognised in profit or loss for the period and are presented at their net amounts in the Income Statement, under "Other revenue", unless IAS 17 requires otherwise on a sale and leaseback.

2.14. 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.

2.15. 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. Reputation 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 in the "investments in joint ventures" group or the "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 annually. Impairment losses on goodwill are not reversed subsequently. Gains or losses on sale (disposal) of a subsidiary (entity) by the Group also include the carrying amount of the goodwill, deducted for the company (entity) being sold (disposed).

Any recognised goodwill is identified as being attributable to a cash-generating unit when a business combination is realised and that unit is applied during 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".

2.16. Inventories

Inventories are assets:

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

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

The cost of purchase of inventories comprises the purchase price, import duties and other non-recoverable taxes, transport and others costs, directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the 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 consist primarily of labour and other costs, incurred in respect of the personnel, directly engaged in providing the service, including supervisory personnel, and the attributable overheads. Labour and other costs, relating to the sales and the general administrative personnel are not included, but 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.

2.17. 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.

2.18. 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.

2.18.1. Financial assets**2.18.1.1. 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: “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 Group's business models, established in accordance with IFRS 9. The 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 with 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.

2.18.1.2. 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, and 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.

2.18.1.3. 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 before 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 where the entity has become a party to a contract or arrangement and which should be settled in net cash.

Subsequent measurement is carried out using the "effective interest" method under which interest revenue is calculated 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 overdue up to 3 months. Financial assets under this category are subject to impairment review at the date of each set 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 through 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 irrevocable 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 on the basis of quoted prices in an active market, and in the absence of such a market – fair value is determined based on valuation techniques, usually discounted cash flow analysis. In the absence of quoted prices for equity instruments, classified as measured at fair value through other comprehensive income, their acquisition cost is used to determine the fair value when this is appropriate under IFRS 9; usually 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 of financial statements of the Group. Differences are recognised in profit or loss and the impairment losses are presented in 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, other than 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 through profit or loss, including contracts for delivery of non-financial assets, if 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 at the end of the reporting period include:

- Cash and loans granted, receivables earned through cessions, trade and other receivables, classified as “financial assets at amortised cost”; and
- Equity instruments, classified as “financial assets at fair value through other comprehensive income”.

2.18.1.4. 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 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 in accordance with 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 exposures for which there have not been significant increases in credit risk since initial recognition are recognised as credit losses that may result from default events within the next 12 months. For credit exposures for which there is a significant increase in credit risk since initial recognition, the expected credit losses are recognised in respect of losses that may arise over the entire lifetime of the instrument.

At year-end, 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 observes 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 impact on receivables on an individual or collective basis. In addition, the Group assesses whether there is a significant increase in credit risk when the contractual payments are overdue from 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. However, in certain cases, a financial asset may be regarded as a defaulted financial asset when 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 or contract assets that result from transactions that are within the scope of IFRS 15 and that do not contain a significant financing component, or when the Group applies the practically expedient measure under IFRS 15, measuring loss allowance at an amount equal to lifetime ECLs for the instrument at each reporting date. For the purpose, a practically expedient measure under IFRS 9 has been used and a provision matrix has been created to measure 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 for trade receivables and contract assets 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 (with customers) assets are non-interest-bearing and are usually settled: between 60 and 180 days, and between 180 and 360 days, respectively. The Group considers a trade receivable or a

contract (with customers) asset as defaulted when such are past due for: more than 360 days and more than 540 days, respectively. However, in specific cases, a receivable or a contract (with customers) asset may be considered as defaulted if the internal or external information demonstrates that it is unlikely that the Group will receive the full amount of the contractual considerations. Additionally, the Group considers all reasonable and supportable information, available without undue cost or effort, to eliminate the possibility of unreliable presentation of credit risk on individual or collective basis.

With regards to bank deposits and current accounts – the Group defines ECLs as a basis for the official external ratings, published by financial institutions, analogous 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.

2.18.1.5. 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 its carrying amount at the date of derecognition, is recognised net in profit or loss in "Finance income / cost" in the Income Statement.

When financial assets measured at fair value through other comprehensive income, for which this model is applied, 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 profit or loss in its financial statements 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.

2.18.2. Financial liabilities

2.18.2.1. 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 a loan at a below-market interest rate”.

2.18.2.2. Initial recognition

At initial recognition, all financial liabilities are measured at their fair value less the direct transaction costs and in cases of financial liabilities not at fair value through profit or loss – when are initially recognised at fair value through profit or loss. At initial recognition, the Group accepts the respective transaction price 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, and 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.

2.18.2.3. Subsequent measurement

For the purpose of subsequent measurement and disclosure, 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 a loan 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 entity 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 calculated by taking into account any discounts or premiums on acquisition, as well as any fees or costs that are an integral part of the effective interest rate.

ii. Financial guarantee contracts

The 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 a similar manner as a financial asset measured at amortised cost in accordance with the “Impairment of financial instruments” section 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 held for trading if they have been acquired principally for the purpose of repurchasing them in the near term. Financial liabilities designated, upon 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 that arise when a transfer of a financial asset 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 in 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 rate

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

Commitments to provide a loan below-market interest rate are subsequently measured at the higher of the amount of the loss allowance, determined in a similar manner as a financial asset measured at amortised cost in accordance with the “Impairment of financial instruments” section and the amount initially recognised less, where 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 entity at the end of the reporting period include:

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

2.18.2.4. Derecognition, gains and losses

A financial liability is derecognised when the obligation is discharged or cancelled or expires. When an existing financial liability is exchanged with a new financial liability from the same borrower, under substantially different

terms, or when the terms of an existing liability are substantially modified, this exchange or modification is 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.

2.19. Cash and cash equivalents

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

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

The Group has adopted the policy to carry short-term deposits as cash and cash equivalents – namely, deposits with maturity up to 3 months. 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.

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

2.20. Equity and reserves

The equity of the Group is comprised of share capital, share premiums, translation reserves, general and other reserves, and financial result.

2.20.1. Share capital

The share capital of the Group includes:

- 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 with a nominal value of BGN 1 each; and
- Repurchased treasury shares – presented at their acquisition cost.

If the Group re-purchases its own equity instruments, those instruments (repurchased 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 related with a capital transaction, which was terminated without completion, are recognised as an expense.

2.20.2. 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 repurchase treasury shares in subsequent periods.

2.20.3. Translation reserves

The Group has established and registered branches in the Republic of Serbia, the Czech Republic, North Macedonia, the Sultanate of Oman, Germany, Qatar and Ukraine, 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 of assets and liabilities at the closing exchange rate for the period, as well as from the recalculation of the opening balances of net assets at a rate, different from the previous closing rate.

2.20.4. 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.

2.20.5. Financial result

The financial result includes the retained earnings and accumulated losses (from prior years) 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.

2.21. 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 in 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 during the period, multiplied by the average time factor.

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

2.22. 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, 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 with regards to the hired personnel, namely contributions to the pension, health and unemployment funds.

The amounts due for social insurance contributions are statutory established. 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 the entity 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 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.

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

2.22.2. Long-term employee benefits

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

2.23. Effects of changes in foreign exchange rates

2.23.1. Foreign currency transactions

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

Foreign exchange gains and losses, arising in the settlement of cash items or in translation of the Group's cash items at exchange rates, different from those at which they were translated upon their initial recognition for the period, or in prior financial statements, are recognised as profit or loss for the period, in which such have incurred, with some exceptions, stated under IAS 21, of foreign exchange gains or loss, 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.

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, a foreign exchange gain (or loss) arises. 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 rate at the date when the value is determined, resulting in an exchange difference that is also recognised in other comprehensive income.

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

The functional currency of the entities in Serbia is the Serbian Dinar, in Ukraine – the Ukrainian Hryvnia; in Germany – the Euro; in the Czech Republic – the Czech Koruna; in North Macedonia – the Macedonian Denar; in Qatar – the Qatar Riyal; in Oman – the Omani Riyal.

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

- a) all assets and liabilities are translated into the group 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;
- b) all income and expense items are translated in the group 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 reserve from translation of foreign activities into the presentation currency", and
- d) foreign exchange gains and losses, arising from the translation of net investments in the foreign (based abroad) entities, together with the loans and other currency instruments, adopted as hedge of these investments, are presented directly in equity.

Goodwill and adjustments to fair value, arising in the acquisition of foreign (based abroad) entities, are treated in the same manner as are the assets and liabilities of this 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 in "Translation reserves" heading.

2.24. Revenue, other income, finance income

The Group considers and presents considerations received from customers, and other transactions, in three areas / 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.

2.24.1. 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 to 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 any purpose; sales of output and goods including: construction materials, machines 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, and as it has the discretion in establishing prices, it is exposed to credit risk and bears the ultimate responsibility.

2.24.1.1. Identifying a contract

i. Construction contracts

The construction services for construction, repairs and reconstruction of infrastructure, and other projects and sites, are performed on assets that are not owned by the Group, it does not have control over them and they cannot be used by it alternatively. Goods and services under such contracts are sold together, typically constituting a single promise to the customer, respectively and a single performance obligation, which are not executed 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.

ii. Sales of output, goods or services

Sales of output, goods or services are performed separately, and such 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, services with mechanisation, 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.

2.24.1.2. Identifying performance obligations**i. Construction contracts**

Construction contracts specify the goods or 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 execution 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 respectively 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.

2.24.1.3. Transaction price – determination and allocation**i. Construction contracts**

Transaction price is the amount of the consideration, which the Group expects to be entitled in exchange for the transferred goods or services, which 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, which the Group expects to be entitled in exchange for those output, goods or services. Goods and services are sold separately

and / or in series, and may, respectively, form a separate performance obligation or be part of a performance obligation. Contracts may be modified in terms of price and / or scope, and in terms of the performance obligation, respectively. 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 accounted for as if terminated. Price changes that do not affect the scope of the contracts are allocated to performance obligations that are unsatisfied or are partially unsatisfied. The cumulative effect on the transaction price and the measurement of progress towards complete satisfaction is recognised currently, at the date of the modification, in case of modifications in 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 unsatisfied, performance obligation.

2.24.1.4. Recognising revenue

i. Construction contracts

The Group recognises revenue associated with 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 to the respective reporting dates and / or achieved stages, are typically applied, and when 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 actual information is available on the value and amount of the goods and services transferred to customers. 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 it 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 with 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 unites, or the devoted time, and estimated costs with the respective adjustments of costs that do not contribute to the progress towards 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 in turn 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 with 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.

2.24.1.5. Contract costs

The Group recognises non-current assets from 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 if the contract had not been obtained. Such assets are recognised in “non-current assets” and are separately disclosed 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 attributed directly to a contract, they enhance the resources used in satisfying performance obligations and are expected to be recovered.

2.24.1.6. Contract balances

The Group recognises and presents any unconditional rights to considerations as contract 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.

Unconditional receivables, contract assets and contract liabilities from contracts with customers are presented together under “Trade receivables” and “Trade payables” in the Statement of Financial Position, and separately in the notes to the Financial Statements. In accordance with IFRS 9, contract assets from contracts with customers are subject to impairment review, in accordance with the “Impairment of financial instruments” section.

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 activities, 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. In so far an asset that is controlled by the customer is enhanced through construction, 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. As a result of these circumstances, there is a discrepancy between the time when revenue from construction contracts is recognised, respectively the unconditional receivables and contract assets from contracts with customers are recognised, and the time of the payment receipt, with the ordinary payment term varying between 60 – 180 days and 180 – 360 days. 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 ordinary business practice.

The ordinary payment terms under construction contracts, which are the 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 – based on the type and size of the project or site), and depending on the assignor and source of financing such 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, and as a result of which both the amounts and time of payments vary too. Pursuant to the statutory requirements, performance bonds are usually 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 accepts that there is no significant component of funding for the retained amounts in so far as they are legally established 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 transactions' content, 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 under "Finance costs" in the Income Statement.

Advance payments are stipulated mainly 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 component of financing insignificant to the contracts. In some cases, the deadlines for construction contracts are prolonged for reasons beyond the Group's control, and payments have been received in respect of some of these prolonged contacts under the original expectations that the goods or services will be transferred

within one year. In these cases, adjustments are made perspective, when the expectation of the new term is more than one year.

The Group shall disclose the aggregate amount of the transaction price allocated to the performance obligations that were unsatisfied, or partially unsatisfied at the end of the reporting period and which are part of a contract with initial expected term of up to one year, and the expected time of recognising the revenue accrued thereon. This is usually the case only for 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.

2.24.2. Other revenue

Net revenue (positive results) and gross revenue, realised from activities other than the Group's ordinary activities and / or incidental, are recognised as other revenue. Other revenue comprises also operating lease income in accordance with the accounting policies and IAS 17 Leases, as well as income from sales of materials and gains from disposals of non-current assets, net of their carrying amount, whereby revenue is recognised in accordance with IFRS 15 – 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.

2.24.3. 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.

2.25. 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, bank guarantees, loan fees and other similar, and are presented in the Statement of Financial Position, under "Other assets and receivables".

2.25.1. Operating expenses

The Group accounts for the operating expenses by nature currently 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 that 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.

2.25.2. 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.

2.26. 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.

2.27. Corporate income tax

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

2.27.1. Current taxes

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

Income taxes for the current and prior 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 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 subsequent periods.

Current tax expense is recognised by including it in the expenses group for the period, which reduce the accounting profit or increase the accounting loss.

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

Current income taxes for the Bulgarian entities of the Group are 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 2018, is 10% (2017: 10%).

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

Country	Tax rate 2018
Serbia	15%
Ukraine	18%
The Czech Republic	19%
North Macedonia	10%
Germany	29,79%
Qatar	10%
The Sultanate of Oman	15%

2.27.2. Deferred tax assets and deferred tax liabilities

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

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

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

- Taxable temporary differences – temporary differences 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 the tax loss is used to recover current tax of a prior period, the entity recognises the benefits 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 temporary tax differences when it is probable that taxable profits will be available against which the deferred tax assets can be utilised. Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits may be utilised.

The entity reassesses the unrecognised deferred tax assets at the end of each reporting period. The 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 accounting profit nor taxable profit (tax loss).

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

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

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

2.28. Provisions, contingent assets and contingent liabilities

2.28.1. 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, published policies 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 obligations; and the amount of the obligation may be estimated reliably. If these conditions are not met, no provision shall be recognised. Current liabilities include the obligations under onerous contracts, in which the costs of meeting the obligations under the contract exceed the expected economic benefits to be received under it.

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

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

2.28.2. 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.

2.29. Leases

Under IAS 17, a lease is classified as a finance lease if it transfers substantially all the risks and rewards, incidental of the ownership of an asset. A lease is classified as an operating lease, if it does not transfer substantially all the risks and rewards, incidental of the ownership of an asset.

2.29.1. Finance lease, whereby the Entity is a lessee

At the commencement of the lease term, a finance lease is recognised as an asset and liability in the Statement of Financial Position, at amounts equal to the fair value of the leased property, or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments, is the interest rate, implicit in the lease, if this is practicable to determine; if not – the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciation policy for depreciable, leased assets is consistent with that for depreciable assets that are owned, and the depreciation recognised is calculated on the basis, determined in the IAS that regulate that respective type of assets. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

2.29.2. Operating lease, whereby the Entity is a lessee

Lease payments under an operating lease are recognised as an expense in the Income Statement, on a straight-line basis over the lease term, unless another systematic basis is more representative of the time that the Group uses the benefits of the leased asset.

2.29.3. Finance lease, whereby the Entity is a lessor

The Group recognises in its financial statements the assets, held under a finance lease, and presents them as receivables at an amount, equal to the net investment in the lease.

Lease payment receivables are treated as repayment of principal and as finance income.

The recognition of finance income is based on a pattern, reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Sales revenue recognised at the commencement of the finance lease term by the lessor, is the fair value of the asset, or if lower – the present value of the minimum lease payments, computed at a market rate of interest. The

cost of sale, recognised at the commencement of the lease term, is the cost, or the carrying amount if different, of the leased property less the present value of the non-guaranteed residual value.

2.29.4. Operating lease, whereby the Entity is a lessor

Assets, held under operating leases, are presented in the financial statements according to the nature of those assets.

Lease income from operating leases is recognised as income, on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in the use of which, the benefit derived from the leased asset is diminished.

Costs, including depreciation, incurred in earning the lease income, are recognised as an expense. Lease income is recognised on a straight-line basis, over the lease term, even if the receipts are not on such a basis, unless another systematic basis is more representative of the time pattern in the use of which, the benefit, derived from the leased asset, is diminished.

Initial direct costs, incurred by the lessor in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and are recognised as expenses, over the lease term, on the same basis as the lease income.

The depreciation policy for depreciable leased assets is conducted in consistency with the lessor's normal depreciation policy for similar assets, and depreciation is calculated in accordance with the IAS, regulating that respective type of assets.

2.30. Segment reporting

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

The Group operates in a single business sector. The main services performed and the output produced by all entities are related with 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 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 only 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 types of customers, thus bearing different business risks and rewards – depending on where it is located. The later are defined in six zones, depending on their nature and ability to generate cash flows:

- ✓ Bulgaria;
- ✓ Serbia;

- ✓ The Czech Republic;
- ✓ The Sultanate of Oman
- ✓ Qatar;
- ✓ Ukraine; and
- ✓ North Macedonia

2.31. 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 output 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 public 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 are applied;

Level 2 - Valuation techniques that use inputs, other than directly quoted market prices but which are directly or indirectly available for observation, including and the cases when the quoted prices are subject to significant adjustments, are applied; and

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

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

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

2.32. Accounting assumptions and accounting estimates, errors**2.32.1. 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 accounting estimates is recognised prospectively, by including it in profit or loss in the period of the change, if the change affects that period only, or in the period of the change and future periods if the change affects both.

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

2.32.2. Errors

Prior period errors are omissions from, and 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.

In accordance with IAS 8, errors 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, material errors are sometimes not discovered until a subsequent period and these then prior period errors are 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.

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

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

2.33.1. Impairment of property, plant, machines and equipment, intangible assets and investment property

In accordance with the requirements of IAS 36, an assessment is performed at year-end, on whether there are any indications that the value of an item of Property, plant, machines 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. No property, plant, machines or equipment have been impaired at 31.12.2018.

2.33.2. Impairment of investments in associates and joint ventures

Joint ventures are those entities over which the Group and the other parties have 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 impairment losses. At the date of each set of financial statements, the Management conducts an analysis and assesses whether there are indications for impairment of its investments and what is the possible amount of the impairment loss. The Management regards the following, as indications for impairment of investments in other entities: 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 are no indications for impairment of investments at year-end.

2.33.3. Impairment of inventories

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

carrying value. Reviews for impairment of advance payments are also conducted on this base 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 31.12.2018.

2.33.4. Impairment of financial assets

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

At year-end, 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.

A provisions matrix and the simplified approach in accordance with IFRS 9 are applied in the measurement of the expected credit losses for trade receivables. Receivables are accounted for on a collective basis against the probability of default events and the resulting potential losses, computed based on the Entity'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.

Loans granted are reviewed individually in terms of the expected credit losses. When evaluating credit risk, the Entity uses an internal credit rating methodology, which in the context of the “low credit rating” definition is based 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.

Movement of the impairment allowance

Type	31.12.2017	Changes in the opening balance from IFRS 9	Movement in 2018		31.12.2018
			increase	decrease	
Trade and other receivables	2 565	1 009	3 189	-	6 763
Receivable from CCB AD (insolvent)	5 241	255	205	(19)	5 682
Impairment of cash and cash equivalents	-	31	5	(6)	30
Impairment of financial assets	235	101	201	-	537
Total	8 041	1 396	3 600	(25)	13 012

2.33.5. 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, modifications may incur in future in so far as it is possible that facts and circumstances that were not known or were not under the Management's control have not been taken into

account, as well as due to the fact that upon completion, these contracts are subject to official approval and / or acceptance by the customer and / or third party – a state body.

Contracts for the supply of output, goods or services, effective for the reporting period and at the end of it, refer to individual supplies or supplies in series with satisfied performance obligations, or partially satisfied performance obligations, under which the 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 consider that any changes in the recognised income, balances and receivables under these contracts are likely to occur in future.

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

2.33.6. 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;
- Litigation and lawsuit provisions;
- 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 liability's settlement. Changes in estimates may result from changes in the amounts or timing of cash outflows, or from changes in the interest rates (discounting factors).

2.33.6.1. 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 by internal specialists, who have the requisite qualifications and experience, on the basis of prior experience with similar projects and / or sites. 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 financial statements. The best estimate of the requisite provision for construction contracts, in connection with the provided guarantees to remove possible defaults and other related costs, amounts to BGN 5 586 thousand at 31.12.2018 (31.12.2017: BGN 10 852 thousand).

2.33.6.2. Provisions for land reclamation

The Group, via two of its subsidiaries (Trace Road Construction 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 493 thousand at 31.12.2018 (31.12.2017: BGN 511 thousand).

2.33.6.3. Actuarial valuation

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.

2.33.6.4. 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 constraints, 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 617 thousand at 31.12.2018, in so far as the conducted estimates and forecasts provide a level of 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.

2.33.6.5. 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 Consolidated Annual 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 made as at 31.12.2017 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 intention 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 unit, generating cash flows, 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.

As a result of the analysis, conducted by the Group’s Management, impairment of goodwill in the amount of BGN 447 thousand, is recognised at the date of preparation of this preliminary consolidated statement.

2.33.6.6. 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 that 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.

II. Additional explanatory notes on the items in the financial statements

1. Statement of Financial Position

1.1. Property, plant and equipment

	Land	Buildings	Plants	Machines and equipment	Transport vehicles	Other assets	Capitalised costs	Total
<i>Book value</i>								
Balance as at 31.12.2016	17 490	11 009	6 524	62 748	27 992	4 437	3 321	133 521
Additions	21	119	96	241	633	411	3 782	5 303
Disposals	-	(29)	(190)	(546)	(513)	(244)	(286)	(1 808)
Effects of foreign currency translations	93	39	(77)	291	69	82	-	497
Transfers to investment property	(309)	(138)	-	-	-	-	-	(447)
Disposals under business combinations	-	-	-	-	(8)	(10)	-	(18)
Balance as at 31.12.2017	17 295	11 000	6 353	62 734	28 173	4 676	6 817	137 048
Additions	629	1 177	164	4 648	3 118	177	8 029	17 942
Disposals	(669)	-	(121)	(3 188)	(1 086)	(109)	(12 348)	(17 521)
Effects of foreign currency translations	2	11	60	10	8	1	(1)	91
Transfers of assets	-	564	386	(576)	(515)	(24)	165	-
Balance as at 31.12.2018	17 257	12 752	6 842	63 628	29 698	4 721	2 662	137 560
<i>Depreciation</i>								
Balance as at 31.12.2016	-	1 468	2 124	32 266	19 229	2 353	-	57 440
Additions	-	229	467	2 183	1 236	561	-	4 676
Disposals	-	(12)	(97)	(438)	(429)	(195)	-	(1 171)
Effects of foreign currency translations	-	(9)	(36)	29	(7)	65	-	42
Transfers to investment property	-	(21)	-	-	-	-	-	(21)
Disposals under business combinations	-	-	-	-	(8)	(8)	-	(16)
Balance as at 31.12.2017	-	1 655	2 458	34 040	20 021	2 776	-	60 950
Additions	-	270	507	2 207	1 314	576	-	4 874
Disposals	-	-	(35)	(1 750)	(896)	(92)	-	(2 773)
Effects of foreign currency translations	-	(1)	48	4	3	(1)	-	53
Transfers of assets	-	58	366	(195)	(215)	(14)	-	-
Balance as at 31.12.2018	-	1 982	3 344	34 306	20 227	3 245	-	63 104
<i>Net book value</i>								
Net book value as at 31.12.2017	17 295	9 345	3 895	28 694	8 152	1 900	6 817	76 098
Net book value as at 31.12.2018	17 257	10 770	3 498	29 322	9 471	1 476	2 662	74 456

- The presented values of non-current tangible assets at 31.12.2018 include fully depreciated buildings, plants, machines and equipment, transport vehicles and other assets with book values: BGN 115 thousand, BGN 423 thousand, BGN 8 111 thousand, BGN 6 633 thousand and BGN 1 266 thousand, respectively that are used in activities of the Group.
- The presented values of non-current tangible assets at 31.12.2018 include lands, buildings, plants, machines and equipment, transport vehicles, others and cost to acquire non-current tangible assets with book values:

BGN 4 659 thousand, BGN 2 683 thousand, BGN 1 572 thousand, BGN 19 207 thousand, BGN 5 385 thousand, BGN 14 thousand and BGN 1 721 thousand, respectively that have mortgages and pledges in favour of commercial banks under loan agreements and bank guarantees issued.

- The presented values of property, plant and equipment as at 31.12.2018 include lands 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 / constructed without a permit for use are granted such a permit (for use) after the completion of the procedure for obtaining such a permit for use. This permit for use is submitted to the Real Estate Cadastre. Pursuant to the Land Conversion Act, in force as of July 2015, and the formal instructions of the state administration in early 2016, the entity has submitted requests for conversion of the owned by it land. According to these procedures, during the period 2015-2018, “Trace Serbia” AD (JSC) has legalised part of its sites and has filled applications for the remaining sites that are being processed. Lands and buildings with carrying amounts of BGN 4 156 thousand, have been legalised in “Trace Serbia” AD (JSC) at 31.12.2018.

1.2. Investment property

	Land	Buildings	Other assets	Total
Book value				
Balance as at 31.12.2016	-	-	-	-
Additions	726	-	1 754	2 480
Transfers from PPE	309	138	-	447
Balance as at 31.12.2017	1 035	138	1 754	2 927
Additions	1 536	2 453	-	3 989
Disposals	-	-	-	-
Transfers of assets	1 754	-	(1 754)	-
Balance as at 31.12.2018	4 325	2 591	-	6 916
Depreciation				
Balance as at 31.12.2016	-	-	-	-
Transfers from PPE	-	21	-	21
Balance as at 31.12.2017	-	21	-	21
Additions	-	45	-	45
Balance as at 31.12.2018	-	66	-	66
Net book value				
Net book value as at 31.12.2017	1 035	117	1 754	2 906
Net book value as at 31.12.2018	4 325	2 525	-	6 850

- The investment property refers to landed properties, buildings and the adjoining them lands, specifically detached parts of buildings for independent use, intended for long-term rental to subsidiaries and third parties.
- The presented values of investment property at 31.12.2018 include lands and buildings with carrying amount of BGN 1 842 thousand and BGN 2 418 thousand, respectively, which have mortgages and pledges in favour of commercial banks under loan agreements and bank guarantees issued.

1.3. Intangible assets

	Rights	Software	Other assets	Total
<i>Book value</i>				
Balance as at 31.12.2016	2 122	257	144	2 523
Additions	114	7	3	124
Disposals	-	(6)	-	(6)
Effect of foreign currency translations	6	1	-	7
Balance as at 31.12.2017	2 242	259	147	2 648
Additions	-	21	-	21
Disposals	-	(33)	(10)	(43)
Effect of foreign currency translations	-	-	-	-
Balance as at 31.12.2018	2 242	247	137	2 626
<i>Amortisation</i>				
Balance as at 31.12.2016	729	186	68	983
Additions	106	28	11	145
Disposals	-	(5)	-	(5)
Effect of foreign currency translations	1	-	-	1
Balance as at 31.12.2017	836	209	79	1 124
Additions	106	28	13	147
Disposals	-	(33)	(10)	(43)
Balance as at 31.12.2018	942	204	82	1 228
<i>Net book value</i>				
Net book value as at 31.12.2017	1 406	50	68	1 524
Net book value as at 31.12.2018	1 300	43	55	1 398

1.4. Investments in joint ventures

Investments in joint ventures	31.12.2018	31.12.2017
Investments in joint ventures	24	24
Total	24	24

Investments in joint ventures under the equity method

Investments	31.12.2018		31.12.2017	
	volume	amount	volume	amount
Trace – M Invest, Germany	50%	24	50%	24
Total		24		24

“Trace – M Invest” was registered on 08.09.2017 with a principal place of business in Germany. The entity’s activity is related with infrastructure construction and high-rise construction. The joint venture has not engaged in any activities at year-end.

1.5. Non-current financial assets

Non-current financial assets	31.12.2018	31.12.2017
Financial assets, measured at amortised cost	11	5
Financial assets, measured at fair value through OCI	11	11
Total	22	16

1.5.1. Loans and receivables – non-current

Type	31.12.2018	31.12.2017
Loans	11	5
Total	11	5

1.5.1.1. Loans – non-current

Type	31.12.2018	31.12.2017
Loan receivables from unrelated parties (net)	-	5
Loan receivables from unrelated parties	12	4
Interest (on loans) receivables from unrelated parties	-	1
Impairment of loan receivables from unrelated parties	(1)	-
Total	11	5

1.5.2. Financial assets, measured at fair value through OCI

Type	31.12.2018	31.12.2017
Non-controlling stake in the capital of other entities	11	11
Total	11	11

Non-controlling stake (minority shares and interests) in the capital of other entities

Type	31.12.2018		31.12.2017	
	volume	amount	volume	amount
GCF-SK-13-TRACE RAILINFRA CONS. JSC	20%	10	20%	10
SRBIJOVEDE, ALFABANK		1		1
Total		11		11

These are presented at cost in the Statement of Financial Position as at 31.12.2018 and 31.12.2017.

The initiation of liquidation proceedings for "GCF-SK-13-TRACE RAILINFRA CONSORTIUM" JSC has been registered in the Commercial Registry on 26.11.2018. Eduardo Rossi was appointed as the entity's liquidator. "GCF – SK – 13 – TRACE RAILINFRA CONSORTIUM" JSC was established in connection to a contract for an awarded public tender, executed by "GCF – SK – 13 – TRACE RAILINFRA" – a Company under the Law on Obligations and Contracts.

1.6. Investments, accounted for under the equity method

Investments, accounted for under the equity method	31.12.2018	31.12.2017
Investments in associates	1 748	1 788
Total	1 748	1 788

Investments in associates, accounted for under the equity method

Investments	31.12.2018		31.12.2017	
	volume	amount	volume	amount
Technostroy-Inzhenering 99 JSC	33%	1 747	33%	1 740
Redko Trace International OOD (LTD)	49%	-	49%	47
Voden Proekt (transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	30%	1	30%	1
Total		1 748		1 788

The entity measures investments in associates under the equity method.

“Technostroy-Inzhenering 99” JSC has its principal place of business in Bulgaria. The Group “Technostroy-Inzhenering 99” JSC includes and two subsidiaries. The activities of all entities of the Group are relate to construction, repairs and maintenance of roads and road facilities.

“Redko Trace International” OOD (LTD) has its principal place of business in Qatar. The entity’s activity is related with the construction of buildings, roads, bridges, railway and subway lines. The associate does not engage in any activities at year-end.

The movement of investments in associates is presented hereafter:

Indicators	TECHNOSTROY – INZHENERING 99 JSC	REDKO TRACE INTERNATIONAL OOD (LTD)
Balance on 1 January	1 740	47
Share in the current period’s profit / (loss)	7	-
Effect of foreign currency translations	-	(5)
Impairment	-	(42)
Balance as 31 December	1 747	-

Summarised financial information on associates as at 31.12.2018

Indicators	TECHNOSTROY – INZHENERING 99 JSC	REDKO TRACE INTERNATIONAL OOD (LTD)
Current assets	6 249	11
Non-current assets	3 199	11
Current liabilities	4 933	8
Revenue	5 099	-
Profit/(loss) from continuing operations	18	-
Total comprehensive income	18	-

Summarised financial information on associates as at 31.12.2017

Indicators	TECHNOSTROY – INZHENERING 99 JSC	REDKO TRACE INTERNATIONAL OOD (LTD)
Current assets	5 513	11
Non-current assets	3 660	11
Current liabilities	3 683	8
Revenue	4 751	-
Profit/(loss) from continuing operations	6	-
Total comprehensive income	6	-

1.7. Non-current trade receivables

Type	31.12.2018	31.12.2017
Receivables from related parties outside the Group (net)	5 093	4 975
Contract receivables from contracts with customers	5 093	4 975
Contract receivables from contracts with customers (net)	3 876	5 361
Contract receivables from contracts with customers	4 203	5 361
Impairment of contract receivables from contracts with customers	(327)	-
Total	8 969	10 336

▪ 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 5 093 thousand and BGN 3 278 thousand, are included under the presented as at 31.12.2018 contract receivables from contracts with customers – related parties and contract receivables from contracts with customers, respectively.

▪ Contract receivables from contracts with customers, to the amount of BGN 327 thousand, have been impaired by the branch in the Czech Republic as at 31.12.2018.

1.8. Other non-current receivables and assets

Type	31.12.2018	31.12.2017
Guarantees / bonds issued and deposits placed	269	328
Advance payments	38	382
Receivable from CCB AD (insolvent)	5 682	5 725
Impairment of receivable from CCB AD (insolvent)	(5 682)	(5 241)
Other receivables	98	643
Total	405	1 837

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

▪ Non-current advance payments include insurance of projects and sites, with validity until 2024, and performance bonds, issued by banks for projects and sites with validity until 2026.

▪ Based on the facts and circumstances available at 31.12.2018 and at the date of authorisation of the consolidated financial statements for issue, and based on the lawyer's assessment of the collectability of the receivables from CCB (insolvent), the Management of the Group has decided to impair the receivable in full.

1.9. Deferred tax assets

Temporary difference	31 December 2017		Changes in the accounting policies		Movement of deferred taxes in 2018				31 December 2018	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	increase		decrease		Temporary difference	Deferred tax
Deferred tax assets										
Impairment	10 870	1 085	1 429	141	5 392	544	(1 925)	(195)	15 766	1 575
Compensated leaves	607	60	-	-	756	73	(583)	(59)	780	74
Thin capitalisation	224	23	-	-	-	-	(224)	(23)	-	-
Loss	12 389	1 238	-	-	161	17	(6 377)	(638)	6 173	617
Income of individuals	2 064	207	-	-	4 967	496	(2 321)	(231)	4 710	472
Provisions	12 001	1 197	-	-	5 034	504	(7 963)	(796)	9 072	905
Long-term employee benefits	280	25	-	-	94	10	(99)	(9)	275	26
Intra-group profits	269	35	-	-	-	-	-	-	269	35
Changes in interests in subsidiaries	(1 401)	(140)	-	-	-	-	1 401	140	-	-
Expired payables	1 060	106	-	-	146	15	(889)	(89)	317	32
Total assets:	38 363	3 836	1 429	141	16 550	1 659	(18 980)	(1 900)	37 362	3 736

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

▪ Deferred tax asset in the amount of BGN 210 thousand, relating to the taxable loss that was realised in previous years by the Parent's branch in Serbia, has not been recognised at 31.12.2018. Pursuant to the requirements for the Corporate Income Tax Act, the Parent can carry the taxable loss within 5 years as of the date on which such is incurred, only from the taxable profits realised in Serbia.

1.10. Goodwill

Goodwill amounts to BGN 447 thousand at the time incurred and arises from the acquisition of 70% of the capital of “Vior Velika Morava” AD (JSC) – Belgrade, Serbia from “Trace International” LTD in 2008.

The Management of the Group has initiated the requisite procedures to perform the mandatory test for impairment of goodwill upon the acquisition of the subsidiary, recognised in the Consolidated Annual Statement of Financial Position. As a result of the analysis, conducted by the Management of the Group, impairment of goodwill in the amount of BGN 447 thousand, has been recognised at 31.12.2018.

1.11. Inventories

Type	31.12.2018	31.12.2017
Materials (net), including:	6 788	7 792
Direct materials	4 846	5 701
Spare parts	925	958
Fuel, oil and lubricants	788	879
Ancillary materials	177	182
Other materials	52	71
Overheads	-	1
Output (net)	1 165	1 345
Output / production	1 165	1 345
Goods (net)	11	52

Goods	11	52
Work in process (net)	-	17
Work in process	-	17
Total	7 964	9 206

1.12. Current trade receivables

Type	31.12.2018	31.12.2017
Receivables from related parties outside the group (net)	19 542	28 752
Contract receivables from contracts with customers	17 657	17 927
Impairment of contract receivables from contracts with customers	(24)	-
Contract assets from contracts with customers	1 654	-
Impairment of contract assets from contracts with customers	(4)	-
Advance payments receivables	231	10 825
Other trade receivables	24	-
Contract receivables from contracts with customers (net)	35 030	67 644
Contract receivables from contracts with customers	37 768	67 876
Impairment of contract receivables from contracts with customers	(2 738)	(232)
Contract assets from contracts with customers (net)	13 806	-
Contract assets from contracts with customers	13 806	-
Advance payments receivables (net)	3 243	10 595
Advance payments receivables	3 871	10 621
Impairment of advance payments receivables	(628)	(26)
Operating lease receivables (net)	9	-
Operating lease receivables	9	-
Other trade receivables (net)	525	-
Other trade receivables	589	-
Impairment of other trade receivables	(64)	-
Total	72 155	106 991

▪ Retention bonds under construction contracts, amounting to BGN 5 831 thousand and BGN 4 599 thousand, respectively, are included in the disclosed contract receivables from contracts with customers with related parties and contract receivables from contracts with customers at 31.12.2018.

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

The aging structure of trade receivables is as follows:

	amount	relative share
Up to 60 days	59 294	70%
61 days – 120 days	7 989	9%
121 days – 180 days	8 358	10%
181 days – 360 days	1 497	2%
Over 360 days	7 842	9%
Total	84 980	100%

1.13. Other current receivables and assets

Type	31.12.2018	31.12.2017
Receivables from related parties outside the group (net)	331	331
Dividends receivables	331	331
Litigation receivables (net)	799	1 975
Litigation receivables	3 683	4 266
Impairment of litigation receivables	(2 884)	(2 291)
Social insurance receivables	37	27
Social insurance	37	27
Other current receivables	1 599	2 810
Guarantees / bonds issued and deposits placed	756	908
Insurance receivables	20	25
Advance payments	592	1 489
Receivables in respect to deficits and thefts	6	-
Dividends receivables	-	6
VAT to be utilised in a subsequent tax period	174	-
Other receivables	149	398
Impairment of other receivables	(98)	(16)
Recoverable taxes	3 886	5 177
Value Added Tax	3 729	4 944
Corporate Income Tax	430	229
Other taxes	-	4
Total	6 925	10 320

1.14. Current financial assets

Current financial assets	31.12.2018	31.12.2017
Financial assets, measured at amortised cost	113	1 787
Total	113	1 787

1.14.1. Financial assets, measured at amortised cost

Type	31.12.2018	31.12.2017
Loans	113	491
Receivables, earned through cessions	-	1 296
Total	113	1 787

1.14.1.1. Loans – current

Type	31.12.2018	31.12.2017
Loan receivables from related parties outside the group (net)	-	153
Loan receivables from related parties outside the group	204	204
Interest receivables, accrued under loans to related parties outside the group	74	75
Impairment of loan receivables from related parties outside the group	(278)	(126)
Loan receivables from unrelated parties (net)	113	338
Loan receivables from unrelated parties	223	286
Interest receivables, accrued under loans to unrelated parties	148	161
Impairment of loan receivables from unrelated parties	(258)	(109)
Total	113	491

Loans to unrelated parties have been granted under the following conditions:

Borrower	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
Hydropromet Engineering	BGN 88 thousand	12%	31.12.2012	Promissory note
Todorov AD (JSC)	BGN 100 thousand	20%	31.12.2016	Promissory note
Mohamed Ahmedov Ahmedov	BGN 17 thousand	7,5%	30.07.2020	Promissory note
FC Vereya NGO	BGN 17 thousand	10%	31.12.2018	None
FC Vereya NGO	BGN 10 thousand	7%	30.06.2017	Promissory note
FK Dinamo Vranje	BGN 25 thousand	11%	08.10.2016	Promissory note
BBA Road Safety Association	BGN 10 thousand	AIR+2%	31.07.2021	None

Balances of loans to related parties at 31.12.2018

Borrower	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
Hydropromet Engineering	88	21	-	-
Hydropromet Engineering - impairment	(88)	(21)	-	-
Todorov AD (JSC)	92	25	-	-
Todorov AD (JSC) - impairment	(92)	(25)	-	-
Mohamed Ahmedov Ahmedov	3	-	2	-
Mohamed Ahmedov Ahmedov - impairment	(1)	-	(1)	-
FC Vereya NGO	7	-	-	-
FC Vereya NGO	17	7	-	-
FC Vereya - impairment	(24)	(7)	-	-
FK Dinamo Vranje	16	6	-	-
Others	-	89	10	-
Total	18	95	11	-

1.14.1.2. Receivables, earned through cessions – current

Type	31.12.2018	31.12.2017
Receivables, earned through cessions from unrelated parties (net)	-	1 296
Receivables, earned through cessions from unrelated parties	-	1 296
Total	-	1 296

1.15. Cash and cash equivalents

Type	31.12.2018	31.12.2017
Cash in hand	56	121
Denominated in Bulgarian Lev(a) (BGN)	50	90
Denominated in foreign currencies	6	31
Cash at bank (in current accounts)	35 887	35 652
Denominated in Bulgarian Lev(a) (BGN)	27 022	30 482

Denominated in foreign currencies	8 865	5 170
Cash equivalents	170	276
Receivables from employees	169	276
Other cash equivalents	1	-
Restricted cash amounts	210	435
Current deposits	114	-
Impairment of cash	(30)	-
Total	36 407	36 484

▪ Restricted amounts include the cash, available in the current accounts of the branch in the Czech Republic, amounting to 55 thousand, that are garnished under an initiated Execution Proceeding.

▪ Pursuant to the conducted analysis and the applied methods to measure the estimated credit losses on cash and cash equivalents, the Management has decided that it is necessary to impair the cash and cash equivalents by BGN 30 thousand.

Cash reconciliation

Statement of Financial Position – Statement of Cash Flows

Type	31.12.2018	31.12.2017
Cash and cash equivalents in the Consolidated Statement of Financial Position	36 407	36 484
Impairment of cash	30	-
Cash and cash equivalents in the Consolidated Statement of Cash Flows	36 437	36 484

1.16. Equity

1.16.1. Share capital

Type of share	31.12.2018			31.12.2017		
	Number of shares	Value	Nominal	Number of shares	Value	Nominal
<i>Ordinary</i>						
Repurchased and paid shares	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Repurchased treasury shares	(5 870)	(22 510)	3,83	(3 555)	(16 490)	4,64
Total:	24 194 130	24 177 490		24 196 445	24 183 510	

Shareholder	31.12.2018				31.12.2017			
	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	16 205 831	16 205 831	16 205 831	66.97%	16 205 831	16 205 831	16 205 831	66.97%
Desislava Lyubenova	1 202 056	1 202 056	1 202 056	4.97%	-	-	-	-
Manol Denev	33 941	33 941	33 941	0.14%	33 941	33 941	33 941	0.14%
Boyan Delchev	10 068	10 068	10 068	0.04%	10 068	10 068	10 068	0.04%
Rositsa Dineva – Georgieva	7 100	7 100	7 100	0.03%	6 930	6 930	6 930	0.03%
Other shareholders	4 563 004	4 563 004	4 563 004	18.86%	5 761 675	5 761 675	5 761 675	23.81%
Trace Group Hold PLC – treasury shares at cost	5 870	5 870	5 870	0.02%	3 555	3 555	3 555	0.01%
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	(5 870)	(22 510)	(22 510)		(3 555)	(16 490)	(16 490)	
Total:	24 194 130	24 177 490	24 177 490	100%	24 196 445	24 183 510	24 183 510	100%

▪ At the end of the current period, Trace Group Hold PLC and its subsidiaries hold 5 870 repurchased treasury shares, amounting to BGN 23 thousand.

1.16.2. 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 in the period 2014-2018 – BGN 24 thousand.

1.16.3. Translation reserve

Translation reserve, amounting to BGN 798 thousand (loss) is formed from foreign exchange gains / (losses), arising in the translation of the financial statements of the foreign entities into the presentation currency of the Group.

1.16.4. Reserves

	General reserves	Other reserves	Total reserves
Reserves as at 31.12.2016	2 420	57 179	59 599
Increased by:	-	951	951
Profit distribution	-	951	951
Decreased by:	-	(64)	(64)
Others	-	(64)	(64)
Reserves as at 31.12.2017	2 420	58 066	60 486
Increased by:	-	8 903	8 903
Profit distribution	-	8 903	8 903
Decreased by:	-	-	-
Covering losses	-	-	-
Others	-	-	-
Reserve as at 31.12.2018	2 420	66 969	69 389

1.16.5. Financial result

Financial result	Value
Profit as at 31.12.2016	122
Increased by:	4 127
Profit for the financial reporting period 2017	3 845
Others	282
Decreased by:	(951)
Allocation of profits to reserves	(951)
Profit as at 31.12.2017	3 298
Effect from transition to (first-time adoption) IFRS 9 and IFRS 15	(1 085)
Restated balance as at 31.12.2017	2 213
Increased by:	3 311
Profit for the financial reporting 2018	5 905
Others	67
Decreased by:	(10 432)
Dividends distribution	(1 529)
Allocation of profits to reserves	(8 903)
Loss as at 31.12.2018	(2 247)
Loss as at 31.12.2016	(11 377)
Increased by:	-
Decreased by:	-
Loss as at 31.12.2017	(11 377)
Increased by:	-
Decreased by:	-
Loss as at 31.12.2018	(11 377)
Financial result as at 31.12.2016	(11 255)
Financial result as at 31.12.2017	(8 079)
Financial result as at 31.12.2018	(13 624)

1.17. Non-current financial liabilities

Non-current financial liabilities	31.12.2018	31.12.2017
Lease payables	2 271	1 511
Financial liabilities, measured at amortised cost	5 338	1 340
Total	7 609	2 851

1.17.1. Lease payables – non-current

Type	31.12.2018	31.12.2017
Lease payables to unrelated parties	2 271	1 511
Total	2 271	1 511

▪ Future minimum lease payments, payable within 1 year and those due to between 1 and 5 years, are disclosed in detail under Note “Lease payables – current”.

1.17.2. Financial liabilities, measured at amortised cost – non-current

Type	31.12.2018	31.12.2017
Loan payables	5 338	1 340
Total	5 338	1 340

1.17.2.1. Loans – non-current

Type	31.12.2018	31.12.2017
Loan payables to financial institutions	5 338	1 340
Total	5 338	1 340

1.18. Non-current trade payables

Type	31.12.2018	31.12.2017
Payables to related parties outside the group	2 456	1 420
Supply payables	2 456	1 420
Supply payables	7 577	8 511
Total	10 033	9 931

▪ Retention bonds to subcontractors under construction contracts are carried as non-current supply payables to related and unrelated parties.

1.19. Non-current provisions

Type	31.12.2018	31.12.2017
Provisions for long-term employee benefits	677	627
Total	677	627

1.19.1. Provisions for long-term employee benefits

Type	31.12.2018	31.12.2017
Present value of the payable at 01 January	627	545
Payable, recognised in the Balance Sheet at 01 January	627	545
Interest expense	2	3
Current service cost	93	58
Effect of planned and actually executed redundancies upon merger	11	(60)
Payments, conducted within the period	(64)	(19)
Actuarial profit, recognised within the period and other changes	8	96
Present value of the payable at 31 December	677	623
Unrecognised actuarial profit / loss at 31 December	-	4
Payable, recognised in the Balance Sheet at 31 December	677	627

Non-current employee benefits payables include the present value of the payable, due by the entities of 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 in the last 10 years of his / her service – his / her retirement benefit shall amount to six gross salaries as at the retirement date.

In determining these payables, the entities of the Group performed an actuary valuation, appointing for this purpose a certified actuary.

The core assumptions, employed in determining the retirement benefits obligations, are stated hereafter:

	2018	2017
Discounting rate	1.25%	2.00%
Future increase in the remunerations – for the next period	5.00%	5.00%
Future increase in the remunerations – for each subsequent period	5.00%	5.00%

1.20. Deferred tax liabilities

Temporary difference	31 December 2017		Movement of deferred taxes in 2018				31 December 2018	
	Temporary difference	Deferred tax	increase		decrease		Temporary difference	Deferred tax
			Temporary difference	Deferred tax	Temporary difference	Deferred tax		
Deferred tax liabilities								
Amortisation	8 900	892	3 560	354	(2 707)	(270)	9 753	976
Intra-group profits	266	27	-	-	-	-	266	27
Total liabilities:	9 166	919	3 560	354	(2 707)	(270)	10 019	1 003

1.21. Other non-current payables and liabilities

Type	31.12.2018	31.12.2017
Deposits and bonds' payables	129	159
Concession payables	999	1 072
Total	1 128	1 231

▪ Payables under performance bonds, issued by banks for projects and sites with validity until 2035, are carried as other non-current payables.

1.22. Current financial liabilities

Type	31.12.2018	31.12.2017
Lease payables	1 315	842
Financial liabilities, measured at amortised cost	1 627	2 585
Total	2 942	3 427

1.22.1. Lease payables – current

Type	31.12.2018	31.12.2017
Lease payables to unrelated parties	1 315	842
Total	1 315	842

Finance lease, excluding related parties				
Future minimum lease payments as at 31.12.2018				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease payments	1 394	2 340	-	3 734
Discounting	(79)	(69)	-	(148)
Net present value	1 315	2 271	-	3 586
Future minimum lease payments as at 31.12.2017				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease payments	907	1 571	-	2 478
Discounting	(65)	(60)	-	(125)
Net present value	842	1 511	-	2 353

1.22.2. Financial liabilities, measured at amortised cost

Type	31.12.2018	31.12.2017
Loan (obtained) payables	1 627	2 585
Total	1 627	2 585

1.22.2.1. Loans – current

Type	31.12.2018	31.12.2017
Loan payables to financial institutions	1 569	2 530
Interest payables on loans from financial institutions	8	4
Loan payables to unrelated parties	50	51
Total	1 627	2 585

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
Piraeus Bank Bulgaria AD	BGN 245 thousand	3 m. Reference Interest Rate(RIR)+3%	30.06.2021	Mortgage on real estate, pledge of receivables
UniCredit Bulbank AD	BGN 13000 thousand	1 month Average Deposit Index (ADI)+2.95%	02.03.2019	Mortgage on real estate, pledge of non-current tangible assets and receivables
SG Expressbank AD	EUR 440 thousand	1 m. Euribor+2.9%	30.08.2020	Pledge of non-current tangible assets
SG Expressbank AD	EUR 443 thousand	1 m. Euribor+2.9%	30.06.2020	Mortgage on real estate
SG Expressbank AD	EUR 401 thousand	1 m. Euribor+2.25%	28.02.2021	Pledge of non-current tangible assets
UBB AD	BGN 900 thousand	1 m. Reference Interest Rate(RIR)+3.15% for BGN	20.10.2023	Mortgage on real estate, pledge of receivables
UBB AD	BGN 3000 thousand	1 m. Reference Interest Rate(RIR)+2.5% for BGN / 1 m. Euribor+2.5% for EUR	30.09.2019	Mortgage on real estate, pledge of non-current tangible assets and receivables, co-debtor related party
DSK Bank	BGN 5000 thousand	1 m. Euribor+2.869% for BGN	25.06.2025	Mortgage, pledge of receivables

Balances of loans obtained as at 31.12.2018, excluding related parties

Bank / Creditor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
SG Expressbank AD	608	-	506	-
UBB AD	138	1	532	-
Piraeus Bank Bulgaria AD	49	-	74	-
Athletics Club Beroe NGO	50	-	-	-
Bank DSK AD	774	7	4 226	-
Total	1 619	8	5 338	-

Changes in liabilities arising from the financing activities

The table hereafter presents the changes in the liabilities from financing activities, presenting 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 shall be, classified in the Statement of Cash Flows of the entity as cash flows from financing activities.

Liabilities, arising from financing activities	On 1 January	Cash flow from financing activities		Changes of non-monetary nature – non-cash			On 31 December
		Proceeds	Payments	Obtained (increases)	Effect of changes in foreign exchange rates	Other changes	
Long-term bank loans	1 340	4 530	-	-	-	(532)	5 338
Short-term bank loans	2 534	1 276	(3 044)	279	-	532	1 577
Lease liabilities	2 353	859	(1 130)	1 497	-	7	3 586
Short-term trade loans unrelated parties	51	-	-	-	-	(1)	50
Total liabilities from financing activities:	6 278	6 665	(4 174)	1 776	-	6	10 551

1.23. Current trade payables

Type	31.12.2018	31.12.2017
Payables to related parties outside the group	16 943	38 836
Supply payables	15 242	18 501
Contract liabilities from contracts with customers	1 553	-
Advances received payables	92	20 335
Other trade payables	56	-
Supply payables	51 214	66 944
Contract liabilities from contracts with customers	7 763	-
Advances received payables	513	16 353
Total	76 873	122 133

▪ Retention bonds under construction contracts, amounting to BGN 2 150 thousand and BGN 6 051 thousand, are included in the presented payables to related parties and supply payables as at 31.12.2018, respectively.

1.24. Tax payables

Type	31.12.2018	31.12.2017
Value Added Tax	2 299	835
Value Added Tax – interest	-	101
Corporate tax	209	133
Corporate tax – interest	2	-
Personal Income Tax	325	222
Withholding Tax	23	-
Tax on expenses	14	17
Other taxes	64	61
Other taxes – interest	-	21
Total	2 936	1 390

1.25. Employee benefits payables

Type	31.12.2018	31.12.2017
Employee benefits payables	2 117	2 047
Including payables of unused compensated annual leaves	662	506
Social insurance payables	612	656
Including payables of unused compensated annual leaves	140	98
Payables to the key management personnel – remunerations	1 398	490
Payables to the key management personnel – social insurance	18	2
Payables under non-labour relations – remunerations	206	8
Total	4 351	3 203

1.26. Current provisions

Type	31.12.2018	31.12.2017
Provisions for legal obligations, including:	6 772	11 901
Provisions for obligations under construction contracts	5 586	10 852
Provisions for reclamation obligations	493	511
Provisions for other obligations	693	538
Total	6 772	11 901

▪ 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 lands in the extraction of underground natural resources and exploitation of mineral raw materials after completion of the activities.

1.27. Other current payables and liabilities

Type	31.12.2018	31.12.2017
Payables to related parties outside the group	3 988	4 639
Dividends payables	3 276	3 819
Deposits and bonds payables	702	810
Including guarantees of the SB (Supervisory Board), MB (Managing Board), BD (Board of Directors)	702	771
Other payables and liabilities	10	10
Deposits and bonds payables	427	453
Concession payables	88	108
Dividends payables	117	174
Insurance payables	79	80
Other payables and liabilities	931	2 418
Total	5 630	7 872

▪ Bank guarantee payables, insurance payables and other costs under construction contracts, completed in 2018, are included in other payables.

2. Income Statement

2.1. Revenue

2.1.1. Revenue from contracts with customers

Type of revenue	2018	2017
Revenue from construction contracts, including:	324 526	292 249
Revenue, recognised within the period	324 450	292 249
<i>Including and by decreasing the opening balances of contract liabilities</i>	<i>29 061</i>	<i>10 947</i>
Under already satisfied performance obligations	76	-
Revenue from sales of output (production), including:	10 564	8 559
Sales of asphalt mixtures	8 918	6 002
Sales of aggregates	1 551	2 498
Sales of metal constructions	66	-
Sales of concrete and lime solutions and SBE	7	15
Sales of emulsion	22	5
Sales of mineral powder	-	3
Sales of others	-	36
<i>Including and by decreasing the opening balances of contract liabilities</i>	<i>16</i>	<i>-</i>
Revenue from sales of goods, including:	10 522	7 885
Sales of machines and equipment	1 317	50
Sales of fuel and oil	3 253	1 778
Sales of reinforcing iron	449	1 422
Sales of aggregates and sand	-	10
Sales of salt	717	1 262
Sales of railway materials	1 551	754
Sales of geotextile	3	-
Sales of bitumen	1 077	1 591
Sales of concrete, cement	738	396

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Sales of asphalt mixtures	422	-
Other goods	995	622
Revenue from sales of services, including:	960	706
Commissions	-	-
Services with mechanisation	129	254
Transport services	235	211
Laboratory services	37	69
Consulting services	60	10
Design services	17	19
Toll	404	-
Other services	78	143
Total	346 572	309 399

2.1.2. Other revenue

Type of revenue	2018	2017
Operating lease revenue	494	377
Sales of industrial waste	16	37
Insurance claims received	47	73
Surpluses of inventories	19	22
Penalties	2	96
Payables written-off	1 026	387
Revenue from provisioned absences and benefits	58	-
Reversed provisions under building and construction contracts	1 056	1 348
Reversed impairment of receivables	138	13
Writs and compensations awarded	10	173
Reversed provisions under other payables / obligations	49	-
Reversed litigation provisions	-	712
Unused provisions written-off	1 745	229
Other revenue (net)	537	333
Revenue from sales of materials	(31)	1 103
Revenue from sales of materials	1 472	1 103
Carrying amount of materials sold	(1 503)	-
Gains / (Losses) on disposals of non-current assets	137	238
Gains on disposals of non-current assets	247	471
Carrying amount of assets disposed	(110)	(233)
Total	5 303	5 141

▪ Revenue from reversed provisions under contracts for building and construction works in 2018, amounting to a total of BGN 1 056 thousand (BGN 766 thousand – Trace Group Hold and BGN 290 thousand – Trace Serbia), arise from the contractual obligations of the Group under assumed guarantees to replace possible defaults under contracts for building and construction works that have expired and reversed amounts of the provisions, accrued in 2017.

2.1.3. Finance income

Type of revenue	2018	2017
Income from participations and interest	5	21
Interest income, including:	74	308
Under trade loans	7	167
Under accounts	-	1
Under trade receivables	54	127
Others	13	13
From transactions with financial instruments	1	7
Foreign exchange gains	625	1 278
Other finance income	6	-
Total	711	1 614

2.2. Expenses

2.2.1. Cost of materials

Type of expense	2018	2017
Direct materials	51 602	49 210
Fuel and lubricants	5 635	6 823
Spare parts	1 470	1 333
Electricity	773	852
Tires	541	523
Ancillary materials	209	134
Road signs	147	104
Stationery	146	179
Uniforms / work wear, protective equipment and medications	138	168
Vehicle consumables	115	136
Instruments and consumables	88	85
Other overheads	66	89
Marketing materials	53	48
Water	39	38
Office equipment consumables	31	57
Natural gas	11	183
Heating	10	10
Tender documents	2	1
Other materials	326	206
Total	61 402	60 179

2.2.2. Cost of external services

Type of expense	2018	2017
Subcontractors	185 492	152 985
Consulting and other contracts	7 222	8 705
Hired / Leased mechanisation and equipment	7 192	7 354
Contract services	7 007	5 278
Hired / Leased transport	5 909	5 389
Transport services	2 660	1 465
Design	1 666	2 227
Security	1 523	1 511
Insurance	1 440	1 131
Repairs and servicing of assets	1 296	1 263
Laboratory tests	1 046	1 002
Rentals	1 012	987
Taxes and fees	1 002	1 310
Blasting works	593	671
Legal services	479	31
Communication services	391	373
Audit	238	257
Civil contracts and remunerations / fees	172	230
Concession fees	151	131
Customs services	137	200
Subscriptions	130	130
Advertising	94	100
Membership fee	61	61
Training	53	40
Maintenance accreditation	43	73
Storage fee	41	202
Geodetic services	17	64
Re-crushing rock service	-	10
Other external services costs	653	768
Total	227 720	193 948

▪ The Group discloses the amounts, accrued in 2018, for independent financial audit services provided by the registered auditors (CPAs) in the amount of BGN 213 thousand and for other services – in the amount of BGN 24 thousand.

2.2.3. Depreciation and amortisation costs

Type of expense	2018	2017
Depreciation and amortisation costs of production:	4 183	4 245
Non-current tangible assets	4 066	4 121
Non-current intangible assets	117	124
Depreciation and amortisation costs of administrative:	883	576
Non-current tangible assets	853	555
Non-current intangible assets	30	21
Total	5 066	4 821

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

Expenses, incurred for:	2018	2017
Salaries and wages, including salaries and wages of:	24 554	23 330
Production personnel	16 298	15 185
Administrative personnel	8 256	8 145
Social insurance contributions, including contributions paid in respect of:	4 546	4 926
Production personnel	3 456	3 548
Administrative personnel	1 090	1 378
Including expenses of the key management personnel	3 799	3 091
Including expenses related to unused leaves	233	125
Total	29 100	28 256

2.2.5. Impairment losses

Type of expense	2018	2017
Loss on impairment of goodwill	447	-
Loss on impairment of receivables	2 541	1 620
Loss on impairment of cash	9	-
Loss on impairment of financial assets	1 050	126
Total	4 047	1 746

2.2.6. Other costs

Type of expense	2018	2017
Donations and grants	1 093	1 618
Receivables written-off	568	672
Business trips	549	523
Withholding tax expense	460	-
Provisions for payables	417	2 515
Provisions under contracts for building and construction works	376	4 430
Entertainment expenses	364	291
Social costs, presented in kind	351	397
Expense with no supporting documentation	197	120
Penalties and fines	92	492
Expenses under Article 209 of CITA	91	158
Shortages costs and retirement of non-current assets	88	331
Labour medicine	61	40
Interest expense on state receivables	24	72
Interest expense on commercial transactions	7	9
Unrecognised tax credit	-	25
Other costs	340	232
Total	5 078	11 925

- The donations to the “Trace for People” Foundation amount to BGN 1 037 thousand in 2018.

2.2.7. Allowances

Type of expense	2018	2017
Carrying amount of assets disposed (net)	10 681	8 446
Carrying amount of assets disposed	10 681	8 446
Changes in the production stocks (net)	108	78
Changes in the production stocks	108	78
Capitalised assets' expenses	(4)	(22)
Other allowances	59	(163)
Total	10 844	8 339

2.2.8. Finance costs

Type of expense	2018	2017
Interest expense, including interest expenses incurred:	572	820
Under trade loans	-	1
Under loans from financial institutions	271	270
Under leases	82	86
Under trade payables	218	447
Others	1	16
Expenses, related with bank guarantees	1 188	612
From transactions in financial instruments	1	-
Foreign exchange losses	257	456
Other finance costs	647	382
Total	2 665	2 270

2.2.9. Share in the result of associates

Entity	2018	2017
Technostroy-Inzhenering 99 JSC	7	3
Redko Trace International OOD (LTD)	(5)	-
Total	2	3

2.2.10. Tax expenses

Type of expense	2018	2017
Corporate income tax	(408)	(399)
Others	(325)	(403)
Total	(733)	(802)

3. Statement of Comprehensive Income

Components	31 December 2018	31 December 2017
Other comprehensive income		
Items that are not subject to subsequent reclassification in profit or loss, including:		
Actuarial gains / (losses)	55	49
Items that are not subject to subsequent reclassification in profit or loss, including:		
Translation of foreign activities	(240)	(135)
Other comprehensive income	(185)	(86)

4. Other disclosures

4.1. Construction contracts

The cumulative revenue under construction agreements for 2018 and the allocation over time of the remaining price under significant, incomplete construction contracts as at 31.12.2018, 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	Initial term	Actual term
Contract 1	55 280	20 035	20 035		2019	
Contract 2	6 443	1 492	1 492		2019	
Contract 3	5 189	1 589	1 589		2019	
Contract 4	20 624	8 989	8 989		2019	
Contract 5	20 942	3 848	3 848		2019	
Contract 6	54 308	40 826	39 414	1 412	2020	
Contract 7	16 606	2 762	2 762		2018	2019
Contract 8	1 609	9 967	6 569	3 398	2018	2020
Contract 9	1 095	3 202	3 202		2019	
Contract 10	1 971	3 009	3 009		2019	
Contract 11	1 026	1 659	1 659		2019	
Contract 12	176	1 198	1 198		2019	
Contract 13	90	9	9		2019	
Contract 14	110 636	23 794	23 794		2015	2019
Contract 15	34 518	2 543	2 543		2015	2019
Contract 16	34 910	20	20		2015	2019
Contract 17	33	10 760	10 760		2019	
Contract 18	70	468	468		2019	2019
Contract 19	9 597	5 067	5 067		2019	2019
Total construction contracts	375 123	141 236	136 426	4 810		

4.2. Related parties and related party transactions

The Group discloses the following related parties:

Owner of the capital of Trace Group Hold PLC, exercising control, is Nikolay Ganchev Mihaylov – 66.97%.

Associates

Technostroy-Inzhenering 99 JSC

Patno Poddarzhane (transl. Road Maintenance) Elhovo LTD – indirectly through Technostroy-Inzhenering 99 JSC

Zenit Story Inzhenering EOOD (LTD) – indirectly through Technostroy-Inzhenering 99 JSC

Redko Trace International OOD (LTD) – indirectly through Trace International LTD

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

Joint ventures

Trace-M Invest, Germany

Other related parties:

Entities, related through the principal shareholder

Galini – N LTD, Galini LTD, Himcolor JSC, Inzhproekt LTD, Systemhaus Fau LTD, Dikol-2 G.Mihaylov EOOD (LTD), Infrainvest (LTD)

Entities in which the Group has joint or significant control

PS – a Company under the Law on Obligations and Contracts, 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, Metro Stroitelstvo (transl. Metro Construction) – a Company under the Law on Obligations and Contracts, Patno Poddarzhane (transl. Road Maintenance) Bourgas 2014 – a Company under the Law on Obligations and Contracts, GCF SK-13 Trace Railinfra Cons. JSC, GSF SK-13 Trace Railinfra Consortium, Infrastrukturno Stroitelstvo (transl. Infrastructure Construction) EAD, Evropeyski Zheleznitsi (transl. European Railway) – a Company under the Law on Obligations and Contracts, Gorna banya – a Company under the Law on Obligations and Contracts.

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

Anton Donchev – Member of the Supervisory Board

Desislava Lyubenova – Chairman of the Managing Board (MB)

Boyan Delchev – Chief Executive Director and Member of the MB

Rositsa Dineva – Georgieva – Member of the MB

Related party transactions and balances

Sales

Customer	Type of transaction	2018	2017
Associates and joint ventures	Services, assets	77 284	48 434
Entities and persons, related via the principal shareholder	Services	65 890	48 314
Key Management personnel	Services, assets	12	2
Total		143 055	96 750

Purchases

Supplier	Type of transaction	2018	2017
Principal shareholder	Services	6 437	5 109
Associates and joint ventures	Services, materials	342	894
Entities and persons, related	Services, materials	62 087	39 962

via the principal shareholder			
Key Management personnel	Services, others	-	5
Trace for People Foundation ULNC	Others	1 037	1 416
Total		69 903	47 386

Receivables

Customer	31.12.2018	31.12.2017
Associates and joint ventures	13 338	8 888
Entities and persons, related via the principal shareholder	11 623	25 170
Key Management personnel	5	-
Total	24 966	34 058

Payables

Supplier	31.12.2018	31.12.2017
Principal shareholder	8 581	7 212
Associates and joint ventures	1 601	13 796
Entities and persons, related via the principal shareholder	11 994	23 077
Key Management personnel	758	810
Total	22 934	44 895

Loans granted

Debtor	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
Redko Trace International OOD (LTD)	BGN 156 thousand	10,5%	31.12.2016	Promissory note
Redko Trace International OOD (LTD)	BNG 235 thousand	10,5%	31.12.2016	Promissory note

Balances of loans granted (principal and interest)

Debtor	Current portion at amortised cost	
	Principal	Interest
Galin Mihaylov	-	28
Galin Mihaylov – impairment	-	(28)
Redko Trace International OOD (LTD)	83	18
Redko Trace International OOD (LTD) – impairment	(83)	(18)
Redko Trace International OOD (LTD)	121	28
Redko Trace International OOD (LTD) – impairment	(121)	(28)
Total	-	-

Interest income, accrued on loans granted

Debtor	Receivable as at	Accrued	Received	Receivable as at
	31.12.2017	in 2018	in 2018	31.12.2018
Galin Mihaylov	29	-	1	28
Galin Mihaylov – impairment	-	(28)	-	(28)

Redko Trace International OOD (LTD)	28	-	-	28
Redko Trace International OOD (LTD)	18	-	-	18
Redko Trace International OOD (LTD) – impairment	(23)	(23)	-	(46)
Total	52	(51)	1	-

Key Management's remuneration

Type	Amounts, accrued for:			
	Remunerations and social insurance contributions within the period			
Board of Directors				20
Managing Board				1 201
Supervisory Board				1 663
Managers / Executive Directors				795
Controller				14
Total:				3 693

4.3. 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	31.12.2018	31.12.2017
Total debt capital, including:	88 779	93 143
Liabilities – related parties	19 251	19 921
Liabilities – unrelated parties	69 528	73 222
Decreased by:	(36 407)	(36 484)
Cash and cash equivalents		
Net debt capital	52 372	56 659
Total equity	101 218	98 115
Total capital	153 590	154 774
Leverage ratio	0,34	0,37

4.4. 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 probable negative effects, which could have an impact on 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 followed 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 "SG Expressbank" AD. The Management believes that there is no risk so long the serving banks maintain a stable liquidity.

31.12.2018	Overdue	With time to maturity		With re-negotiated maturity that has not expired	Total
	Impaired	Impaired	Not impaired	Not impaired	
Non-current assets	-	11	6 481	2 893	9 385
Non-current financial assets	-	12	-	-	12
Non-current financial assets – impairment	-	(1)	-	-	(1)
Non-current trade and other receivables from related parties	-	-	5 093	-	5 093
Non-current trade and other receivables	6 009	-	1 388	2 893	10 290
Non-current trade and other receivables – impairment	(6 009)	-	-	-	(6 009)
Current assets	-	113	55 978	14 877	70 968
Current financial assets from related parties	278	-	-	-	278
Current financial assets from related parties – impairment	(278)	-	-	-	(278)
Current financial assets	257	114	-	-	371
Current financial assets – impairment	(257)	(1)	-	-	(258)
Current trade and other receivables from related parties	24	-	19 642	-	19 666
Current trade and other receivables from related parties – impairment	(24)	-	-	-	(24)
Current trade and other receivables	5 784	-	36 336	14 877	56 997
Current trade and other receivables – impairment	(5 784)	-	-	-	(5 784)
Total financial assets	-	124	62 459	17 770	80 353

Liquidity risk

31.12.2018	Immediate	1 month – 3 months	4 months – 12 months	1 year – 5 years	Over 5 years	With no maturity	Total
Non-current assets	-	-	-	9 386		6 009	15 395
Non-current financial assets				12			12
Non-current trade and other receivables from related parties				5 093			5 093
Non-current trade and other receivables				4 281		6 009	10 290
Non-current liabilities	-	-	-	18 932	539	-	19 471
Non-current financial liabilities				7 771	539		8 310
Non-current trade and other payables to related parties				2 456			2 456
Non-current trade and other payables				8 705			8 705
Net liquid disbalance – non-current	-	-	-	(9 546)	(539)	6 009	(4 076)
Cumulative liquid disbalance – non-current	-	-	-	(9 546)	(10 085)	(4 076)	(4 076)
Current assets	36 437	23 281	47 688	-		6 343	113 749
Current financial assets from related parties						278	278
Current financial assets			114			257	371
Current trade and other receivables from related parties		5 543	14 099			24	19 666
Current trade and other receivables		17 738	33 475			5 784	56 997
Cash and cash equivalents	36 437						36 437
Current liabilities	-	22 588	53 269	-		-	75 857
Current financial liabilities		802	2 463				3 265
Current trade and other payables to related parties		5 214	14 082				19 296
Current trade and other payables		16 572	36 724				53 296
Net liquid disbalance – current	36 437	693	(5 581)	-	-	6 343	37 892
Cumulative liquid disbalance – current	36 437	37 130	31 549	31 549	31 549	37 892	37 892
Total financial assets	36 437	23 281	47 688	9 386	-	12 352	129 144
Total financial liabilities	-	22 588	53 269	18 932	539	-	95 328
Total Net Liquid Disbalance	36 437	693	(5 581)	(9 546)	(539)	12 352	33 816
Total Cumulative Liquid Disbalance	36 437	37 130	31 549	22 003	21 464	33 816	33 816

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

Interest risk

Interest risk is the risk that the fair value or the future cash flows of the held by the Group financial assets and liabilities will vary as a result of fluctuations in the market interest rates. The 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 receivables and payables, and loans obtained or granted, form a significant portion of the structure of the Group's assets and liabilities.

31.12.2018	Interest-free	With floating interest %	With fixed interest %	Total
Non-current assets	9 374	-	11	9 385
Non-current financial assets			11	11
Non-current trade and other receivables from related parties	5 093			5 093
Non-current trade and other receivables	4 281			4 281
Non-current liabilities	11 161	5 338	2 271	18 770
Non-current financial liabilities		5 338	2 271	7 609
Non-current trade and other payables from related parties	2 456			2 456
Non-current trade and other payables	8 705			8 705
Long-term risk exposure	(1 787)	(5 338)	(2 260)	(9 385)
Current assets	71 386	35 971	18	107 375
Current financial assets	95		18	113
Current trade and other receivables from related parties	19 642			19 642
Current trade and other receivables	51 213			51 213
Cash and cash equivalents	436	35 971		36 407
Current liabilities	72 650	1 569	1 315	75 534
Current financial liabilities	58	1 569	1 315	2 942
Current trade and other payables from related parties	19 296			19 296
Current trade and other payables	53 296			53 296
Short-term risk exposure	(1 264)	34 402	(1 297)	31 841
Total financial assets	80 760	35 971	29	116 760
Total financial liabilities	83 811	6 907	3 586	94 304
Total exposure to interest risk	(3 051)	29 064	(3 557)	22 456

Analysis of interest rate elasticity

Effect on profit / loss, net of taxes	31.12.2018
In an increase of interest rates by 0.5%	130
In a decrease of interest rates by 0.5%	(130)

Currency risk

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

31.12.2018	Denominated in RSD	Denominated in EUR	Denominated in CZK	Denominated in BGN	Other currencies	Total
Non-current assets	3 221	-	-	6 164	-	9 385
Non-current financial assets				11		11
Non-current trade and other receivables from related parties				5 093		5 093
Non-current trade and other receivables	3 221			1 060		4 281
Non-current liabilities	3 282	1 962	-	13 526	-	18 770
Non-current financial liabilities		1 962		5 647		7 609
Non-current trade and other payables to related parties				2 456		2 456
Non-current trade and other payables	3 282			5 423		8 705
Long-term risk exposure	(61)	(1 962)	-	(7 362)	-	(9 385)
Current assets	23 690	1 329	55	82 299	2	107 375
Current financial assets	22			91		113
Current trade and other receivables from related parties				19 642		19 642
Current trade and other receivables	16 211			35 000	2	51 213
Cash and cash equivalents	7 457	1 329	55	27 566		36 407
Current liabilities	13 073	1 465	936	60 060	-	75 534
Current financial liabilities		1 465		1 477		2 942

Current trade and other payables to related parties	2 716			16 580		19 296
Current trade and other payables	10 357		936	42 003		53 296
Short-term risk exposure	10 617	(136)	(881)	22 239	2	31 841
Total financial assets	26 911	1 329	55	88 463	2	116 760
Total financial liabilities	16 355	3 427	936	73 586	-	94 304
Total exposure to currency risk	10 556	(2 098)	(881)	14 877	2	22 456

Analysis of the currency elasticity to the RSD

Effect on profit / loss, net of taxes	31.12.2018
In an increase of the exchange rate by 10%	949
In a decrease of the exchange rate by 10%	(949)

Analysis of the currency elasticity to the CZK

Effect on profit / loss, net of taxes	31.12.2018
In an increase of the exchange rate by 10%	(80)
In a decrease of the exchange rate by 10%	79

4.5. Fair value

Fair value is the selling price of an asset, or the transfer cost of a liability, at the valuation date, under ordinary transactions between independent, willing and informed market participants.

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. This is especially true for trade receivables and payables, loans and deposits. 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.

So long as there is no sufficient market experience, stability and liquidity for purchases and sales of some financial assets and liabilities, there are and no sufficient and reliable market prices for those financial assets and liabilities. The Management of the Parent believes that in the existing circumstances, the financial assets' and liabilities' estimates, presented in the Consolidated Statement of Financial Position, are reliable, adequate and fair for financial reporting purposes.

4.6. Contingent assets and contingent liabilities

Guarantees and warranties issued

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

Contingent assets					
Issuer	Value	In favour of:	Purpose	Maturity	Security
UBB AD	2 989	Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; Bulgarian Owner's Associations	Securing performance obligations under contracts	15.5.2023	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK BANK EAD	19 644	Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; TD of NRA, OTP Bank Serbia AD	Securing performance obligations under contracts and VAT obligations	29.5.2026	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
INVESTBANK AD	122	Bulgarian State Agency and Bulgarian Municipalities	Securing performance obligations under contracts	30.11.2021	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
EXPRESSBANK AD	26 197	Bulgarian Ministries; Bulgarian State: Committee, Agencies and Municipalities; Bulgarian Municipal and / or State Enterprises; Bulgarian Owner's Associations; Serbian Municipality; Serbian State Enterprise; private entities, registered in Bulgaria; Macedonian State Enterprise	Securing performance obligations under contracts and participation in tenders	17.2.2036	Non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BULBANK AD	37 092	Bulgarian Ministry; Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and State Enterprises; Bulgarian Owners' Association; Serbian State Enterprises; Czech State Enterprise private entity, registered in Serbia	Securing performance obligations under contracts	3.9.2037	Real estate, non-current tangible assets, cash, pledges of receivables, pledges of accounts
Total:	86 044				

Contingent assets		
Type	Warranties and securities, issued in favour of counterparties	Insured amount, in thousands of BGN
Insurance guarantees	JSIC OZK-Insurance AD	5 184

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
DB-8139-218/02.06.2015/Investbank	Galini – N LTD	Real estate

Contingent assets					
Issuer	Amount	In favour of:	Purpose	Maturity	Security
DSK EAD	200	NRA	Security under Article 176 of the VAT Law – trader in fuels	1 year	Warranties / Bank guarantees
Total:	200				

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 Group (per entities) is a plaintiff or defendant under the following lawsuits as at 31.12.2018:

“Trace Group Hold” PLC

Commercial case № 7802/2016, Sofia City Court, CCB (plaintiff) against “Trace Group Hold” PLC (defendant), with financial interest of BGN 33 thousand and BGN 1 thousand for accrued legal advisory fees.

Commercial case № 6362/2016, Sofia City Court, UniCredit Bulbank AD (plaintiff) against “Trace Group Hold” PLC (defendant), with financial interest of BGN 304 thousand.

Commercial case № 576/2018, Sofia City Court, filed by “Trace Group Hold” PLC (plaintiff) against “NKZI” (transl. National Railway Infrastructure Company), with financial interest of BGN 1 412 thousand and BGN 159 thousand due for accrued fees.

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), Disputably terminated legal relations, with financial interest: no actions until specifying the amount. Possible counterclaim.

Claims against 12 /twelve/ media, filed by Trade Group Hold PLC (plaintiff) in the form of partial claims, each with financial interest of BGN 20 thousand. Subject of the claims: Claims for non-pecuniary damages and damages to the reputation of the entity;

"Trace Sofia" LTD

Executive case 20158510402185, Sofia City Court, Trace Sofia LTD (plaintiff) against Aleksandar Trifonov Tomov (debtor) with financial interest of BGN 429 thousand.

Administrative case 11983//2017, Administrative Sofia City Court, filed by Trace – Sofia LTD against the Bulgarian National Bank (BNB) with financial interest of BGN 1 809 thousand.

Commercial case 2839/2017, Supreme Court of Cassation, following a cassation appeal of "Trace – Sofia" LTD against a decision of Court of Appeal Sofia, in favour of "Telelink" EAD, which confirms decision 1454 of the Sofia City Court under Commercial case 8454/2013 with financial interest of BGN 507 thousand.

Civil case 22552/2018 and Civil case 19851/2018, Sofia Regional Court, "Dana Build" OOD against "Trace – Sofia" LTD with financial interest of BGN 90 thousand.

"Trace Yambol" JSC

The entity is a plaintiff under lawsuits, of commercial nature, with financial interest amounting to BGN 1 151 thousand as at 31.12.2018. Impairment of BGN 152 thousand has been accrued at 31.12.2018 based on the lawyers' assessment on the collectability of receivables and the Management's judgement.

"Trace – Road Construction" JSC

The entity is a plaintiff under lawsuits, of commercial nature, with financial interest amounting to BGN 4 195 thousand as at 31.12.2018.

AS at 31.12.2018, the Management has recognised impairment of litigations and court receivables in the amount of BGN 2 331 thousand based on the fact and circumstances available at that date and based on the estimates, presented by the lawyers and the legal advisors.

The entity is a defendant under lawsuits, of commercial nature, with financial interest of BGN 4 054 thousand as at 31.12.2018. The entity's Management believes that cash outflows are unlikely to occur and thus no provisions for litigation payables have been recognised in the financial statements.

"Infra Commerce" LTD

Civil case 74078/217, filed by the plaintiff "Infra Commerce" LTD against the defendant "Tarktour" EOOD with financial interest of BGN 45 thousand (principal), BGN 4 thousand (interest), BGN 5 thousand (fees for the first hearing).

Civil case 47589/2017, filed by the plaintiff "Infra Commerce" LTD against the defendant "Todorov" JSC with financial interest of BGN 110 thousand.

Administrative case 12425/2017, filed by the plaintiff "Infra Commerce" LTD against the defendant "BNB" with financial interest BGN 2 507 (principal), BGN 865 (statutory interest on the principal for the period as of 20.06.2014 and until 10.11.2014)

"USM" JSC

Commercial case № 311/2014, USM JSC (plaintiff) against Stoitelna keramina 2005 AD (defendant) with financial interest BGN 39 thousand.

Commercial case № 311/2014, USM JSC (plaintiff) against Inmat AD (defendant) with financial interest BGN 12 thousand.

4.7. Operating segments

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 activities only on a geographical basis.

The revenue, realised per goods and services, is illustrated in Note 2.1 to the Annual Consolidated Financial Statements. The breakdown of these income per the country, in Bulgaria and abroad, is as follows:

Operating segments	Bulgaria	Serbia	Czech Republic	Oman	Total	Consolidation	Group
As at 31 December 2018							
Revenue from contracts with customers	284 168	76 032	-	-	360 200	(13 628)	346 572
Revenue from construction contracts	264 887	73 267			338 154	(13 628)	324 526
Including from other segments	13 628				13 628	(13 628)	-
Revenue from sales of output	8 470	2 094			10 564		10 564
Including from other segments					-		-
Revenue from sales of goods	9 933	589		-	10 522		10 522
Including from other segments					-		-
Revenue from sales of services	878	82			960		960
Including from other segments					-		-
Other revenue	2 547	2 430	326		5 303		5 303
Including from other segments					-		-
Finance income	207	153	351		711		711
Including interest income	67	7			74		74
Expenses, including:	(272 801)	(60 929)	(2 730)		(336 460)	4 047	(332 413)
Cost of materials	(49 661)	(11 739)	(2)		(61 402)		(61 402)
Cost of external services	(194 660)	(36 855)	(252)		(231 767)	4 047	(227 720)
Depreciation / Amortisation costs	(3 429)	(1 634)	(3)		(5 066)		(5 066)
Employee benefits (salaries and wages)	(19 499)	(9 574)	(27)	-	(29 100)		(29 100)
Impairment losses	(1 727)	(82)	(2 238)		(4 047)		(4 047)
Other costs	(3 825)	(1 045)	(208)		(5 078)		(5 078)
Allowances	(9 545)	(1 299)		-	(10 844)		(10 844)
Finance costs	(2 117)	(463)	(85)	-	(2 665)		(2 665)
Including interest expenses	(572)				(572)		(572)
Share in associates	2			-	2		2
Tax expenses	(737)	47	(43)	-	(733)		(733)
Profit / Loss	1 724	15 971	(2 181)	-	15 514	(9 581)	5 933
Segment assets	171 983	54 002	58	566	226 609	(5 437)	221 172
Segment liabilities	80 397	30 567	14 245		125 209	(5 255)	119 954

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Investments under the equity method	1 748	1 748	1 748
Non-current assets acquired	-	-	-
Deferred tax assets	3 736	3 736	3 736

Operating segments As at 31 December 2017	Bulgaria	Serbia	Czech Republic	Oman	Total	Consolidation	Group
Revenue from contracts with customers	224 617	94 737	541	-	319 895	(10 734)	309 161
Revenue from construction contracts	207 467	94 737	541	-	302 745	(10 734)	292 011
Including from other segments	10 734	-	-	-	10 734	(10 734)	-
Revenue from sales of output	8 559	-	-	-	8 559	-	8 559
Including from other segments	-	-	-	-	-	-	-
Revenue from sales of goods	7 885	-	-	-	7 885	-	7 885
Including from other segments	-	-	-	-	-	-	-
Revenue from sales of services	706	-	-	-	706	-	706
Including from other segments	-	-	-	-	-	-	-
Other revenue	5 141	-	-	-	5 141	-	5 141
Including from other segments	-	-	-	-	-	-	-
Finance income	175	1 350	89	-	1 614	-	1 614
Including interest income	292	16	-	-	308	-	308
Expenses, including:	(221 212)	(76 617)	(8 737)	-	(306 566)	5 691	(300 875)
Cost of materials	(40 448)	(18 282)	(1 449)	-	(60 179)	-	(60 179)
Cost of external services	(151 683)	(43 648)	(4 308)	-	(199 639)	5 691	(193 948)
Depreciation / Amortisation costs	(3 262)	(1 554)	(5)	-	(4 821)	-	(4 821)
Employee benefits (salaries and wages)	(16 785)	(11 133)	(338)	-	(28 256)	-	(28 256)
Impairment losses	(1 530)	(216)	-	-	(1 746)	-	(1 746)
Other costs	(7 504)	(1 784)	(2 637)	-	(11 925)	-	(11 925)
Allowances	(6 427)	(1 912)	-	-	(8 339)	-	(8 339)
Finance costs	(1 298)	(957)	(15)	-	(2 270)	-	(2 270)
Including interest expenses	(689)	(131)	-	-	(820)	-	(820)
Sales of non-current assets	238	-	-	-	238	-	238
Share in associates	3	-	-	-	3	-	3
Tax expenses	(592)	(210)	-	-	(802)	-	(802)
Profit / Loss	645	16 391	(8 122)	-	8 914	(5 043)	3 871
Segment assets	209 989	57 319	3 348	566	271 222	(7 622)	263 600
Segment liabilities	124 284	42 630	15 491	-	182 405	(16 920)	165 485
Investments under the equity method	1 788	-	-	-	1 788	-	1 788
Non-current assets acquired	7 307	600	-	-	7 907	-	7 907
Deferred tax assets	3 820	16	-	-	3 836	-	3 836

The core clients of the Group, with revenue from transactions accounting to over 10% of the total revenues in 2018, 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.

4.8. Transactions with non-controlling interest (NCI)

Subsidiaries with non-controlling interest

“Trace International” LTD is a subsidiary with significant non-controlling interest for the Group at year-end, holding 70% of the capital of “Trace Al Junaibi” LTD.

Corporate name of the subsidiary	TRACE AL JUNAIBI LTD
Place of principal activity	The Sultanate of OMAN
The portion of ownership rights of the NCI	30.00%
The portion of voting rights of the NCI	30.00%
Total for NCI, BGN ‘000	
Net book value of the NCI as at 31.12.2017	340
Profit / Loss, attributable to the NCI for the period	28
Dividends paid, attributable to the NCI	(18)
Changes in interests of subsidiaries	(15)
Net book value of the NCI as at 31.12.2018	335

4.9. Events after the reporting period

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

➤ A contract for the purchase – sale of shares of the capital of “Vior Velika Morava” LTD Belgrade was signed on 17.01.2019, by the power of which “Trace Group Hold” PLC acquired 100% of the shares of “Vior Velika Morava” LTD from “Trace International” LTD. The transaction cost amounted to EUR 171 468. The change of ownership was registered in the Serbian Trade Register on 05.02.2019. The capital of “Vior Velika Morava” LTD amounts to RSD 15 743 000 and is distributed among one share. “Trace Group Hold” PLC is sole capital owner of “Vior Velika Morava” LTD as of 05.02.2019.

➤ An increase of the capital of “Trace Balkans” LTD – from RSD 100,00 to RSD 32 562 172,50 – was registered in the Registration Agency of the Republic of Serbia on 17.01.2019. The capital increase results from an increase in the nominal value of shares. Pursuant to the change, the entity’s capital amounts to RSD 32 562 172,50, distributed among one share at par value of RSD 32 562 172,50.

➤ Pursuant to the acquisition of 1 share from “Trace Balkans” LTD, “Trace Group Hold” PLC becomes the sole capital owner of “Trace Serbia” JSC, effective as of 12.03.2019. On the grounds of Article 114, paragraph 3 of POSA, the Managing Board of “Trace Group Hold” PLC gave preliminary consent to conclude a contract for the restructuring of “TRACE SERBIA” JSC (restructuring company) and “VIOR VELIKA MORAVA” DOO (merging entity). Pursuant to the restructuring, the capital of “Trace Serbia” JSC will be increased by an increase in the nominal value of one share and it will amount to RSD 985 282 255.5, distributed among 591 527 shares, each at a nominal value of RSD 1.665.659.

➤ An increase in the capital of "Infra Commerce" LTD was registered in the Commercial Registry at the Registration Agency on 26.03.2019. The increase of BGN 395 000 (three hundred and five thousand) has been executed by the issue of 3 950 (three thousand nine hundred and fifty) new shares, each at a nominal value of BGN 100 (one hundred). The entity's capital amounts to BGN 400 000 (four hundred thousand), distributed among 4 000 (four thousand) equal shares, each at a nominal value of BGN 100 (one hundred).

➤ The subsidiary "Infra Commerce" LTD acquired 5 000 (five thousand) available, ordinary, voting shares, each at nominal value of BGN 10 (ten), representing 100% of the capital of "HIMCOLOR" JSC, UIC 160087427, pursuant to which "Infra Commerce" LTD, UIC 175029440 became the sole capital owner of "HIMCOLOR" JSC.

➤ "Trace Group Hold" PLC sold the owned by it 8251 shares, each at par value of BGN 10, in the capital of "Technostroy – Inzhenering 99" JSC, UIC 12805792 on 18.04.2019. The transaction price is BGN 1 100 000 (one million and one hundred thousand).

There are no events after the reporting period, other than the above disclosed, which require adjustments or disclosures in the consolidated financial statements or the Notes to the consolidated financial statements.

“TRACE GROUP HOLD” PLC
CONSOLIDATED MANAGEMENT REPORT
For the financial reporting 2018

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XI. Information under Appendix 11 of Decree №2 of the Financial Supervision Commission (FSC)



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 entity. It comprises information under Article 39 of the Accountancy Act and Art. 100 (n), paragraph 7 of the Public Offering of Securities Act (POSA), as well as Art. 32, paragraph 1 (2) and (4) of Decree № 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 a public limited company since 2007, as per the meaning of Art. 110 of the Public Offering of Securities Act (POSA). The entity is registered in the district court of Stara Zagora, under company file №255/2005.

Domicile and registered address: № 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;

Fax: +359 2 80 66 711

E-mail: tracegroup@tracebg.com

Website: www.tracebg.com

Share capital as at 31 December 2018:

Up to the date of preparation of this management report the registered company capital is BGN 24 200 000, distributed among 24 200 000 non-cash, non-bearer shares, at nominal value of BGN 1 each, of which 24 195 185 are voting shares and 4 815 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.

Capital distribution structure of "Trace Group Hold" PLC up to the date of preparation of this management report is as follows:

Shareholder's name	Holds number of shares		Owns %	
	At the date 31.12.2018	At the date 31.12.2017	At the date 31.12.2018	At the date 31.12.2017
Nikolay Mihaylov	16 205 831	16 205 831	66,97	66,97
"Galini – N" LTD	2 178 000	2 178 000	9,00	9,00
Trace Group Hold PLC - redeemed treasury shares	4 815	2 200	0,02	0,01
Other Physical and Legal entities	5 811 354	5 813 969	24,01	24,02

The entity has a two – level system of management, consisting of Supervisory Board and Management Board, as well as Audit Committee appointed by the General Meeting of Shareholders.

Members of the Supervisory Board up to 31.12.2018 are:

Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng. – Chairman of the Supervisory Board

Acad. Anton Dontchev – independent member of the Supervisory Board
Manol Denev – member of the Supervisory Board

Members of the Management Board up to 31.12.2018 are:
Dessislava Lubenova – Chairman of the Management Board
Dipl. Eng. Boyan Delchev – Vice-chairman of the Management Board
Rositsa Dineva – Georgieva – member of the Management Board

Executive director up to 31.12.2018 is Dipl. Eng. Boyan Delchev.

Members of the Audit Committee up to 31.12.2018 are:
Boyka Georgieva
Prof. Hristina Nikolova, PhD
Hristo Savchev

The Entity has registered branch companies in Serbia, Czech Republic, Macedonia and Ukraine:

"Trace Group Hold" PLC Belgrade Branch
"Trace Group Hold" PLC Prague Branch
"Trace Group Hold" PLC Skopje Branch
"Trace Group Hold" PLC Kyiv Branch

As at 31.12.2018 the subsidiaries of the Group are:

- TRACE – SOFIA JSC, SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC
Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the surrounding them infrastructure;
- TRACE – ROAD CONSTRUCTION JSC, SOFIA, BULGARIA – 99.86% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- 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
Principal activity: Trade activities in Bulgaria and abroad, trade representation and trade intermediation;
- TRACE TRANS LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Transport activities, repairs and maintenance of transport vehicles, rental (sublease) of transport vehicles and complex transport services;
- USM JSC, STARA ZAGORA, BULGARIA – 99.69% owned by Trace Group Hold PLC
Principal activity: Rendering of services, by means of building mechanisation;
- TRACE PROPERTIES LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Travel and tourism, and trade activities in Bulgaria and abroad, hospitality, as well as all types of auxiliary services;
- TRACE PLOVDIV LTD, PLOVDIV, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road facilities;

- TRACE SVILENGRAD LTD, SOFIA, BULGARIA – 60% owned by Trace – Sofia JSC and 40% owned by Trace – Road Construction JSC
Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the surrounding them infrastructure;
- METRO DRUZHBA LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Tunnel and bridge construction;
- TRACE SOP LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Road design and road construction;
- TRACE UKRAINE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Transport activities, maintenance and repairs of transport vehicles, rental (sublease) of transport vehicles;
- TRACE INTERNATIONAL LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Construction, trade in construction materials and products, trade activities in Bulgaria and abroad, trade representation and intermediation;
- TRACE SERBIA JSC, NIS, SERBIA - 100% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of road and road facilities, current repairs and winter maintenance;
- TRACE PZP VRANJA LTD, VRANJA, SERBIA – 100% owned by Trace Group Hold PLC, until merge in Trace Serbia JSC, Serbia on 02.08.2018
Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- VIOR VELIKA MORAVA JSC, BELGRADE, SERBIA – 100% owned by Trace International LTD
Principal activity: Design and supervision of water infrastructure projects and engineering activities;
- TRACE BALKANS LTD, BELGRADE, SERBIA – 100% owned by Trace International LTD
Principal activity: Construction of roads and highways;
- NEW BRIDGES LTD, BELGRADE, SERBIA – 100% owned by Trace Balkans LTD until merge in Trace Serbia JSC, Serbia on 02.08.2018
Principal activity: Construction of road facilities;
- TRACE AL JUNAIBI LTD, THE SULTANATE OF OMAN – 70% owned by Trace International LTD
Principal activity: Construction, repairs and maintenance of roads, highways, airport landing strips and premises, trade of construction materials, services and equipment;

II. Principal activity review

1. Principal activity divisions executed by the Group of Trace

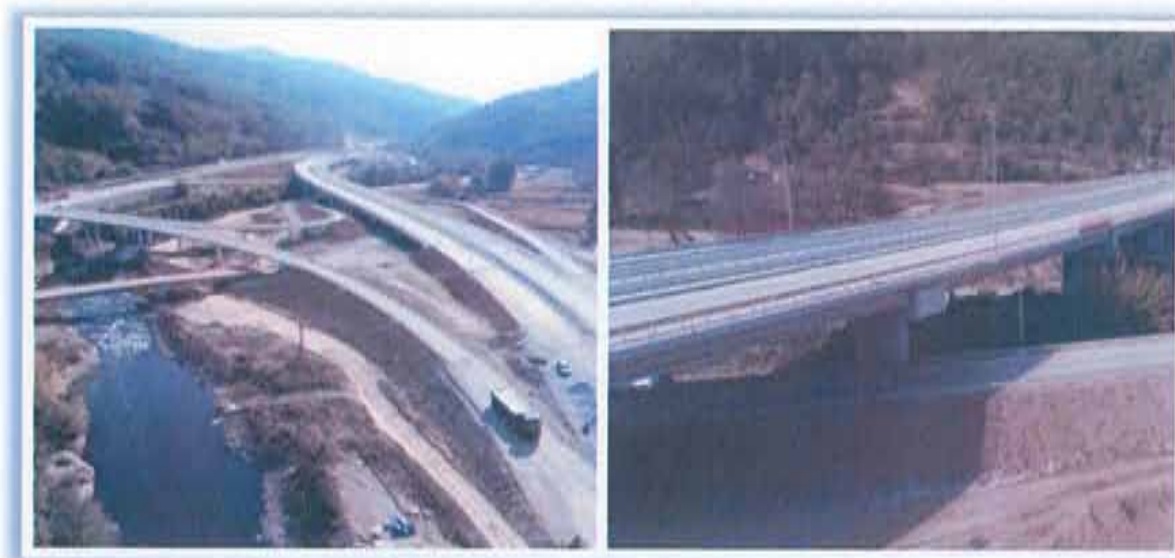
The companies part of Trace Group are engaged in all types of activities related to engineering and infrastructure – construction, rehabilitation, maintenance, design and all additional activities. “Trace” continuously diversifies and extends its scope of business. The portfolio of activities of “Trace” further includes investment, international trade and logistics.

The company successfully develops its business activities in the following areas of construction on the European market:

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

TRACE takes part in the implementation of the major projects part of the Republican infrastructure, among which are completion of “Trakia” and “Hemus” highways. The company participates in the construction of the Serbian part of Corridor 10 Highway.

The companies part of TRACE organization structure carry out projects for reconstruction and repair works of the road network as well as of the urban infrastructure. They implement ongoing repair work and winter maintenance of 20% of the roads in the country and 3 000 km of the road network in the territory of the Republic of Serbia. The company has resources for construction and maintenance of the traffic organization system, vertical and horizontal marking, and has the technical and human resources to perform emergency restoration actions in areas affected by natural disasters.



✓ **Construction of metro (subway);**

“Trace Group Hold” PLC participates in the execution of 1/3 of the “Sofia Metro” project. Seven metro stations are put into operation and the alongside metro part. Currently Trace implements projects of the Third line of “Sofia Metro” project.



✓ **Construction of railway infrastructure and all related facilities – construction of high-speed railway lines, implementation of innovative railway technology – the Gismar system;**

The company is specialized in construction operations of the upper and lower superstructure of the railway track:

- Rehabilitation, reconstruction and new construction of the railway track by mechanized means
- Mechanized laying of a new railway road and dismantling of an existing one
- Earth excavations, rock excavations, embankments with landscaping and re-cultivation of terrains with application of modern technologies and high-productivity machines
- Repair, rehabilitation and construction of new major and small artificial structures along to the existing and new built railway lines
- Reconstruction of existing and construction of new railway stations and stops.



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

Significant project of the company is the reconstruction of "Graf Ignatievo" Airport, where design and construction works were carried out simultaneously for only 3 months. New technologies were introduced - production of polymer modified bitumen and laying of polymer modified asphalt concrete, as well as implementation of an advanced lighting system.

- ✓ **Construction of waste water treatment plants; integrated water cycles; water supply and sewerage network systems and ecological projects;**

In the water and ecological sector the holding company puts its efforts in the realization of projects related to rehabilitation, reconstruction and new construction of water supply and sewerage networks and facilities, which leads to an improvement in the quality of people's lives.

During the last few years "Trace Group Hold" PLC expands its activity in the environmental sector and focuses its efforts on implementation of waste management and soil protection facilities - municipal waste disposal installations, construction of regional landfills for municipal waste, construction of pre-treatment facilities, including composting, sorting and waste separation. The holding company has the capacity to work on adaptation to climate change, prevention and risk management.

"Trace Group Hold" has a strong experience in the design and implementation of anti-landslide activities and fortification facilities, coastal and shore protection structures.



✓ **Building construction, with diversified profile, including energy efficiency projects;**

The holding company has at its disposal a team specialized in the construction of public, industrial, commercial and residential buildings. The subsidiaries have the opportunity to build hotel complexes, industrial, residential, commercial and administrative buildings with the adjacent infrastructure.

✓ **Gas and power facilities, including gas stations;**

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

In order to ensure the quality of its projects, "Trace Group Hold" PLC carries out commercial activities with products and materials used in the construction process. Via its subsidiary "Infra Commerce" LTD, the holding company already has a stable presence in many commercial niches: fuels and road bitumen, technical salt, fittings, railway consumables and materials, construction machinery and others.

✓ **Production of asphalt mixtures, bitumen emulsion, stone flour. Production of stone aggregates.**

"Trace Group Hold" PLC owns asphalt plants (two of which are mobile), polymer modified bitumen production plant, bituminous emulsion production plant, stone flour production plant, aggregates for inert materials and crushing and sorting plants for fractions production. The production bases and warehouses of "Trace Group Hold" PLC are located in key transport and communication centers, allowing the assigned projects to be performed in the shortest possible time and with high quality.

"Trace" manages to achieve steady growth, managing its local subsidiaries with extensive experience and knowledge, covering the entire territory of Bulgaria, with offices located in the economically significant regions of the country. Some of these companies have long traditions in many construction sectors, dating back to the early twentieth century. The foreign subsidiaries and branches – in the Republic of Serbia, in the Czech Republic, in North Macedonia and in Ukraine – also contribute for the company's development and growth. "Trace" manages the production, financial, and human resources and potential of the group 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 a driver of the company's social policy.

“Trace Group Hold” PLC is a member of the:

- Bulgarian Construction Chamber
- Bulgarian Branch Chamber “Roads”
- Confederation of Employees and Industrialists in Bulgaria (CEIBG)
- “Bulgarian Forum for Transport Infrastructure” Association
- Bulgarian – Polish Chamber of Commerce and Industry.

2. Operating results

Net sales revenue structure:

The consolidated net sales revenue amount to BGN 351 875 thousand in 2018 and record 11, 87% growth compared with the net sales revenues in 2017 (2017: BGN 314 540 thousand).

The types of revenue, their relative share and their change, compared with the financial reporting 2017, are presented in the table hereafter.

Type of income	2018	Relative share	2017	Relative share	Change %
	BGN'000	for 2018	BGN'000	for 2017	
Income from contracts with customers	346,572		309,399		12.01%
Income from construction contracts	324,526	92.23%	292,249	92.91%	11.04%
Income from sales of finished products	10,564	3.00%	8,559	2.72%	23.43%
Income from sales goods	10,522	2.99%	7,885	2.51%	33.44%
Income from rendering of services	960	0.27%	706	0.22%	35.98%
Other income	5,303	1.51%	5,141	1.63%	3.15%
Total	351,875	100.00%	314,540	100.00%	11.87%

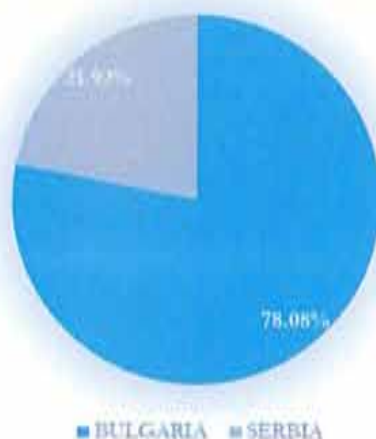
The Income from Clients contracts amount to BGN 346 572 thousand and increase by 12, 01% compared with the prior reporting period (2017: BGN 309 399 thousand). They include income from construction contracts, income from sales of products, income from sales of goods and income from rendering of services.

Income from contracts with clients in 2018



The change in the consolidated income from Clients contracts in the current reporting period, compared with the prior reporting period, arises mainly from the increased revenues, generated by the "Bulgaria" segment. BGN 270 619 thousand were generated in 2018, compared with BGN 215 328 thousand in 2017. The Group's revenues, generated outside Bulgaria (in Trace subsidiaries and branch company in the Republic of Serbia) amount to BGN 75 953 and are by 19, 25% less than the revenues, generated in the prior reporting period (2017: BGN 94 063 thousand).

Net income from contracts with clients for 2018.



The main share of the consolidated operating income structure is comprised of the revenue generated under income from construction contracts, amounting to BGN 324 526 thousand (93, 64%). Their value increases by 11, 04% or BGN 32 277 thousand compared with the previous reporting period (2017: BGN 292 249 thousand). For the period, 77, 42% of them or BGN 251 259 thousand have been generated in Bulgaria and the rest 22, 58% amounting or BGN 73 267 thousand – in the subsidiaries in the Republic of Serbia.

The core projects that formed the 2018 revenue from construction works in the Republic of Bulgaria are:

1. Sofia Metro Extension Project, Third Metro Line – depot "Botevgradsko shosse" Blvd. – "Vladimir Vazov" Blvd. – Central urban area – "Ovcha Kupel" Residential District, Stage II – from km 11 + 966.34 (11 + 941.33) to km 15 + 749.00, with four metro station; Lot № 2 – Section from km 14 + 277.56 to km 15 + 749.00, at length 1471.44 m, 2 / two / underground metro stations and a railway stop;
2. Sofia Metro Extension Project, Third Metro Line – depot "Botevgradsko shosse" Blvd. – "Vladimir Vazov" Blvd. – Central urban area – "Ovcha Kupel" Residential District. Lot 3: Section from km 6 + 561.05 (end of MS 8) to km 4 + 950.00 with 2 metro underground stations and a tunnel section;
3. Mechanised renewal of the railway track from km 41+165 to km 47+379 in the Batanovtsi – Radomir interchange, current road №1, at length 6214 m, 2nd and 3rd tracks in the Batanovtsi station, at length 649 and 572 m, railway track between switches №3 and №5 A, at length 462 m and between №3A and №5A, at length 10.70 m, at total length of 7909.70m, and medium repairs of switches №3A and №5A in the Batanovtsi station along 5th the railway line;
4. Ongoing repair works at the street network and road structures within First zone of Sofia Municipality, Lozentes District;
5. Reconstruction of "Montevideo" Str., including: Execution of construction works in relation to Reconstruction of of "Montevideo" Str., from "Nikola Petkov" Blvd. to "763" Str.; Preparation of a technological project and execution of building and construction works in accordance with the prepared design for re-asphalting of "Montevideo" Str., in the section from "763" Str. to the junction

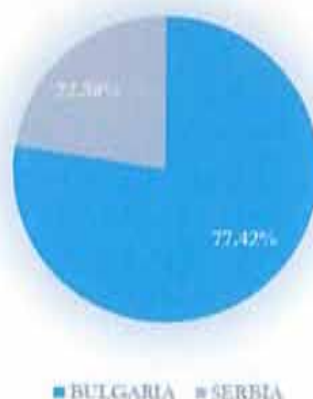
- with "President Lincoln" Blvd.; Preparation of a technological design and implementation of building and construction works, according to the project for Replacement of the pavement on "Boryana" Str., from the junction with "Montevideo" Str. to "Ljubljana" Str.;
6. Design and execution of construction: Road connection for "Sofia" Airport, with a range from "Brussels" Blvd. (from o.t. 201 – o.t. 206 to o.t. 255 – o.t. 226) to "Mimi Balkanska" Str. (from o.t. 214 to o.t. 215);
 7. Rehabilitation of the railway sections Skutare – Orizovo and Straldzha – Tserkovski, part of the project "Rehabilitation of the railway infrastructure on the railway line Plovdiv – Bourgas – Phase 2", Lot 1: "Rehabilitation of the railway section Skutare – Orizovo";
 8. Sofia Metro Extension Project, Third Metro Line – depot "Botevgradsko shosse" Blvd. – "Vladimir Vazov" Blvd. – Central urban area – "Ovcha Kupel" Residential District, Stage I – from km 4 + 320 to km 4 + 950, with one metro station;
 9. Sofia Metro Extension Project, Third Metro Line – depot "Botevgradsko shosse" Blvd. – "Vladimir Vazov" Blvd. – Central urban area – "Ovcha Kupel" Residential District, Stage II – from km 11 + 966.34 (11 + 941.33) to km 15 + 749.00, with four metro station; Lot № 2 – Section from km 14 + 277.56 to km 15 + 749.00, at length 1471.44 m, 2 / two / underground metro stations and a railway stop; (повтаря се като номер 1)
 10. Completion of linking infrastructure for external connections at the Regional Waste Management System Site for Borovo Region (Byala, Rousse Region, Ruse District) with the Republican Road Network and the technical infrastructure networks;
 11. Design and implementation of construction works for rehabilitation on "Bulgaria" Blvd. from "Fritjof Nansen" Blvd. to Sofia Ring Road and "Daskal Stoyan Poppandreev" Blvd. from Sofia Ring Road to Bridge over Boyana River;
 12. Repair works of streets and roads, Lovech municipality", Lot 3 - Reconstruction and rehabilitation of "Osamska" Str. and Lot 4 - Reconstruction and rehabilitation of "Krayrechna" Str.;
 13. Improvement and development of the spaces between blocks of flats in "Zapad" Residential area, Asenovgrad, divided in 6 zones;
 14. Reconstruction of overpass over railway line and "Slavyanski" Blvd., Stara Zagora;
 15. Execution of construction works at project: "Road I-9 "Slunchev Bryag – Burgas", section Aheloy Bypass road from km 207+726,37 to km 212+233,06, vaporizer at km 207+580, new foundation of steel column of reconstruction VL 20 kV "Ravda" at km 207+680, reconstruction of optic cable of "SKAT" TV at km 212+011 and reconstruction at underground network at km 212+120";

The main projects, forming the generated revenue under building and construction works abroad in 2018 are:

1. E 75 Highway, Section: Grdelica (Gorno pole) – Caricina Dolina, LOT 2: Road and bridges from "Predejane" Tunnel to "Caricina Dolina", ICB No: CORRX.E75.EIB.PACK1-LOT2.ICB);
2. Construction of E80 Highway, Section: Parallel non-commercial road, Bela Palanka – Pirot (zapad) (transl. West), ICB No: CORRX.ESO.EBRD.B.ICB;
3. Construction of E 80 Highway, Pirot (Iztok) (transl. East) – Dimitrovgrad (remainig works), ICB No: CORRX.E80.EBRD.A2-RW.ICB;
4. Maintennace (modernization) of State road IB 39, Section: Vlasotince - Svođe, from km 58 + 876 to km 46 + 362, L = 12,514 km, Contract ID № RRSP / RRW-IB39VS / 2017-08.

The below graphs illustrate the distribution of sales revenue, generated under construction contracts, per geographical segments and the comparison of such to the same in the prior reporting period:

Income from construction contracts for 2018.



Income from construction contracts for 2018



The consolidated revenue from sales of production amount to BGN 10 564 thousand in 2018 and record an increase of 23, 43% compared with the same in 2017 (2017 – BGN 8 559 thousand). These revenues represent 3, 05% of the income from Clients contracts and their relative share increases compared with the prior reporting period by 0.28% (2017 – 2, 77%). Viewed geographically, 80, 18% from them, or BGN 8 470 thousand have been realized in the country and the rest 19, 82% - in the Republic of Serbia.

The realised in 2018 production was mainly generated from the sale of asphalt mixtures (84,42%) – BGN 8 918 thousand and record an increase of 48,58% or BGN 2 916 thousand compared with the same in 2017 (2017 – BGN 6 002 thousand). Distributed geographically, 84, 71% of the asphalt mixtures were sold in the Republic of Bulgaria, while 15, 29% were sold on the territory of the Republic of Serbia, because the main production facilities are located in Bulgaria.

The revenue from sales of inert materials amounts to BGN 1 551 thousand and record a decrease of 37,91% or BGN 947 thousand compared with the same in 2017 (2017 – BGN 2 498 thousand. Distributed geographically, 57, 19% or BGN 887 thousand of the inert materials were sold in the Republic of Bulgaria, while 42, 81% or BGN 664 thousand were sold on the territory of the Republic of Serbia. One of the reasons for the lower rates of this type of revenue during the year is the use of inert material production in own project sites and the weaker realization outside the group. During the year, BGN 66 thousand were also realized revenues from sales of metal structures and BGN 22 thousand – from sales of a concrete emulsion, etc.

Revenue from sales of goods amount to BGN 10 522 thousand and increase by 33, 44% compared with the prior reporting period (2017: BGN 7 885 thousand). They constitute 3, 04% of the consolidated revenue from income of clients contracts as their share increases by 0, 49% compared with the same in 2017 (2017 – 2, 55%).

Distributed geographically, 95,15% or BGN 10 012 thousand of the goods were sold in the country, while the rest BGN 510 thousand were sold in the Republic of Serbia. Prior share in the revenue from sales of goods are for the revenue from sales of fuel and oil amounting to BGN 3 253 BGN, which record increase by 82, 96% compared with the prior reporting period (2017 – BGN 1 778 thousand). Sales of railway materials amount to BGN 1 551 thousand and record increase by BGN 797 thousand compared with the prior reporting period (2017 – BGN 754 thousand). Sales of bitumen outside the Group record a decrease by 32, 31% and amount to BGN 1 077 thousand compared with the prior reporting period (2017 – BGN 1 591 thousand). During the year on the territory of the country were realized sales of machines and equipment amounting to BGN 1 317 thousand, sales of salt amounting to BGN 717 thousand. Sales of concrete and cement during the year amount to BGN 738 thousand, sales of other goods amount to BGN 995 thousand. A major part of the revenue from sales of goods were made by the holding's trading company and the rest part - from the subsidiaries, which have reported sales of materials mainly to their subcontractors outside the group, in order to ensure their activity with the required quality.

Revenue from sales of rendering services during the year amount to BGN 960 thousand and record increase by 35,98% compared with the prior reporting period (2017 – BGN 706 thousand). They have been realized mainly on the territory of the country - 91, 46%. The provided services outside the Group include revenue from materials supplied by clients amounting to BGN 404 thousand, revenue from transport services – BGN 235 thousand, revenue from services related to mechanization – BGN 129 thousand. The relative share of this type of revenue in the Group amounts to 0, 28%.

Other income structure

Other sales income amount to BGN 5 303 thousand and increase by 3, 15% in comparison with the previous reporting period (2017 – BGN 5 141 thousand). They include income from operating leases – BGN 494 thousand, other net income – BGN 537 thousand. Other incomes are realised from write-off unreimbursed provisions under construction contracts amounting to BGN 1 745 thousand. By their nature, they represent unreimbursed amounts under warranty repairs as 80, 92% are in the country and 19, 08% - in the Republic of Serbia. The reimbursed provisions under construction contracts amount to BGN 1 056 thousand and are generated in the Republic of Serbia and in the Czech Republic. They record increase by 21, 66% in comparison with the previous reporting period (2017 – BGN 1 348 thousand). During the year write-off liabilities have been reported amounting to BGN 1 026 thousand mainly generated in the Republic of Serbia. The result of the sale of fixed assets is BGN 137 thousand. Income from restored depreciation amounts to BGN 138 thousand.

Finance income structure

Type of income	2018 BGN'000	Relative share for 2018	2017 BGN'000	Relative share for 2017	Change %
<i>From transactions in financial instruments</i>	1	0.14%	7	0.43%	▼ (85.71)%
<i>Interest income, including interest income earned:</i>	74	10.41%	308	19.08%	▼ (75.97)%
• under commercial loans	7		167		
• under accounts	-		1		
• under trade receivables	54		127		
• others	13		13		
<i>Foreign exchange gains</i>	625	87.90%	1,278	79.18%	▼ (51.10)%
<i>Other financial income</i>	11	1.55%	21	1.30%	▼ (47.62)%
Total	711	100.00%	1,614	100.00%	▼ (55.95)%

The consolidated finance income for 2018 amount to BGN 711 thousand and have decreased by 55, 95% in comparison with the prior reporting period (2017: BGN 1 614 thousand). In absolute value the foreign exchange gains record increase and for the reporting period amount to BGN 625 thousand (2017 – BGN 1 278 thousand).

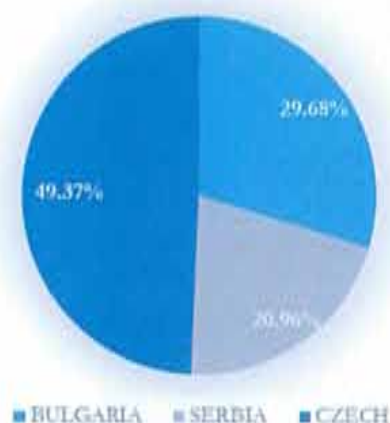
Distributed geographically, 56,16% them are generated in the Czech Republic, 21,12% - in Bulgaria and 22,72% - in the Republic of Serbia. The currency transactions between the entities in the Republic of Bulgaria, the companies and branches in the Republic of Serbia and the Czech Republic maintain their intensity.

Interest income amount to BGN 74 thousand and decrease significantly in comparison with prior reporting period (2017 – BGN 308 thousand). The reason for that is the decrease of the interest income earned under commercial loans and under trade receivables.

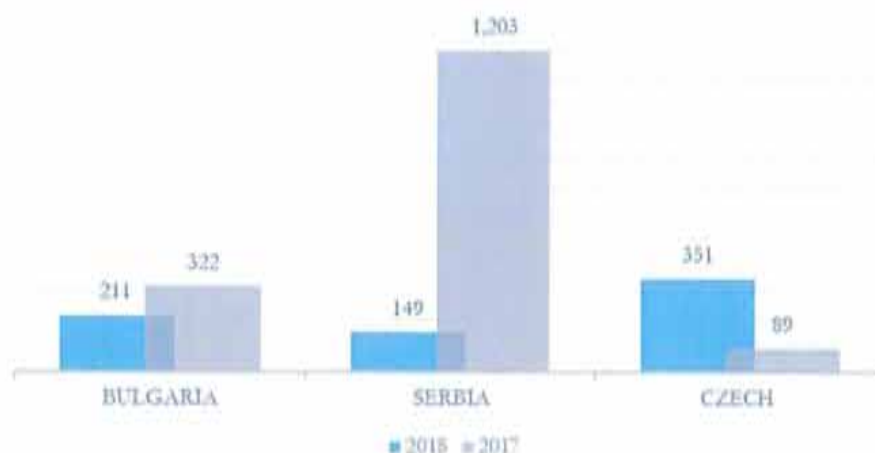
The geographical distribution structure of the group's finance income is as follows: 29, 68% generated in Bulgaria, 20, 96% generated in the Republic of Serbia and 49, 37% generated in the Czech Republic.

The below graphs present the finance income per geographical segments and a comparison of such with their values in the prior reporting period

Financial income for 2018.



Financial income for 2017.

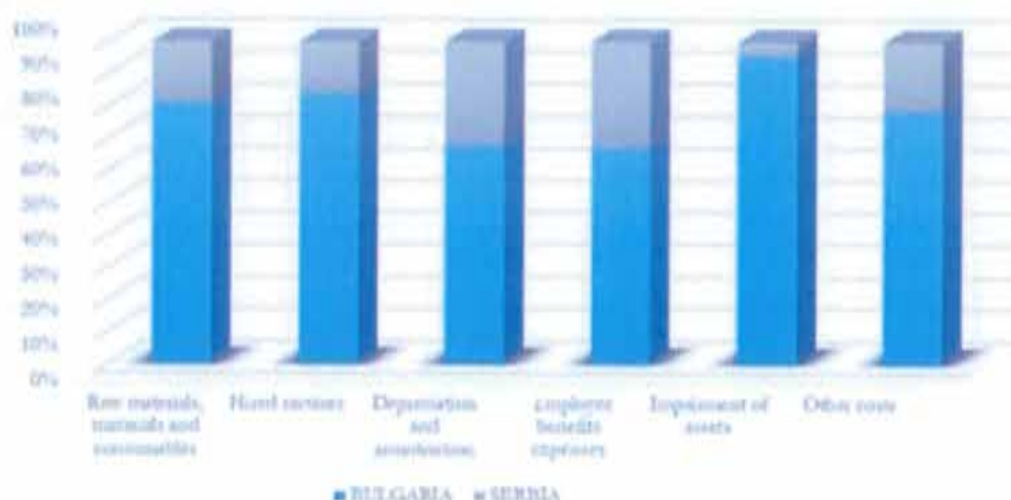


Expenses by economic elements structure

The consolidated expenses by economic elements amount to BGN 332 413 thousand and record a 10, 48% increase compared with the prior reporting period (2017: BGN 300 875 thousand). Their change is interconnected with the volume of construction works that the Group has executed within the year.

Type of expenses	2018 BGN ' 000	Relative share for 2018	2017 BGN ' 000	Relative share for 2017	Change %
Expenses per economic elements	332,413		300,875		
• Raw materials, materials and consumables	61,402	18.47%	60,179	20.00%	▲ 2.03 %
• Hired services	227,720	68.51%	193,948	64.46%	▲ 17.41 %
• Depreciation and amortisation	5,066	1.52%	4,821	1.60%	▲ 5.08 %
• Employee benefits expenses	29,100	8.75%	28,256	9.39%	▲ 2.99 %
• Impairment of assets	4,047	1.22%	1,746	0.58%	▲ 131.79 %
• Other costs	5,078	1.53%	11,925	3.96%	▼ (57.42)%
Total	332,413	100.00%	300,875	100.00%	▲ 10.48 %

Expenses per economic elements 2018.



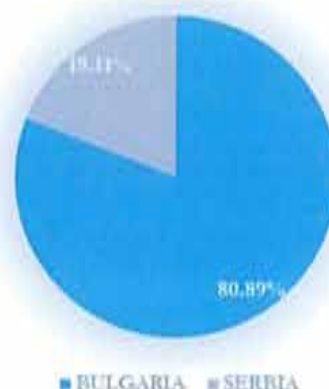
Expenses, incurred by the group for raw materials, materials and consumables amount to BGN 61 402 thousand and increase barely by 2, 03% compared with the prior reporting period (2017: BGN 60 179 thousand). In essence, these are the expenses, incurred for direct raw materials and overheads, consumed in the production process, expenses for fuels and lubricants, tires, spare parts, electricity, office materials and consumables, water and others. Their relative share to the total expenses by elements is 18, 47%, geographically distributed as follows: 80, 89% in Bulgaria and 19, 11% in the Republic of Serbia.

The most significant portion of the group's cost is for the raw materials amounting to BGN 51 602 thousand with a relative share in the Group of 84, 04%. Compared to 2017, these costs increased by 4.86%.

Expenses, incurred for fuel and lubricants amount to BGN 5 635 thousand and have a relative share in the Group of 9, 18%. They record decrease in comparison with the prior reporting period by 17, 41% or BGN 1 188 thousand (2017 – BGN 6 823 thousand). The machinery and motor vehicles, owned by the Group, imply that maintenance costs will be incurred by the Group as expenses for spare parts (BGN 1 470 thousand), expenses for tires (BGN 541 thousand). Expenses, incurred for spare parts increase by 10, 28%, compared with the same in the prior reporting period (2017: BGN 1 333 thousand), while the expenses for tires does not change significantly (2017 – BGN 523 thousand).

The cost of electricity amounts to BGN 773 thousand and has decreased by 9, 27% compared with the prior reporting period (2017: BGN 852 thousand). No significant changes are observed in the absolute value of the remaining cost of materials in comparison with the prior reporting period. The practice of the Group is to purchase core materials and raw materials through the subsidiary of the Holding – Infra Commerce LTD and its branch company in the Republic of Serbia.

**Raw materials, materials and consumables
2018r.**



The consolidated expenses for hired services sum up to BGN 227 720 thousand and are increasing compared to the same period with 17, 41% (2017 – BGN 193 948 thousand), retaining its main share in the group's expenses by economic elements of 68.51%. Expenses incurred with respect to subcontractors are in the amount of BGN 185 492 thousand or 81, 46% of the total amount of the hired services expense. These increase compared to the previous period by BGN 32 507 thousand (2017 – BGN 152 985 thousand), from which 88, 42% were incurred in the country and 11, 58% in Republic of Serbia.

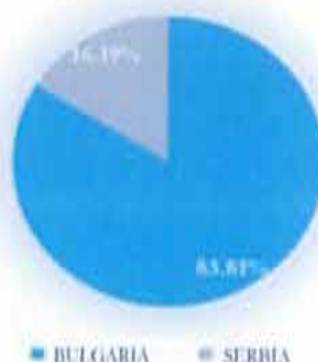
Hired transport and mechanisation costs form a significant portion of hired services. Hired mechanisation costs sum up to BGN 7 192 thousand and decrease by 2, 20% compared with the prior reporting period (2017: BGN – 7 354 thousand) as a main part of these have been realized in the country. Hired transport costs sum up to BGN 5 909 thousand and increase by 9,65% compared with the prior reporting period (2017 – BGN 5 389 thousand), from which 77,43% were incurred in the country and 28,57% in Republic of Serbia. The expenses for transport services realized in the current period sum up to BGN 2 660 thousand and increase by 81,57% (2017 – BGN 1 465 thousand), from which 98,05% were incurred in Republic of Serbia. The equipment of the companies from the group with specialized mechanization and vehicles and their optimal load requires constant maintenance and repair of these assets such that for 2018 the amount is BGN 1296 thousand (2017 – BGN 1 263 thousand).

Design costs amount to BGN 1 666 thousand and decrease by 25,19% compared to the previous reporting period (2017 – BGN 2 227 thousand). Consulting and other contracts amount to BGN 7 222 thousand and decrease by 17,04% (2017 – BGN 8 705 thousand). Such are mainly realised by the branches and Serbian subsidiaries. The services rendered under contracts sum up to BGN 7 007 thousand in comparison with BGN 5 278 thousand in 2017. Insurance costs amount to BGN 1 440 thousand and increase in comparison to the previous reporting period by 27,32% (2017 – BGN 1 131 thousand), as 60,62% were incurred in the country and the remaining 39,35% in the Republic of Serbia. One of the reason behind the increase of this type of costs is the acquisition of new assets in the current reporting period by the group. Laboratory testing cost amount to BGN 1 046 thousand and increase in comparison to previous reporting period by 4,39% (2017 – BGN 1 002 thousand), 67,40% of which were formed in the Republic of Serbia, the remaining 32,60% in the country. Security expenses amount to BGN 1 523 thousand and maintain their levels from the previous reporting period (2017 – BGN 1 511 thousand). Costs, incurred under blasting activities, amount to BGN 593 thousand which decrease by 11,62% (2017 – BGN 671 thousand). Taxes and fees amount to BGN 1 002 thousand, 52,89% are in the Republic of Serbia.

Hired services expenses and the change therein when compared with the prior reporting period are thoroughly presented in the notes to the consolidated financial statements for 2018.

Expanding the construction activities is accompanied with engagement of significant resources of hired services, this trend shall continue and within the next reporting period. Analysed per geographical segments the hired services expenses in the Republic of Bulgaria are most significant amounting to 83,81 %.

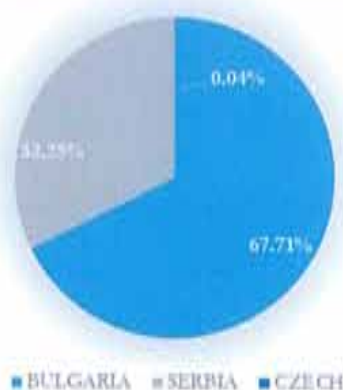
Hired services 2018



Depreciation costs sum up to BGN 5 066 thousand and increase by 5,05% compared with the prior reporting period (2017 – BGN 4 821 thousand). The carrying amount of non-current tangible assets (property, plant, equipment, and investment property and non-current intangible assets) amounts to BGN 74 456 thousand in 2018.

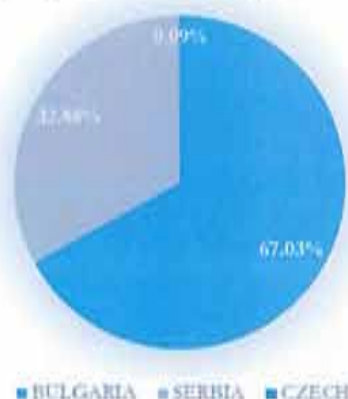
Within the year are acquired or put in exploitation non-current tangible as follows: machinery and equipment in the amount of BGN 4 648 BGN thousand, facilities in the amount of BGN 164 thousand, buildings in the amount of BGN 1 177 thousand, transport vehicles in the amount of BGN 3 118 thousand and other assets in the amount of BGN 177 thousand. Real estate is put in exploitation for investment purposes in the amount of BGN 3 989 thousand. The Holding applies a centralised investment policy by concentrating the core corporate assets in the Group, which are rented (leased) to subsidiaries on the principal of necessity and workload. Effective asset management and their optimal workload is one of the core objectives of the Management.

Depreciation and amortisation 2018.



Remuneration costs paid to the personnel are in the amount of BGN 29 100 thousand and increase compared to the previous reporting period by 2,99% (2017 – BGN 28 256 thousand), but their relative share per economic elements decrease by 0,64% (relative share 2018 – 8,75%, relative share 2017 – 9,39%). Analysed geographically, the expenses incurred for salaries and wages and social security contributions, paid in respect of the personnel, employed in our country – 67,03 % – and in respect of the personnel, 32,88%- – Republic of Serbia and 0, 09% - Czech Republic.

Employee benefits expenses 2018



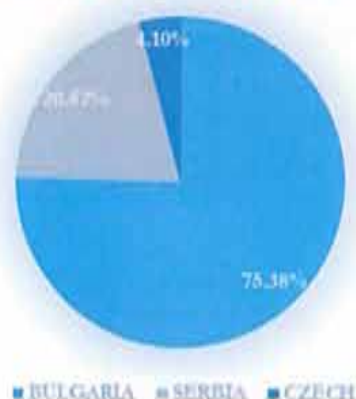
Effects of adjustments resulting from the initial application of IFRS 9 and IFRS 15 are presented in the balance of retained earnings at the beginning of the period - 01.01.2018 and are detailed in the notes to the financial statement. Their net effect amounts to BGN 1,085 thousand.

The Group has accrued losses from the impairment of assets in the amount of BGN 1 050 thousand, from the impairment of receivables in the amount of BGN 2 541 thousand, from commercial reputation in the amount of BGN 447 thousand, and of financial assets in the amount of BGN 9 thousand in 2018 – total value of BGN 4 047 thousand.

Other operating expenses amount to BGN 5 078 thousand in 2018 and decrease by 57, 42% compared with the prior reporting period (2017: BGN 11 925 thousand). Analysed per geographical segments, 75,38% of which are realised in the country, 20,52% - in the Republic of Serbia and 4,10% - in the Czech Republic. Other operating expenses include expenses for business trips, entertainment costs, expenses related to donations, accrued penalties and fees, costs relating to medical services, provisions of estimated future costs and others. Their relative share in the total expenses by elements is 1, 53%. Entertainment costs amount to BGN 364 thousand and decrease by 25, 09% compared with 2017 (BGN 291 thousand). Provisions for liabilities amount to BGN 417 thousand (2017 – BGN 2 515 thousand), while provisions under contracts for construction amount to BGN 376 thousand (2017 – BGN 4 430 thousand). Social expenses provided in kind, amount to BGN 351 thousand, shortage costs and retirement of non-current assets – BGN 88 thousand, written off receivables – BGN 568 thousand.

The Group has donated BGN 1 093 thousand in 2018, with most donations being to the “Trace for people” Foundation.

Other expenses 2018

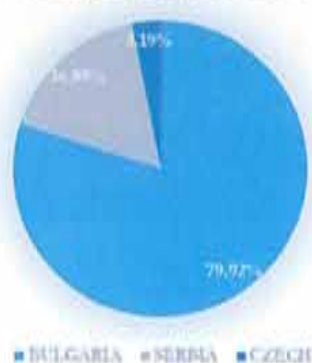


Finance cost structure

The consolidated finance costs amount to BGN 2 665 thousand and increase by 17, 40% compared with the same for the financial reporting 2017 (BGN 2 270 thousand). The most significant component of the finance costs and in relative share (44, 58%) are the costs related to the bank guarantees that amount to BGN 1 188 thousand. Bank guarantees are issued with regards to concluded contracts for building and construction works in order to secure the provided advance payments and to guarantee the quality of the executed construction works to the Employers. Interest expenses amount to BGN 572 thousand and decrease in comparison with the prior reporting period by 30,24% (2017 – BGN 820 thousand). The main reason for this is the decrease in expenses on trade liabilities by 51.23% compared to the previous year, mainly in the Republic of Serbia (2018: BGN 218 thousand, 2017: 447 thousand BGN). Interest under bank loans expenses maintain the levels compared to 2017 and amount to BGN 271 thousand, while interest under leases amount to BGN 82 thousand (2017 – BGN 86 thousand). Foreign exchange losses, which amount to BGN 257 thousand and record a decrease of 43, 64% compared with the same in 2017 (BGN 456 thousand), also form a significant portion of finance costs. From these 54, 47% are generated from the group activity in the Republic of Serbia, the dynamic exchange rate of the Serbian Dinar against the European currency - the main proceeds from the contracts in the branch in the Republic of Serbia are made in euro and the payments in Serbian dinars respectively; 32,30% are from the Czech Republic and 13,23% - from Bulgaria. The other finance costs amount to BGN 647 thousand and increase by 69, 37% in comparison to the prior reporting period (2017 – BGN 382 thousand). Analysed per geographical segments, 79,92% of the finance costs are generated in the country, 16,89% - from the Republic of Serbia and 3,19% - from the Czech Republic.

Type of expenses	2018 '000 BGN	Relative share for 2018	2017 ' 000 BGN	Relative share for 2017	Change %
Interest expense, including	572	21.46%	820	36.12%	▼ (30.24)%
• trade loans	-		1		
• loans granted by financial institutions	271		270		
• leases	82		86		
• trade liabilities	218		447		
• others	1		16		
Expenses from transactions with financial instruments	1	0.04%	-	0.00%	
Foreign exchange losses	257	9.64%	456	20.09%	▼ (43.64)%
Expenses, related with bank guarantees	1,188	44.58%	612	26.96%	▲ 94.12 %
Other finance costs	647	24.28%	382	16.83%	▲ 69.37 %
Total	2,665	100.00%	2,270	100.00%	▲ 17.40 %

Finance costs 2018.



Finance costs 2018

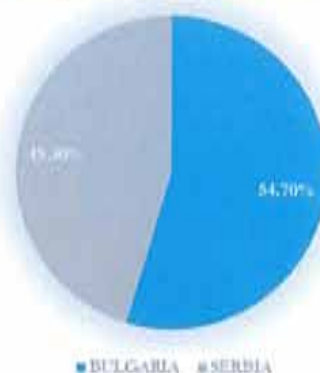


The Group serves several credits to different financial institutions – UniCredit Bulbank AD, SG Expressbank AD, UBB AD, Investbank AD and Piraeus Bank Bulgaria AD.

Personnel

1 163 people were employed by the Group as at 31.12.2018, compared with 1 415 people, employed in 2017. Geographically distributed – 54.70% of the personnel is employed in the Republic of Bulgaria and 45.30% in the Republic of Serbia;

Total personnel employed in 2018



Financial result

To summarise the data, disclosed in the presented financial information, the realised in total within the year revenue amount to BGN 352 586 thousand, while the expenses in total, without tax cost, amount to BGN 345 922 thousand. The financial result before tax amounts to a gross profit of BGN 6 666 thousand. The accrued tax expense amount to BGN 733 thousand and the financial result after tax – net profit of BGN 5 933 thousand, includin for the group - BGN 5,905 thousand. The change in comparison with the prior year is net profit increasing with 53, 27% (2017 – BGN 3 871 thousand).

III. Financial and non-financial indicators analysis

1. Financial indicators and ratios

The financial position of the group for the financial reporting 2018 is reflected in the following economic indicators:

Indicators	2018	2017	Difference	
	Value	Value	Amount	%
1.Non-current assets (total)	97 608	98 812	1 204	-1%
2.Current assets, including	123 564	164 788	41 224	-25%
3.Inventory	7 964	9 206	(1 242)	-13%
4.Current receivables	79 080	117 311	38 231	-33%
5.Current financial assets	113	1 787	1 674	-94%
6.Cash and cash equivalents	36 407	36 484	77	0%
7.Total assets	221 172	263 600	42 428	-16%
8.Equity	100 883	97 775	3 108	3%
9.Financial result	5 905	(3 845)	2 060	54%
10.Non-current liabilities	20 450	15 559	4 891	31%
11.Current liabilities	99 504	149 926	50 422	-34%
12.Total liabilities	119 954	165 485	45 531	-28%
13.Total revenue	352 589	316 154	36 432	12%
14.Sales revenue	346 572	309 399	37 173	12%
15.Total expenses	345 922	311 484	34 438	11%

№	Ratios	2018	2017	Difference	
		Value	Value	Amount	%
Profitability:					
1	Return on equity	0.06	0.04	0.02	49%

2	Return on assets	0.03	0.01	0.01	83%
3	Return on liabilities	0.05	0.02	0.03	112%
4	Net profit margin	0.02	0.01	0.00	37%
Efficiency:					
5	Of costs	1.02	1.01	0.00	0%
6	Of income	0.98	0.99	0.00	0%
Liquidity:					
7	Current ratio	1.24	1.10	0.14	13%
8	Quick ratio	1.16	1.04	0.12	12%
9	Acid test	0.37	0.26	0.11	44%
10	Absolute liquidity	0.37	0.24	0.12	50%
Financial leverage:					
11	Financial leverage	0.84	0.59	0.25	42%
12	Debt	1.19	1.69	0.50	-30%

Profitability (return) coefficients are subject to investor's interest as they convey the pace of return on capital. In essence, profitability coefficients are quantitative characteristics of the entity's return on sales, on equity, on the actual assets and liabilities of the entity. For 2018 profitability coefficients record increase compared with the same in the prior reporting period due to an increase in the absolute value of the net profit compared to the previous reporting period. Profitability of return on equity has 0.06 coefficient and increase by 0.02 or 49% compared to the comparable period. Profitability of return on assets has a coefficient of 0.03 with a value of 0.01 and a growth of 83% in the past year; the profitability of return on liabilities is 0.05 as the coefficient values for 2017 was 0.02. Profitability of net profit margin has value of 0.02.

Efficiency ratios are quantitative characteristics of the interrelation of the entity's revenues and expenditure. The factor, which mainly influences their alteration, is the change in the revenue and expense structure. In the current reporting period, due to keeping their ratio, efficiency indicators have not changed significantly compared to 2017. Thus, for the realization of BGN 0.98 income correspond to BGN 1.02 costs.

Liquidity ratios express entity's ability to timely settle its debts with the available assets, and present its ability to convert the readily available assets into liquid assets. The current ratio is 1.24 and increase by 13% in comparison with the prior reporting period (2017 – 1.10). It is calculated as a ratio between the current assets and the current liabilities and at coefficient levels above 1 unit, the risk that the entity will fall into a state of inability to meet its liabilities is too low. The acid test is computed to 0.37 and the absolute liquidity to 0.37 and increase by

44% and 50% accordingly compared in 2017. The carrying value of the available financial assets in the group as at 31.12.2018 is BGN 36 407 thousand.

The financial leverage coefficient is the ratio between equity and total liabilities. Since the profitability coefficients for 2018 record increase in comparison to 2017, while the total liabilities decrease, the indicator of financial leverage record increase by 42% in comparison to the prior year (2018 – 0.84; 2017 – 0.59).

Debt ratios show the amount of liabilities, recorded against BGN 1 of equity. The debt ratio is 1.19 in 2018 and increase by 30% in comparison to the prior reporting period (2017 – 1.69%).

2. Corporate Social Responsibility

Ecology

"Trace Group Hold" PLC and the main companies in the Group maintains Integrated quality management system in accordance with the requirements of the international standards ISO 9001: 2015, ISO 14001: 2015, OHSAS 18001: 2007.

The company implements social activities supporting the principles of protecting the integrity, health, rights and well-being of its employees.

The process management system, influencing the quality, environment, health and safety at work in every company in the Group covers all activities implemented by these companies.

"Trace Group Hold" PLC applies international environmental management standards. For the group, its sustainable development, competitiveness and economic prosperity are closely linked to global environmental efforts.

The management of "Trace Group Hold" PLC makes efforts to reduce the environmental impact of the company by:

- Efficient use of electricity and heat;
- Minimization of waste;
- Prevention of pollution by reducing and minimizing harmful emissions to air and water;
- Using a new generation of techniques and facilities to carry out its activities;
- Monitoring of air, water and soil pollution.

The corporate management of "Trace Group Hold" PLC appreciates the importance of preserving the ecological balance in nature and pays particular attention to the environmental impact of the subsidiaries' operations. The holding monitors the measures to reduce the harmful environmental impacts that companies undertake in carrying out their activities. All production facilities / crushing plants, asphalt bases, stone flour installations, etc. are provided with filtering installations to capture the harmful emissions emitted during operation and comply with the requirements of environmental control authorities.

Asphalt mixtures are produced using dry production method, without using water. Asphalt mixing plants have a highly efficient filtration system that ensures dust extraction from the exhaust gases that are subjected to dry purification through an industrial filter. All smoke is absorbed by a powerful aspirator, passed through a dry dust filter, and the cleared exhaust air is emitted into the atmosphere.

Specialized machines and trucks meet European and world environmental standards. The company invests in modern equipment and aims at introducing innovative productions in order to protect the ecological balance.

In the implementation of each infrastructure project, an environmental concept is developed and followed, which sets out the activities to minimize pollution and harmful effects on the environment. Through it it is possible to identify, evaluate and manage the important aspects of the environment, to prevent the pollution of the environment in the implementation of the subject of the respective public procurement. The concept of

environmental protection shall take into account the main activities in the implementation of the project and the operation of the sites at the stage of their design, construction and operation, namely:

- Approved land-use planning plan for changing land use
- Preparation and coordination of project documentation
- Obtain building permit
- Realization of projects
- Commissioning the sites
- Conditions established through environmental decisions and / or environmental impact assessment

Procedures are in place in accordance with environmental legislation at national and European level to ensure the prevention of significant negative impacts on the environment and human health when implementing investment proposals, namely: Environmental assessment of plans and programs related to spatial planning and environmental impact assessment; Assessment of compatibility with the subject and objectives of conservation of protected areas.

During implementation of the final section of boulevard "Montevideo", an engineering team from Trace preserved 27 years old Caucasian fir in Sofia. The tree with height 15 m and weight 10 tons, was moved to a location selected by the Municipality of Sofia. After plating, the tree was reinforced with a steel rope construction that was removed in March 2019. Irrigation takes place through drainage pipes reaching the root system.

The strategy for development of "Trace Group Hold" PLC includes participation in long-term environmentally friendly projects in the field of environmental protection. A separate collection system has been set up.

Human resources

Financial incentives

The companies of the Group of "Trace Group Hold" are fair to its employees and workers in the payment of agreed wages and social security contributions. The company motivates its employees, specialists and workers by paying additional remuneration as well as by paying in the form of shares in the company's capital. The provision of shares is tied to the results they achieve in fulfilling their engagements. The conditions under which shares are distributed to employees of the company are regulated by an internal statutory instrument adopted in 2013.

The group has agreements reached with:

- Banking institutions for preferential terms when using loans and insurances;
- health care facilities and annual free examinations;
- use of chain stores for the supply of goods and services

Increasing professional and scientific qualifications

In 2018 two engineers (Ivan Katsarov and Hristo Ivanov) were awarded PhD and defended dissertation works before UASG, three more enlisted for PhD (Silvia Sandev, Petar Kostov and Yordan Markov). Their scientific interest is part of their professional commitments and is connected with the development of innovations and the application of technologies in various processes. Large number of engineers continues their education in masters programs related to the construction of water treatment systems, gas networks, constructions of buildings and facilities etc.

"TRACE" Academy

The master degree program "Business management and planning in the construction" is an educational product, which has no analogue in the Bulgarian education. The program response to the acute need of the Bulgarian construction business of new generation of engineers – managers, who in the works process apply engineering principles but have business knowledge for the successful and efficient implementation of projects. In

2018 first engineers from the group, who enrolled in the master degree program received their diploma with major "Business development and management in the infrastructure construction". The education is designed in a manner that the engineers receive knowledge on multiple management techniques, identify business issues and develop creative skills.

Scholarship and internships. Talents program.

In partnership with UASG, the group prepares programs, which allow the creation of new generation engineers, knowledgeable, reasoning, and independent.

- **Talents program** allows to students not only to be prepared for the job market, but to work in real time environment and to acquire qualification.
- **Scholarship for excellent students**, who originate from Bulgarian diaspora in R.Serbia, Macedonia, Kosovo, Albania, who are enrolled in UASG under 112 Decree of the Ministry of Education and Science.
- **"Best thesis paperwork"** - award winning graduates from the Dean Management Departments of the UASG engineering departments receive a cash prize and the opportunity for a start in the career.
- **Internship program of Ministry of Education and Science** – Every year the group participates in a program of the Ministry of Education for financier, accountants and lawyers.
- **"Open lectures"** – students from 11th and 12th grade visit infrastructure projects implemented by Trace which are under construction, participate in meetings with management teams of the group, as well as in so called laboratories. The purpose of these lectures is the attraction of young people towards the career path of construction engineer.

Awards:

Every year "Trace Group Hold" PLC distinguishes the most deserving employees and workers with two special awards:

"Builder of the Year of "Trace Group Hold" PLC Award

The prize is awarded to employees and workers, in recognition of their high professionalism in the execution of their work assignments and for their significant contribution to the group's development. The award was first introduced in 2008. The winners receive the "Road is Life" sculpture and non-bearer shares of BGN 10 000 in the entity's capital. In 2018 the management presented the award to Dipl. Eng. Georgi Ivanov for the completion before the appointed deadline of Aheloy bypass road.

"Keeping the Honour of the Builder Profession" Honorary sign

With this honorary sign, the Management team of "Trace Group Hold" PLC aims to earn a recognition and public visibility for excellence in infrastructure construction and to enhance the quality of the professional competencies of the Group's employees; to stimulate the qualities and talents of each employee and for the further sustainable development of "Trace Group Hold" PLC. The prize is awarded on the occasion of the Builder's Day or anniversary events of the Company, as well as by the decision of the Holding's Financial Board.

In 2018 the culture field, Trace supported more 10 events which have not only national but international importance for the image of Bulgaria. Among them, the most significant is the concert of Lisa Gerard and Yordan Kamzhalov in Sofia.

The "Trace for People" Foundation, part of "Trace Group Hold" PLC family, supports projects, personalities and causes which leave traces, draw perspectives, bring value beyond commerciality, popularize Bulgarian culture and spirit, and are the necessary positive examples - messages to the future - the children of Bulgaria. All initiatives and realized projects can be found in the Annual Report of the Foundation, which is published on the website of the Registry Agency.

3. Disclosing of non-financial information

As required by European Parliament Directive 2014/95 / EU on the submission of non-financial information and the provisions of the Accountancy Act, some companies have an obligation to publish non-financial information on their own or as part of the annual activity reports. The obligation arises for large public interest entities which, by 31 December of the reporting period, exceeded the 500 average number of employees in the financial year. Enterprises of public interest are: public companies and other issuers of securities; credit institutions; financial institutions; insurance and reinsurance companies, pension insurance companies and the funds managed by them; investment intermediaries; commercial companies that produce, transport and sell electricity and heat; commercial companies importing, transporting, distributing and transiting natural gas; commercial companies providing water, sewage and telecommunications services; Bulgarian State Railways EAD and its subsidiaries.

Large enterprises are defined as net income from sales - BGN 76 million or book value of assets - BGN 38 million.

In view of the criteria set out in the Law on Accounting, it can be concluded that "Trace Group Hold" PLC on a consolidated base have the obligation to present non-financial information.

The non – financial information is presented in a form of a declaration as Enclosure №1 as part of the report of the Management Board.

IV. Major risks

In the ordinary course of business, the company may be exposed to various financial risks, the most important of which are: currency risk, credit risk and liquidity risk. Therefore, overall risk management is focused on minimizing potential negative effects that could affect financial performance. Financial risks are currently identified, measured and monitored using different control mechanisms in order to determine adequate prices for the services provided by the company to adequately assess the forms of maintenance of the free liquid assets, without allowing an unjustified concentration of particular risk.

The different types of risks to which the company is exposed in carrying out its business and the approach taken to manage those risks are described below.

Credit risk

- In the course of its business, the Company is exposed to credit risk that is related to the risk that some of its counterparties will not be able to fully meet its obligations within the usual timeframe.
- The financial assets of the company are concentrated in three groups: cash and receivables from customers, financial assets – loans granted.
- The Company regularly monitors the default of its customers and other counterparties, individually or in groups, and uses this information to control credit risk. Where costs are not excessive, credit data from external sources and / or financial statements of customers and other counterparties are provided and used. The Company's policy is to only deal with counterparties with a good credit rating.

The cash in the company and the payment operations are concentrated in the following banks - Unicredit Bulbank AD, DSK AD, UBB AD and Expressbank AD. The management considers that there is no risk as long as the servicing banks have stable liquidity.

As of 31.12.2018 are impaired cash on current accounts in banks - in Bulgaria and abroad amounting to BGN 15 thousand on the basis of their officially published credit ratings by certified credit agencies.

Liquidity risk

The liquidity risk is expressed in the negative situation that the company will not be able to meet unconditionally all its obligations according to their maturity. It pursues a conservative liquidity management

policy, which constantly maintains an optimal liquidity reserve and a good ability to finance its business. Currently, the maturity and timely implementation of payments is monitored by the financial and accounting department, supporting the necessary information on available cash and pending payments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets and liabilities held by the Company will fluctuate due to changes in market interest rates. Fixed rate instruments are at risk of the fair value of interest rates - changes in market interest rates will affect the value of fixed financial assets and liabilities. Financial assets and floating rate liabilities are exposed to cash flow risk - future cash flows will depend on changes in market interest rates.

As a whole, in the structure of the Company's assets and liabilities, interest-bearing financial assets and liabilities have a significant share representing receivables and payables under finance leases, borrowings received and granted.

Currency risk

The company is exposed to currency risk insofar as all branches operate in countries with a variable exchange rate of the local currency - Serbian dinars, Czech Crowns, Macedonian denars and Ukrainian hryvnias. But the bulk of its transactions and operations are mainly carried out in BGN and / or EUR.

V. Significant events after the reporting period

On 17.01.2019 has been signed a purchase agreement of the shares of the capital of “Vior Velika Morava” LTD. Belgrade, as a result of which “Trace Group Hold” PLC acquires from “Trace International” LTD 100% of the capital of “Vior Velika Morava” LTD. The transaction value is 171 468 Euros. On 05.02.2019 the change of ownership was registered in the Serbian Trade Register. The capital of “Vior Velika Morava” LTD amounts to 15 743 000 RSD and is divided into one unit. As of 05.02.2019 the sole owner of the capital of “Vior Velika Morava” LTD is “Trace Group Hold” PLC.

On 17.01.2019 before the Registry Agency of Republic of Serbia for “Trace Balkans” LTD a capital increase of 100, 00 RSD to 32, 562, 172, 50 RSD was recorded as a result of an increase due to an increase in the nominal value of the units. Following the change, the company's share capital is 32 562 172, 50 RSD, divided into one share with a par value of 32 562 172, 50 RSD.

“Trace Group Hold” PLC became sole shareholder of “Trace Serbia” JSC as of 12.03.2019 after it acquired 1 share from “Trace Balkans” LTD. The Management Board of “Trace Group Hold” PLC, on the grounds of art. 114, paragraph 3 of the Public Offering of Securities Act, gave preliminary consent to the conclusion of a contract for the transformation of “Trace Serbia” JSC /as a transforming company/and “Vior Velika Morava” /inflowing company/. After the transformation, Trace Serbia's capital will be increased by an increase in the nominal value per share and will amount to RSD 985,282,255.5, distributed in 591,527 shares with a nominal value of 1,665,659 RSD each.

On 26.03.2019 in the Commercial Register at the Registry Agency was registered an increase of the capital of “Infra Commerce” LTD by BGN 395,000 / three hundred ninety five thousand / through the subscription of 3,950 / three thousand nine hundred and fifty / new shares with par value of 100 / a hundred/ BGN each. The company's capital amounts to 400,000 / four hundred thousand / BGN, divided into 4,000 / four thousand / equal shares at the value of 100 / a hundred / BGN each.

“Infra Commerce” LTD **acquired** 5,000 (five thousand) ordinary, registered voting shares, each with a nominal value of BGN 10 (ten), representing 100% of the capital of “Himcolor” JSC, UIC 160087427, “Infra Commerce” LTD, UIC 175029440 becomes the sole owner of the capital of “Himcolor” JSC.

On 18.04.2019 “Trace Group Hold” PLC sold to non related party its own 8,251 shares, each with a nominal value of BGN 10, from the capital of “Technostroy – Engineering” 99 JSC, UIC 12805792. The price of the transaction is 1 100 000 (one million and one hundred thousand) BGN.

VI. Business development

Next year, "Trace Group Hold" PLC will continue its policy of expanding its operations nationwide and internationally.

At the national level, the company's intentions are to participate in tendering procedures related to the implementation of infrastructure projects included in the programming period of the operational programs of the European Union focusing on: water sector, landfills, railway and road construction; Development of municipalities funded by the state budget; Building construction projects and projects for the rehabilitation of buildings to increase energy efficiency; Initiatives with private investors with interest in infrastructure, logistics and industrial construction as well as in public-private projects.

Priority will also be given to development in the field of building construction not only as an executive activity but also in terms of investment. The short-term plans are for the Holding company to participate in the construction of residential, administrative and office buildings in our country and on the territory of other countries where the group has a presence.

"Trace Group Hold" PLC has strengthened its position in the field of road maintenance in Serbia, in particular maintenance and rehabilitation of road infrastructure in the areas of Southeastern Serbia. It is due to participate in tunnel projects for connection of the national with the Sofia Municipality road infrastructure, as well as in tenders for rehabilitation of railway infrastructure in the country. In 2019 the construction of one of the most complicated from the engineering point of view sections from Nis to the Macedonian border - the section of E-75 Highway „Grdelica – Caricina dolina" will be completed.

Another interesting perspective is the development of activities in Croatia and Kosovo, where significant road and railway projects are to be launched. The international department of the Holding company continues to actively research the market in Central and Eastern Europe, Russia and the Central Asian countries.

VII. Research and development

The entity does not engage in Research and Development.

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

1. Treasury shares. Share Redemption.

As of 31.12.2018 "Trace Group Hold" PLC holds 4 815 treasury shares.

The following transactions were carried out in connection with the program for the provision of shares to employees as an additional remuneration for good performance results in the execution of its obligations and based on a share redemption procedure for the period 12.09.2018 – 31.12.2018 were acquired 6 185 shares. 3 570 shares were provided by the winner of the award "Builder of the year"2018, Dip.Eng. Georgi Ivanov, Regional manager in "Trace – Road Construction" JSC. The share redemption procedure was finalized on 31.01.2019

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

"Trace Group Hold" PLC has a two-level management system and is managed by a Supervisory Board (SB) and a Management Board (MB):

The Supervisory Board is composed of:

Nikolay Ganchev Mihaylov – Chairman of the SB

Manol Peychev Denev – Member of the SB

Anton Nikolov Donchev – Member of the BoD

In 2018 a change was made in the members of the Management Board. Miroslav Kalchev Manolov was released, on his place was appointed Dessislava Ivanova Lubenova.

Management Board is composed of:

Dessislava Ivanova Lubenova – Chairman of the MB

Boyan Stoyanov Delchev – Member of the MB and CEO

Rositsa Yordanova Dineva – Georgieva – Member of the MB

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 Management Board in the establishment of a risk management system, including an internal control and internal audit, the financial information system and controls their functioning. It controls the regulatory compliance, set out 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 Management Board.

The Management 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 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 Management Board has defined and monitors for the compliance with the Entity's disclosure policy and investor relations policy. It provides shareholders with the required information, in the time and format defined under the Company's statutes. During their mandate, the members of the Management Board are guided by their generally accepted principles of integrity and managerial and professional competence. The Management Board adheres to the Code of Ethics.

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

	Number of shares	Value	% Share
Nikolay Ganchev Mihaylov	16 205 831	16 205 831	66.97%
Manol Peychev Denev	33 941	33 941	0.14%
Anton Nikolov Donchev	0	0	0.00%
Dessislava Ivanova Lubenova	1 202 056	1 202 056	4.97%
Boyan Stoyanov Delchev	10 068	10 068	0.04%
Rositsa Yordanova Dineva – Georgieva	7 100	7 100	0.03%

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

The members of the Management 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 participation 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	Anton Donchev
“Trace Group Hold” PLC	Chairman of the SB, holding 66.97% of the entity’s capital	Deputy Chairman of the SB	Member of the SB
“Engproject” LTD	Holds directly 20% and through “Galini-N” LTD – 80%		
“Himkolor” JSC	Holds 85% through “Galini-N” LTD		
“Galini” LTD	Sole owner and Manager		
“Galini – N” LTD	Sole owner and Manager		
„Trace Sofia“ JSC		Member of the Board of Directors	
„Trace - Road Construction“ JSC		Member of the Board of Directors	
„Trace Plovdiv“ LTD		Manager	
“Trace Group Hold” PLC Kyiv Branch		Manager	
“Trace Group Hold” PLC Prague Branch		Manager	
"Recommendation 1726" Association			Member of the MB
"Bulgaria Forever" Association			Member of the MB

Management Board

Entity	Dessislava Lubenova	Boyan Delchev	Rositsa Dineva
“Trace Group Hold” PLC	Chairman of the MB, Executive Director	Member of the MB, Executive Director	Member of the MB
SBAL “Spine center”	Owens above 25% of the shares. Executive director		
Foundation “Trace for People”	Executive director		
“Metro Druzhiba” LTD		Controller	
“Trace SOP” LTD			
Trace International			Controller
“Trace – Sofia” JSC			Chairman of BoD

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

The Statement is disclosed in a separate Appendix to the Management Report – Appendix №1.

X. Additional information under Appendix 10 of Decree №2 of the Financial Supervision Commission

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

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

2. Information on the revenue, allocated to the different categories of activities, internal and external markets, as well as information on the sources for the supply of materials, required in the production of goods, or in the rendering of services, reflecting the degree of dependency of the separate seller and buyer / user, and information on each person, 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 excess 10 per cent of the costs of sales or the sales income:

In 2018 construction works have the largest share in the revenues. In connection to the above the major clients of Trace Group companies in Bulgaria and abroad are: Metropolitan EAD, National company railway infrastructure, Road Infrastructure Agency, Municipality of Sofia, Municipality of Stara Zagora, Municipality of Byala, Municipality of Asenovgrad, Municipality of Lovech, Municipality of Smolyan, Municipality of Ruse, Municipality of Sozopol, Koridori Serbia OOD, IP "Putevi Serbia", Municipalities on the territory of the Republic of Serbia, OMV Serbia OOD, JP Komunalac Piro, etc.

The main suppliers in Bulgaria and abroad in 2018 are the following:

Supplier	Type of supply - services, materials
F.Hyca S.R.O. ogranak Krusevac	Rendering of services
Albatros Engineering Gmbh	Supply of revenues
Baumaschinen dalheimer	Supply of revenues
Euro Alliance Tunnels EAD	Rendering of services
Euro Alliance Engineering EAD	Rendering of services
Miletic Petrol DOO Paracin	Supply of materiales
DV Story Consult OOD	Rendering of services
Infra Sroy Pirin EOOD	Supply of materiales
Vision Trans OOD	Rendering of services
Promax EOOD	Rendering of services
Salex Bul OOD	Supply of materiales
Simeno 73 OOD	Supply of materiales
Divel Pst OOD	Rendering of services
Infrainvest EOOD	Rendering of services
Nis AD Novi Sad	Supply of materiales

Bitoil Rs Doo Nis	Supply of materials
Udarnik gradnja beograd	Supply of materials
Telegroup doo beograd	Rendering of services
Elexir Zorka Sabac	Supply of materials
Bitumel Doo Novi Sad	Supply of materials
Prista Oil Ad Beograd	Supply of materials
Jofi Komerc Doo Nis	Supply of materials
Izola Petrov Eood Sofia	Supply of materials
Nord Shipping EOOD	Supply of materials
Metalkom Invest EOOD	Supply of materials
Insa Oil EOOD	Supply of materials
Unipromet Doo Konjevići	Rendering of services
Telekomunikacija Doo Blace	Rendering of services
Hidroput-Jug Doo	Rendering of services

3. Information on significant agreements concluded and such that are significant to the activities of “Trace Group Hold” PLC.

In 2018 the following construction contracts have been concluded, which are significant to the activities of “Trace Group Hold” PLC:

“Construction of the north carriageway at “Todor Kableshev” Blvd. from “Lui Ayer” Str. to “Emilian Stanev” Str. and execution of construction works at “Todor Kableshev” Blvd. from “Bulgaria” Blvd. to “Lui Ayer” Str. and from “Emilian Stanev” Str. to “Cherni vrah” Blvd.. Contract value: 10 180 925, 32 BGN with VAT included.

“Maintenance of First and Second class roads on SOUTH territory – 538 km at the territory of Medvedja, Boynik, Lebanje, Leskovac, Vlasotince, Tsarna Trva Municipalities, Republic of Serbia“. Contract value: 26 745 266, 5 BGN

“Maintenance of First and Second class roads on SOUTH 2 territory – 482 km at the territory of Babusnica, Bela Palanka, Dimitrovgrad, Gadzhin Han, Pirot Municipalities, Republic of Serbia“. Contract value: 19 747 701, 23 BNG

“Maintenance of First and Second class roads on SOUTH 1 territory – 547 km at the territory of Kurshumlija, Blace, Prokuplje, Meroshina, Zhitoradhja, Nis, Dolevac, Aleksinac, Razhan Municipalities, Republic of Serbia“. Contract value: 15 914 605, 52 BGN

“Completion of linking infrastructure for external connections at the Regional Waste Management System Site for Borovo Region (Byala, Rousse Region, Ruse District)” with the Republican Road Network and the technical infrastructure networks “. The contract value is BGN 2 684 971.91 excluding VAT.

“Design and implementation of construction works on “Bulgaria” Blvd. from “Fritjof Nansen” Blvd. to Sofia Ring Road and “Daskal Stoyan Poppandreev” Blvd. from Sofia Ring Road to Bridge over Boyana River“. The total value of the public procurement is 11 576 408, 45 BGN without VAT, and the funding is from the Republican budget.

“Repair works of streets and roads, Lovech municipality“, Lot 3 - Reconstruction and rehabilitation of “Osamska” Str. and Lot 4 - Reconstruction and rehabilitation of “Krayrechna” Str. The value of the contract for lot 3 is BGN 1 097 069, 79 and for lot 4 - BGN 1 158 905, 73.

Purchase of the S2PV mode – system for track panels laying, GEISMAR brand, amounting to BGN 2 082 000, with transaction parties - “Trace Sofia” JSC - seller and “Trace Group Hold” PLC - buyer.

4. Information on the transactions, concluded by and between “Trace Group Hold” PLC with its related parties within the current reporting period

Information on related party transactions is disclosed in the Explanatory notes to the Annual Consolidated Financial Statements for 2018, under the “Other disclosures” Section, “Related parties transactions and balances” note.

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

No events on the indicated criteria.

6. Information on transactions, carried off-balance sheet – nature and business purpose, indicating the financial impact of the 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 2018.

7. Information on the interests of “Trace Group Hold” PLC. Information on its major investments in the country and abroad (in securities, financial instruments, intangible assets and property), as well as investments in equity securities, other than in its economic group and sources / methods of financing these investments.

“Trace Group Hold” PLC invests primarily in securities and interests in Bulgarian and foreign entities, as well as in real estate.

In 2018 the following changes and transformations have occurred:

- Merge of “Trace Commerce” LTD to “Infra Commerce” LTD;
- Merge of “Trace PZP Vranje” LTD and “New Bridges” LTD to “Trace PZP Nis” Jsc, which name has changed to “Trace Serbia” Jsc.
- Branch companies were established in Ukraine and North Macedonia.

8. Information on the contracts, concluded by “Trace Group Hold” PLC, its subsidiary or parent company, in their capacity of creditors. Information on the credit agreements, disclosing the agreements’ specific terms and conditions, including and the maturity of each agreement, as well as information on the placed guarantees and the undertaken commitments.

Obtained loans from “Trace Group Hold” PLC

Type of loan	Lender	Amount /BGN/	Interest %	Maturity/Deadline for utilization	Utilized limit as of 31.12.2018r. /BGN/	Collateral
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Bank guarantees	Unicredit Bulbank	65 000 000	0,7%	02.08.2024	36 974 658	Mortgages, pledge on tangible fixed assets, pledge on accounts, cash.
revolving	Unicredit Bulbank	13 000 000	1 month ADI+2,677%	02.02.2019	0	Mortgages, pledge on tangible fixed assets, pledge on
Bank guarantees			0,7%	02.08.2024	0	receivables, pledge on accounts.
Investment	Ekspresbank AD	865 455	1M Euribor+2.90 %	30.06.2020	259 636	Mortgage
Investment	Ekspresbank AD	861 152	1M Euribor+2.90 %	30.08.2020	287 051	Pledge on tangible fixed assets.
Investment	Ekspresbank AD	784 288	1M Euribor+2.25 %	28.02.2021	566 430	Pledge on tangible fixed assets.
Bank guarantees	Ekspresbank AD	59 831 306	0.80%	31.01.2029	26 023 888	Pledge on tangible fixed assets., pledge on receivables, pledge on accounts, cash
Bang guarantees	UBB AD	17 000 000	0,70%	30.09.2024	2 988 973	Mortgages, pledge on tangible fixed assets, pledge on receivables, pledge on accounts.
Revolving			1M .RIR+2.50% BGN /1month Euribor+2.50 % EUR	30.09.2019	0	Mortgages, pledge on tangible fixed assets, pledge on receivables, pledge on accounts.
Bank guarantees	UBB AD	3 000 000	0,70%	30.09.2024	0	
Investment	UBB AD	900 000	1M .RIR+3.15%	20.10.2023	670 000	Mortgage, pledge on receivables, pledge on account.

Bank guarantees	Bank DSK AD	25 425 790	1,00%	30.05.2028	19 643 838	Mortgages, pledge on tangible fixed assets, pledge on receivables, pledge on accounts.
Investment	Bank DSK AD	5 000 000	1M Euribor+ 2.869%	25.06.2025	5 000 000,00	Mortgages, pledge on receivables, pledge on accounts.
Bank guarantees	Investbank AD	22 000 000	1%	30.11.2021	122 190	Mortgages, pledge on receivables, pledge on accounts.
Investment	Bank Pireos Bulgaria AD	245 000	3M.RIR+3%	30.06.2021	122 500,10	Mortgages, pledge on tangible fixed assets, pledge on receivables, pledge on accounts.

9. Information on the loan agreements, concluded by “Trace Group Hold” PLC, its subsidiary or parent, in their capacity of lenders, including and provision of guarantees of any kind, including to related parties, disclosing the specific terms and conditions under each, including the maturity and the purpose for which such were granted

Loans, granted by subsidiaries, as of 31.12.2018

Lender	Borrower	Amount /thousand BGN/	Unpaid principal /thousand BGN/	Repayment term	Interest %
“Trace Commerce” LTD	Todorov PLC	100	100	30.06.2016	20%
“Trace Commerce” LTD	FC Vereya SNC	10	7	30.06.2017	6,5 %
“Trace Serbia” JSC	FC Dinamo Vranja	25	17	08.10.2016	11,0 %
“Trace – Road Construction” JSC	Association BBAPB	10	10	23.08.2021	2%

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

No new shares were emitted in 2018.

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.

No estimates of the annual financial results have been disclosed in 2018.

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 and the companies in its Group ensure the regular collectability of their receivables and settlement of their obligations in the course of their activity.

In order to optimise the group's resources and to ensure financial independence, the Holding controls the cash flows in its structure. 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 the investment intentions, indicating the amount of the available funds and reflecting the possible changes in the funding structure of these activities.

Investment intentions of the Holding have been realized primarily through its own recourses and by using recourses from banks and leasing companies.

14. Information on the changes in the core management principles of "Trace Group Hold" PLC and its economic group, which occurred within the reporting period.

The company continued, and in 2018, to apply its policy for centralised management of the planning process and project execution.

In 2018, the process of restructuring the group continued in the direction of implementing the strategy of uniting similar activities into a single organizational system and management with a view to enhancing competitiveness.

A merge of "Trace Commerce" LTD to "Infra Commerce" LTD has occurred, whereby the business was merged into a single structural unit.

A merge of "Trace PZP Vranje" LTD and "New Bridges" LTD to "Trace PZP Nis" JSC (subsidiaries of "Trace Group Hold" PLC) have occurred. The name of "Trace PZP Nis" JSC has changed to "Trace Serbia" JSC.

These entities have identical principal activities and previously functioned as autonomous organisations on a regional basis. A single, simplified structure was created by the merger. This simplified structure shall be managed centrally, and shall allow better planning of the activity and optimal financial result. In this respect, the main goals of the merge are to achieve better economic results by:

- Optimising the construction processes and production by pooling assets and personnel; eliminating duplicate activities and functions;
- Ensuring a better workload of the entity's own assets in the new structure and achieving a positive

financial result by introducing a centralised management policy;

- Improving the supply management of raw materials and hired services by centralising the processes;
- Reducing the administrative staff and optimising the administrative expenses;
- Creating a unified cash and resource management.

Branch companies have been established in Ukraine and North Macedonia.

15. Information on the key features of the internal control system and risk management system, implemented by "Trace Group Hold" PLC in the preparation of Financial Statements.

The process of preparing the Financial Statements of "Trace Group Hold" PLC follows several core principles:

- Internal control through the current reporting of the projects' implementation and monthly control, and analysis, of the realisation of the subsidiaries' business programs;
- Problem identification and measures for their elimination;
- 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 Management Board. The entity has an established internal financial control system, which ensures the effective functioning of the financial reporting systems and the disclosure of information; identifies the entity's operational risks and assesses their efficient management. Internal financial control is executed by the "Financial Control" Division, which functions in close interaction with the "Projects' control and reporting" Division and the "Security and Administrative Operations" Division. 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 is conducted on the implementation of the approved business programs. The identified results serve as grounds for the actual valuation of the management's efficiency and are a base for identifying the risks.

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 Supervisory Board and the Management Board 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 Management and Supervisory Bodies that came in effect during the financial reporting year.

The entity has two-level management system. The entity is managed by Supervisory Board and Management Board.

The Supervisory Board is composed of Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng., Acad. Anton Donchev and Manol Denev.

The Management Board is comprised of Dessislava Lubenova, Boyan Delchev and Rositsa Dineva – Georgieva.

On 09.10.2018 Miroslav Manolov was dismissed as a member of the Management Board and Dessislava Lubenova was elected in his place.

Dessislava Lubenova, PhD, is a Chairman of the Management Board of "Trace Group Hold" Plc and Executive Director of "Trace for people" Foundation. She has acquired a Master's degrees in: "Economics and Human Resources Management" and in "Theory and Methodology of Mass Information" from the University of National and World Economy; and in "Public Health and Health Management" from Medical University, Sofia.

She has defended her PhD thesis in Social Medicine and organization of healthcare and pharmacy at Medical University, Sofia. Her professional career began in 1991 as a consultant, partner and manager of one of the first consultancy companies in Bulgaria; she was a founder and executive director of one of the first registered privatization funds in Bulgaria, later transformed into an investment company. From 1996 to 2006 she was executive director of Holding Roads Plc - the biggest infrastructure company at that time, which was a holding comprised of 12 subsidiaries. Dessislava Lubenova was a member of the Board of directors in a number of road construction and industrial companies such as Moststroy-Engineering EAD – Sofia, Road Construction Equipment Jsc – Sofia, Burgaspatstroy Jsc – Burgas, Trace Sofia Jsc, etc.

She was awarded Evrika Foundation Young Manager Award for 2001.

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 Management and Supervisory Bodies during the financial reporting year.

Type	Amounts, accrued by Trace Group Hold, in respect of: BGN' 000	Amounts, accrued by subsidiaries, in respect of: BGN' 000
	Remuneration and social security contributions for the period	Remuneration and social security contributions for the period
Supervisory Board	1 663	1
Management Board	1 201	4

18. Information on the held by the members of the Management and Supervisory Bodies, Procurators and Senior Management shares of the issuer, including the shares held by each of them individually and as a percentage of the shares of each class, as well as the granted by the issuer options on the securities – type and amount of securities on which the options are established, 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 Management Bodies" Section of this Report.

The entity has not granted any option on shares.

19. Information on the agreements that have come to the entity's knowledge (including and those after the end of the financial year), 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 liabilities 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 liabilities under all proceedings, exceed 10 per cent of its equity.

There is litigation between Prague Airport, Ruzyne and "Trace Group Hold" PLC as a participant in "Prague Airport 2013" consortium. Subject - claim for payment of contractual penalty under contract for execution of project: "Extension of WWTP + WWTP South - Ruzyne Airport". A sitting of the court has not been conducted yet.

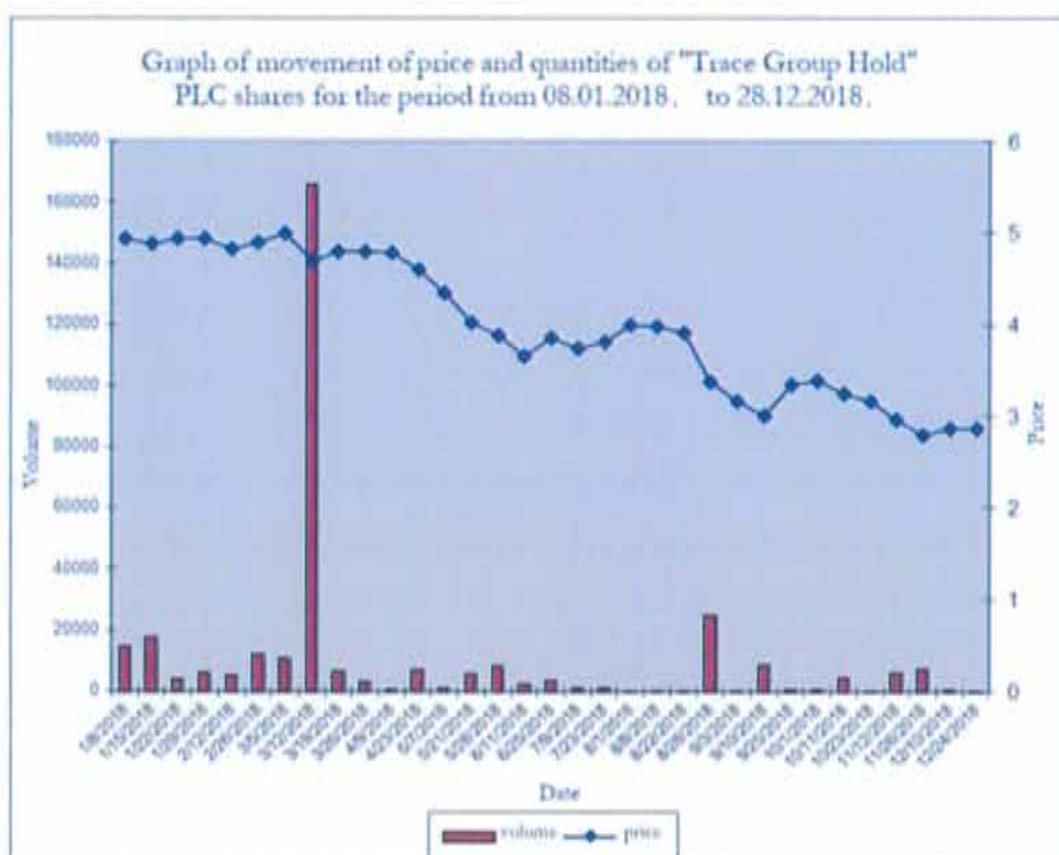
21. Information on the Investor Relations Expert, including the telephone number and mailing address.

Ivana Todorova Moutafova

Tel. +359 2 / 80 66 697; e-mail: imutafova@tracebg.com

12, "Nikola Obrazopisov" Str., 1408, Sofia

22. Changes in the price of the entity's share



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

XI. Information under Appendix 11, Decree №2 of the Financial Supervision Commission (FSC)

1. Capital structure of the entity, including securities that have not been allowed for trading on the regulated market in the Republic of Bulgaria, or in another member state, disclosing the different classes of shares, the rights and obligations relating to each share class, and the portion of the total capital that each separate share class forms.

The capital of “Trace Group Hold” PLC amounts to BGN 24 200 000, distributed among 24 200 000 ordinary, non-bearer shares as at 31.12.2018, out of which 24 195 185 are voting shares, while 4 815 shares do not provide voting rights.

In accordance with the Shareholders’ book as at 31.12.2018, issued by the Central Depository PLC, the capital structure of “Trace Group Hold” PLC is as follows:

Capital /BGN/	No. of shares	Nominal value (BGN)	Type of shares	Number of traded shares	Regulated market on which the shares are traded
24 200 000	24 200 000	1	Ordinary, non-bearer	24 200 000	Bulgarian Stock Exchange PLC – Sofia Segment Standard

Shareholder's name	Holds number of shares		Owns %	
	At the date 31.12.2018	At the date 31.12.2017	At the date 31.12.2018	At the date 31.12.2017
Nikolay Mihaylov	16 205 831	16 205 831	66,97	66,97
“Galini – N” LTD	2 178 000	2 178 000	9,00	9,00
Trace Group Hold PLC - redeemed treasury shares	4 815	2 200	0,02	0,01
Other Physical and Legal entities	5 811 354	5 813 969	24,01	24,02

All shares of the entity are of one class and each share is entitled to one voting right at the General Meeting of Shareholders, with the exception of the redeemed treasury shares. Each share entitles the shareholder to dividends and to liquidation shares, proportionate of the nominal value of the share. The whole emission of 24 200 000 shares, issued by the entity, is subscribed for trading at the Bulgarian Stock Exchange (BSE) – Sofia PLC, segment “Standard”. “Trace Group Hold” PLC has not issued any other securities, which were not allowed for trading at a regulated market in the Republic of Bulgaria or in another member state.

2. Restrictions on the transfer of securities, such as limitations on the ownership of securities or requirements for receiving approval from the entity or another shareholder.

All shares of the entity are transferred freely, with no restrictions, in compliance with the provisions of the in-force Bulgarian legislation. No approval by the entity or by another shareholder is required in order to purchase and hold shares of “Trace Group Hold” PLC.

3. Information on the direct and indirect ownership of 5 percent, or more, of the voting rights at the General Meeting of Shareholders, including information on the shareholders, the amount of their interest and the method, under which the shares are held.

The following persons hold more than 5% of the shares of "Trace Group Hold" PLC as at 31.12.2018:

Shareholder as at the date	Name / Shareholder's name	Owns %	Holds number of shares
31.12.2018	Nikolay Ganchev Mihaylov	66.97	16 205 831
31.12.2018	"Galini – N" LTD, registered under company file № 15261/2006 at the Sofia city court, domiciled and registered address: № 12, "Nikola Obrazopisov" Str., Lozenets Residential District, 1408, Sofia	9.00	2 178 000

4. Information on shareholders with special control rights and disclosure of such rights.

"Trace Group Hold" PLC does not have shareholders with special control rights.

5. The control system, effecting when exercising the right to vote, in the cases when the entity's personnel are also and its (the entity's) shareholders and when control is not directly exercised by those employees.

All shareholders, who are also employees of the entity, exercise direct control over their shares.

6. Limitations on the voting rights, such as limitations on the voting rights of shareholders with a specific percentage or specific number of shares, deadlines for exercising the voting rights or systems under which, in cooperation with the entity, the financial rights related to the shares are separated from the share ownership.

There are no limitations on the voting rights of the shareholders of "Trace Group Hold" PLC. The right to vote at the General Meeting of Shareholders can be exercised personally or through a proxy, from all persons, who have purchased their shares and who are subscribed in the Shareholders' book, the latest in a 14 days period prior to the date of the Meeting. The representatives must possess proxy letter, prepared in compliance with the requirements of the Public Offering of Securities Act (POSA). A template of the proxy letter is published, as part of the documentation of the General Meeting. In conformance with the statutory notices for disclosure of interests, the Management Board monitors for cases where a shareholder has acquired over 1/2 or over 2/3 of the shares of "Trace Group Hold" PLC, and consequently has not placed a commercial offer, nor has he/ she sold his / her shares in the 14 days period, following their purchase. The names of such shareholders shall be disclosed explicitly to the Quorum Commission in order for them to be restricted from participation at the General Meeting of Shareholders, and consequently by their votes (voting rights) to be regarded as decisions to the clear detriment of the entity.

7. Agreements, signed by and between the shareholders, which have come to the entity's knowledge and which can result in limitations on the transfer of shares or the voting rights.

The entity is not aware of any agreements, signed by and between the shareholders, which could result in limitations on the transfer of share or the voting rights.

8. Provisions on the appointment and dismissal of members of the entity's Management Bodies, and on amendments and additions to the Articles of Incorporation.

The provisions for the appointment and dismissal of the Management Bodies are set in the Articles of Incorporation of "Trace Group Hold" PLC, adopted by the General Meeting of Shareholders on 13.01.2017.

The Supervisory Board is elected and dismissed by the General meeting of Shareholders, for a term of 5 year, with the exception of the first elected SB, which has a mandate of 3 years.

The Management Board is elected by the Supervisory Board for a term of up to 5 years and can be dismissed by the Supervisory Board at any time.

9. The authorities of the entity's Management Bodies, including the right to take decisions for the issue and / or redemption of entity's shares.

General Meeting

The General Meeting of Shareholders decides on matters, which are within its competence that is regulated under the entity's Articles of Incorporation and conforming to the requirements of the Commercial Act.

Decisions regarding amendments and additions to the Articles of Incorporation, increase and decrease in the capital, restructuring and termination of the entity, and appointment of a Supervisory Board are taken with a 2/3 majority of the presented capital. All other decisions are taken with ordinary majority of the presented shares.

The decision to redeem treasury shares is taken by the General Meeting of Shareholders, with a 2/3 majority of the presented capital. The Management Board performs the share redemption based on the decision of the General Meeting of Shareholders.

Management Board

The Management Board of "Trace Group Hold" PLC manages the Entity independently and responsibility in accordance with the established vision, objectives, strategies of the entity and the interests of the shareholders.

The Management Board of "Trace Group Hold" PLC adheres to the legal, regulatory and contractual obligations of the entity, in accordance with the adopted Articles of Incorporation and the adopted Rules of Procedure of the Management Board.

The Management Board of "Trace Group Hold" PLC coordinates its activities with the Supervisory Board, when such activities are related with the Entity's business plan, the transactions of significant nature, as well as other activities, set in the entity's Articles of Incorporation.

The Management Board manages the entity's current activity. After the prior approval of the SB, the Management Board assigns the functions of the Entity's representation to one or more of its members – Executive Directors, who act together or separately.

The Management Board reports on its activities to the Supervisory Board.

Supervisory Board

The Supervisory Board appoints and controls the Management Board of the company.

The Supervisory Board establishes and controls the company's strategic guidelines for development, provides guidance in defining the vision and controls their performance.

The Supervisory Board controls the observance of the laws and the rules that are part of the company's statutes.

The Supervisory Board has the right to increase the capital of the company up to twenty times by issuing new shares for 5 years from the company's establishment.

The Supervisory Board shall be convened at regular meetings at least every three months by its Chairman, at the initiative of any of its members or by the Management Board.

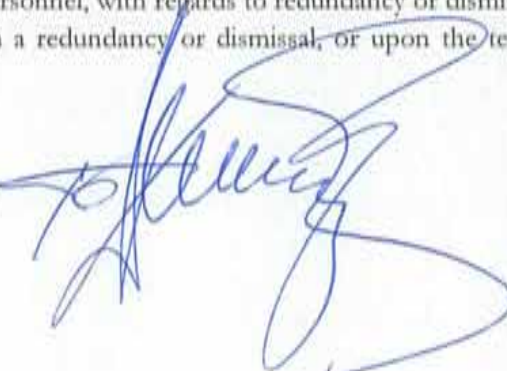
10. Significant contracts, signed by the entity, which come in effect, are modified or are terminated as a result of a change in the entity's control in executing statutory commercial offerings, and the consequences of those, with the exception of the cases when the disclosure of such information may result in significant losses to the entity; exceptions to the preceding sentence are not allowed in cases where the entity is obliged by the Law to disclose such information.

Commercial offerings have not been registered, nor does the entity have any significant contracts that come in effect, are modified, or are terminated due to changes in the entity's control in executing statutory commercial offerings

11. Agreements, signed by and between the entity and its Management Bodies, or its employees, to pay redundancy or dismissal compensations when there are no legal grounds for such a redundancy or dismissal, or upon the termination of the employment for reasons related to tender offering.

No agreements have been signed by and between "Trace Group Hold" PLC and the members of the MB and SB, and the entity's personnel, with regards to redundancy or dismissal compensations, payable when there are no legal grounds for such a redundancy or dismissal, or upon the termination of the employment for reasons related to tender offering.

Dipl. Eng. Boyan Delchev
Executive director



CONSOLIDATED STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH ARTICLE 100 N, PARAGRAPH 8 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 of "Trace Group Hold" PLC declared readiness to implement the fundamental generally accepted principles of corporate governance.

"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 the entity is a parent company, directly holding more than 50% of the shares in the General Meeting of its subsidiaries.

At 31.12.2018, "Trace Group Hold" PLC holds, directly, interests in the capital of the following subsidiaries, part of its economic group:

ENTITY	PRINCIPAL ACTIVITY	SHARE IN THE CAPITAL
Trace Group Hold PLC	Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities; building and construction works; project and site management in the fields of high-rise, road and railway construction.	Parent company – consolidating
Trace Sofia LTD	Construction, reconstruction, rehabilitation and maintenance of subways (metro), railway infrastructure and construction of facilities; construction of public infrastructure and planning, and improving the sanitation of residential areas; execution of projects, related to energy efficiency improvement.	100%
Trace Road Construction JSC	Rehabilitation, reconstruction, construction and maintenance of roads, highways, airports and urban infrastructure projects and sites, construction of water supply and sewerage systems, water treatment plants, emergency and rehabilitation works in the event of industrial accidents or natural disasters, construction and maintenance of civil and military airports	99,86%

Trace Serbia AD (JSC)	Construction of roads and facilities, repairs and maintenance of specialised construction equipment and maintenance of the water supply and sewerage sector, including gas distribution and water supply networks, WWTP, integrated water cycles, solid waste treatment plants, landfills, public services.	1
Trace Yambol JSC	Construction and maintenance of roads, highways and road facilities, construction of public infrastructure and planning, and improving the sanitation of residential areas	0,9948
USM JSC	Management of construction mechanisation, repairs and maintenance works	0,9969
Infra Commerce LTD	Domestic and foreign trade activity; representation and intermediation of Bulgarian and foreign persons; trade with products and materials used in construction; logistics	100%
Trace International LTD	International activity, international project management	100%
Trace Properties LTD	Real estate management	100%
Trace SOP LTD	Construction, current repairs and maintenance of roads, urban and municipal networks and the adjacent infrastructures, maintenance of roads and road facilities.	100%
Metro Druzhba LTD	Construction, current repairs and maintenance of roads, urban and municipal networks and the adjacent infrastructures, maintenance of roads and road facilities.	100%
Trace Ukraine LTD	Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities; investor control over commercial and residential construction projects and sites, trade representation and intermediation	100%
Trace Plovdiv LTD	Current repairs and maintenance of roads, urban and municipal networks and the adjacent infrastructure	100%
Trace Trans LTD	Transport activity; Repairs and maintenance of transport vehicles	100%

The entities of the Group of "Trace Group Hold" PLC are not public entities and they do not prepare a Statement on Corporate Governance. The entities adhere to the practices and policies, adopted by the Group.

I. Information, disclosed pursuant to Article 100 n, paragraph 8, item 1 of the Public Offering of Securities Act (POSA)

“Trace Group Hold” PLC adheres to the regulations of the National Corporate Governance Code, adopted by the National Corporate Governance Commission and approved as a Corporate Governance Code pursuant to Article 100 n, paragraph 7 (1) in conjunction with paragraph 8 (1) of the Public Offering of Securities Act (POSA) with Decision No. 461-CCU of the Deputy Chairman of the FSC – Head of the “Investment Activity Supervision” Division, dated 30.06.2016.

II. Information, disclosed pursuant to Article 100 n, paragraph 8, item 2 of POSA

The Chairman of the Supervisory Board is not an independent member, in so far as he owns 66.97% of the entity’s capital. Nevertheless, the structure of the Supervisory Board is in conformity with the requirements of Article 116 a, paragraph 2 of POSA.

There is no limitation on the number of consecutive mandates of the independent members of the SB.

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 professional ethics and loyalty.

“Trace Group Hold” PLC applies the rotation principle in the appointment of external auditors. As of June 2017, the auditing company “Zaharinova Nexia” LTD is appointed as external auditor of the entity. The auditing company “HLB Bulgaria” LTD was external auditor of the entity in the previous three years.

There is no internal controller appointed in the entity. Internal financial control is performed by the “Financial Control & Analysis” Manager, who together with the “Project Control and Reporting” Division and the “Security and Administrative Activities” Division identifies the main risks to the entity’s activity and proposes measures for their prevention.

The annual and interim reports are prepared with the participation and under the supervision of those charged with corporate governance, without this being formalised as internal rules.

The entity aims at maintaining an English-language version of its website, identical to the one in Bulgarian.

Adhering to the laws, the entity presents non-financial information as unregulated information. “Trace Group Hold” PLC founded the “Trace for People” Foundation – traceforpeople.com – in 2015. The entity executes its social activities through the Foundation. A Social Responsibility Report, part of the Annual Management Report, is being prepared each year.

The entity has not developed rules to account the interests of stakeholders, but actions are taken to address all issues that affect them. The procedure for exchanging information with stakeholders is regulated by the Integrated Quality Management System.

III. Information, disclosed pursuant to Article 100 n, paragraph 8, item 3 of POSA:

"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 identify and the risks, inherent in the Entity's activity, and to assist their effective management.

"Trace Group Hold" PLC has adopted and applies rules and procedures, regulating the effective operation of the Entity's reporting and disclosure systems. The different types of information, prepared and disclosed by the Entity, the processes of internal business document flow, the different levels of access of the responsible persons to the types of information and the deadlines for processing and managing information flows are described in the manuals.

The entity's Management strives to develop active risk management by introducing a risk management system and by focusing its efforts on the system's improvement in accordance with the best international practices. The risk management system defines the authorities and responsibilities of the structural units in the entity, the organisation and the order of interaction in risk management, analysis and assessment of risk related information, and periodic risk management reporting. The Heads of Directorates and Heads of Divisions engage in risk management. 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.

In order to facilitate the prompt and well-informed decision making and to ensure that such decisions are taken at the right time, the entity initiated the development of an integrated resources management and planning software. The system shall cover all departments and units, and the process taking place in those, and shall be gradually implemented in all entities of the group.

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 to the activity of "Trace Group Hold" PLC, is disclosed in the annual and interim management reports.

IV. Information, disclosed pursuant to Article 10, paragraph 1, items “c”, “d”, “f”, “h” and “i” of Directive 2004/25/ED of the European Parliament and the European Commission, dated 21 April 2004, on takeover bids, in accordance with the provisions of Article 100 n, paragraph 8, item 4 of POSA

The interests of “Trace Group Hold” PLC in the capital of other commercial entities are described in detail hereabove.

“Trace Group Hold” PLC does not have any shares, providing special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines to exercise voting rights or systems by which, in 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 Article 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 Article 15, paragraph 2 – 6.

In accordance with Article 17, paragraph 1, the members of the Managing Board are elected by the Supervisory Board. The requirements for those 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 in Article 15, paragraph 8, Article 16, Article 17 and Article 18 of the entity’s Articles of Incorporation. In accordance with the provisions of Article 187 b of the CA and Article 111 of POSA, the rights to issue or repurchase shares fall within the competence of the General Meeting of Shareholders.

Pursuant to Article 5, paragraph 4 of the Articles of Incorporation, the entity may also issue preference shares, with the exception of such granting the right to more than one vote or additional dividends, or the right to an additional liquidation share.

V. Information, disclosed pursuant to Article 100 n, paragraph 8, item 5 of POSA

MANAGING BOARD

1. Functions and duties

1.1. The Managing Board of "Trace Group Hold" PLC manages the Entity in an independent and responsible manner in compliance with the established vision, objectives and strategies of the entity, and the interests of the shareholders.

1.2. The members of the Managing Board shall guarantee their management at the amount, determined by the General Meeting of Shareholders as the equivalent of their quarterly gross remuneration.

1.3. The Managing Board of "Trace Group Hold" PLC has established and follows the risk policy of the Entity. The risk management and internal audit systems are designed and function under the supervision of the Managing Board.

1.4. The Managing Board of "Trace Group Hold" PLC adheres to the statutory, regulatory and contractual obligations of the Entity in compliance with the adopted Articles of Incorporation and Rules of Procedure of the MB.

1.5. The financial - information system of the Entity is established and operates under the control of the Managing Board and in compliance with the guidelines, provided by the Supervisory Board.

1.6. 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.

1.7. The Managing Board has defined the policy of information disclosure and investor relations of the Entity, and monitors for compliance with it. The Board provides shareholders with the required information in the time frames and format, stipulated in the Entity's statutes.

1.8. During their mandate, the members of the Managing Board are guided by the generally accepted principles of integrity and managerial, and professional competence. The Managing Board adheres to the Code of Ethics that has been amended in February 2019.

1.9. The Managing Board reports on its activities to the Supervisory Board.

2. Election and dismissal of members of the Managing Board

2.1. The Supervisory Board elects and dismisses the members of the Managing Board in accordance with the law and the Entity's statutes, as well as in compliance with the principles of continuity and sustainability of the work of the Managing Board.

2.2. The management contracts, concluded with the members of the Managing Board, determine their duties and tasks, the criteria for the amount of their remuneration, their loyalty obligations to the Entity and the grounds for their dismissal.

3. Structure and competence

3.1. The number of members and structure of the Managing Board are defined in the Articles of Incorporation of "Trace Group Hold" PLC.

3.2. The competences, rights and obligations of the members of the Managing Board follow the statutory requirements, the statutes and the operational rules of "Trace Group Hold" PLC, and the standards on good professional and managerial practice.

3.3. The members of the Managing Board of "Trace Group Hold" PLC have the appropriate knowledge and experience, requisite for the position that they hold.

The Chairman of the Managing Board – Desislava Lyubenova – is awarded a Master's Degree in "Economics and Human Resource Management" and "Theory and Methodology of mass information" by the University of National and World Economy. She has vast professional experience in financing activities and investments, as well as in corporate management. She has been Executive Director of an infrastructure company – a holding structure of 12 entities; she has been involved in the management of a number of road construction companies as a member of the BoD.

Eng. Boyan Delchev is Deputy Chairman and Executive Director. He has been awarded a Master's Degree in "Engineering / Construction of buildings and plants". He is one of the prominent project managers of "Trace Group Hold" PLC in the fields of subway (metro) and railway construction. Sections of the Sofia Metro and the adjacent metro stations have been built under his management. He has been involved in the management of the construction works on the rehabilitation of the railway line Plovdiv – Bourgas. He has been Executive Director of one of the largest entities of "Trace Group Hold" PLC – "Trace Sofia" LTD. Eng. Delchev has been honoured by the Sofia Municipality with a plaque for his contribution to the construction of the Sofia Metro. He has also won the most prestigious award of "Trace Group Hold" PLC – "Builder of the Year 2012".

Rositsa Dineva – Georgieva, member of the Managing Board, is also the Financial Director of "Trace Group Hold" PLC. She is awarded a Master's Degree in "Analysis and control of corporate activity". As an employee of the holding's structure, she has acquired professional experience by being first appointed as an accountant, then promoted to Chief Accountant and finally to Financial Director. She has been involved in the management of a number of subsidiaries, as a member of their BoD, and is currently Chairman of the BoD of "Trace Sofia" LTD.

3.4. After their election, the new members of the Managing Board get acquainted with the main legal and financial issues, related with the Entity's activities.

3.5. The entity's Articles of Incorporation do not limit the number of entities in which members of the Managing Board may hold managerial positions, but their appointment falls within the competences (control) of the Supervisory Board and is consistent with their duties as members of the MB.

3.6. The Managing Board shall ensure a proper distribution of the tasks and duties among its members. The task and duties are regulated by Rules of Procedure, adopted by the MB.

4. Remuneration

4.1. The amount and structure of the remunerations of the members of the Managing Board of "Trace Group Hold" PLC are regulated in the management contracts. The management contracts are compiled in accordance with the Remuneration Policy, adopted by the General Meeting of the Entity.

4.2. In accordance with the statutory requirements and the good corporate governance practice, the amount and structure of the remuneration of the members of the Managing Board of "Trace Group Hold" PLC take into account:

4.2.1. The duties and the contribution of each member of the Managing Board and the results achieved by the Entity;

4.2.2. The ability to select and retain qualified and loyal members of the Managing Board;

4.2.3. The need to reconcile the interests of the members of the Managing Board with the long-term interests of the Entity.

4.3. The remuneration of the members of the Managing Board also includes a variable component that is linked to the financial result of the Entity;

4.4. In accordance with the adopted Remuneration policy for the Managing Board, the entity may provide shares, options on shares and other appropriate financial instruments as additional remuneration to members of the Managing Board.

4.5. The statutes regulate the procedure for provision and use of additional incentives to the members of the Managing Board.

4.6. The disclosure of information about the remuneration of the members of the Managing Board of "Trace Group Hold" PLC is presented in the annual report of the Entity, in accordance with the legal norms and the Entity's statutes. Shareholders have easy access to information about remunerations. "Trace Group Hold" PLC publishes its annual report on the X3News web portal and on its website, in the "For Shareholders" section, "Financial Information" sub-section.

5. Conflict of interests

5.1. The members of the Managing Board avoid and prevent actual or potential conflict of interest.

5.2. The procedures to avoid and identify any conflicts of interest are regulated by the Code of Ethics.

5.3. The members of the Managing Board shall immediately disclose conflicts of interest and ensure shareholders with access to information on transactions between the Entity and the members of the Managing Board, or with the persons affiliated with it.

5.4. Every conflict of interest shall be reported to the Supervisory Board.

SUPERVISORY BOARD

1. Functions and duties

- 1.1. The Supervisory Board appoints and controls the Managing Board of the entity;
- 1.2. The Supervisory Board establishes and controls the strategic guidelines for the entity's development, it provides guidelines in determining the vision and monitors their implementation;
- 1.3. The Supervisory Board provides guidelines to the Managing Board for the design of the risk management system, including the internal control and internal audit, the financial – information system, and monitors their operations;
- 1.4. The Supervisory Board monitors for adherence with the laws and rules, defined in the Entity's Articles of Incorporation;
- 1.5. The Supervisory Board treats equally all shareholders and acts to protect their interest.
- 1.6. In accordance with the Articles of Incorporation of "Trace Group Hold" PLC, the members of the Supervisory Board can be re-elected for unlimited mandates. The number of consecutive mandates of the members of Supervisory Board ensures the Entity's effective work and adherence with the statutory requirements.

2. Election and dismissal of members of the Supervisory Board

- 2.1. The members of the Supervisory Board are elected and dismissed by the General Meeting of the Shareholders in accordance with the statutory requirements, the Entity's Articles of Incorporation, and the principles for continuity and sustainability of the Supervisory Board's work;
- 2.2. With regards to remunerations – the Supervisory Board follows a policy to guarantee the effective management of the entity and in the interest of the entity;

3. Structure and competence

- 3.1. The composition of the Supervisory Board, elected by the General Meeting of Shareholders, guarantees the independence and impartiality of the assessments and actions of its members with regards to the Entity's operations.
- 3.2. The structure of the Supervisory Board complies with Article 116 (a), paragraph 2 of POSA and the number, and skills of the independent members, and guarantees the shareholders' interests.

3.3. The Chairman of the Supervisory Board is not an independent member, in so far as he owns 66.97% of the entity's capital. Nevertheless, the structure of the Supervisory Board is in conformity with the requirements of Article 116 a, paragraph 2 of POSA.

3.4. The members of the Supervisory Board of "Trace Group Hold" PLC are elected through a transparent procedure that ensures, among all others, timely and sufficient information with regards to the personal and professional qualities of the member candidates.

4. Remuneration

4.1. The remunerations of the members of the Supervisory Board, determined by the GMS, is in line with their obligations and is not tied to the operational results of the Entity.

4.2. The remuneration of the independent members of the Supervisory Board is permanent and it is not related (linked) with their participation in meetings, the execution of their tasks to monitor the activities of the Managing Board and their effective involvement in the Entity's activity. The rules for the payment of remunerations are regulated by the Policy, adopted by the GM;

4.3. The members of the Supervisory Board do not receive additional remuneration in the form of shares.

4.4. Information on the remuneration of the members of the Supervisory Board of "Trace Group Hold" PLC is disclosed in the annual report of the Entity, in accordance with the legal norms and the Entity's statutes. Shareholders have easy access to information about remunerations. "Trace Group Hold" PLC publishes its annual report on the X3News web portal and on its website, in the "For Shareholders" section, "Financial Information" sub-section.

5. Conflict of interests

5.1. The members of the Supervisory Board avoid and prevent actual or potential conflict of interest. The procedures to avoid conflicts of interest are regulated by the Code of Ethics;

5.2. The members of the Supervisory Board shall disclose conflicts of interest and ensure shareholders with access to information on transactions between the Entity and the members of the Supervisory Board or the affiliated with them persons.

6. Committees

6.1. An Audit Committee, elected in compliance with statutory requirements, is operating in the Entity. The Audit Committee consists of three people and assists the Managing Bodies in performing their control functions and in the risk identification system.

6.2. The structure, engagements and work organisation of the Audit Committee are regulated by the Audit Committee's Rules of Procedure, approved by the GMS.

6.3. The "Financial Committee" is a subsidiary body of the Supervisory Board that is defined in accordance with an internal regulatory act. The "Financial Committee" takes decisions on all financial

matters concerning the entity, and its subsidiaries, and on all current issues that are of significant importance to the entities.

GENERAL MEETING OF SHAREHOLDERS

1. Organising and holding a General Meeting

- 1.1. All shareholders of "Trace Group Hold" PLC are entitled to participate in the General Meeting of Shareholders and to express their opinion.
- 1.2. Shareholders, entitled to vote, have the opportunity to exercise their voting rights at the General Meeting of the Entity and through representatives.
- 1.3. The corporate management of "Trace Group Hold" PLC performs effective control, creating the necessary organisation for the voting of the authorised persons in accordance with the instructions of the shareholders or in the ways authorised by the law.
- 1.4. The corporate management of "Trace Group Hold" PLC has prepared rules for the organisation and conduct of the regular and extraordinary General meetings of the shareholders of the Entity. These rules ensure equal treatment of all shareholders and the right of each shareholder to express his / her opinions on the items on the agenda of the General Meeting.
- 1.5. The corporate management of "Trace Group Hold" PLC organises the procedures and order for holding the General Meeting of Shareholders in a way that does not make the voting unnecessary or expensive.
- 1.6. The corporate management of "Trace Group Hold" PLC encourages the participation of shareholders in the General Meeting of Shareholders, including and by ensuring the option of remote presence through technical means (including the Internet) where this is possible, and necessary, and does not contradict to item 2.1.4. of the National Corporate Governance Code, and when a regulation for such is established and there is a reliable and secure technical option for such.
- 1.7. The members of the corporate management of "Trace Group Hold" PLC participate in the general meetings of the shareholders of the Entity, unless they are exigently hindered.

2. Materials for the General Meeting of Shareholders

- 2.1. The texts in the written materials, prepared by "Trace Group Hold" PLC and related to the agenda of the General Meeting, 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.

- 2.2. "Trace Group Hold" PLC maintains a special section on its website related to the shareholders' rights and their participation in the General Meeting of Shareholders.
- 2.3. The corporate management of "Trace Group Hold" PLC assists the shareholders, authorised by court decisions, to include additional issues on the agenda of the General Meeting.
- 2.4. The corporate management of "Trace Group Hold" PLC guarantees the right of shareholders to be informed about the decisions taken at the General Meeting of Shareholders.

VI. Information, disclosed pursuant to Article 100 n, paragraph 8, item 6 of POSA

"Trace Group Hold" PLC applies an diversity policy with regards to the age, gender, education and professional experience of the administrative, management and supervisory bodies of the entity. The members of the Managing and Supervisory Boards are elected, without discrimination, based on their personal and professional qualities.

Any discrimination, regardless of the reasons for such, is incompatible with the Entity's traditions in ensuring a decent workplace and integrity at work.

The main objectives in implementing the equality and diversity policy are:

- Recruiting people with diversified abilities and a wide range of professional skills. In order for innovative and creative decisions to be taken, it is important that the managers and personnel are themselves innovative and creative. In an ever more competitive environment, innovation is a prerequisite for increasing effectiveness and finding new market niches.
- Improving the entity's reputation and overall performance vis-à-vis shareholders and the general public;
- Promoting motivation of ethno-cultural diversity and difference between people;
- Addressing the shortage of highly qualified personnel

The diversity policy ensures diversity in the members of the management bodies, which in turn vouches for a reliable management and control system – a key element of good corporate governance.

The composition of the managing bodies is in line with the specificity and scope of the entity's activity, and ensures a high level of joint expertise.

The members of the Supervisory and Managing Boards of "Trace Group Hold" PLC have vast professional experience, acquired from previously held positions and projects executed in compliance with their personal competences, in which they have demonstrated great managerial skills, high professional and moral qualities. Their professional skills are acquired and enriched through educations, trainings and qualifications.

The Supervisory Board consists of three members.

Prof. Dean Eng. Nikolay Mihaylov is Chairman of the Supervisory Board of "Trace Group Hold" PLC and Head of the "Roads" Department in the Faculty of Transportation Engineering at the University of Architecture, Civil Engineering and Geodesy – Sofia. He is awarded an educational and Doctor of Philosophy degree with a dissertation on "Economic efficiency of the capital investments in road construction." He has a Management specialisation at the Economic University – Varna and the Austrian Economic Chamber. He is a lecturer in the University of Architecture, Civil Engineering and Geodesy – Sofia. Prof. Mihaylov defended a PhD, Economic Sciences dissertation, entitled "Corporate governance as a driving force for improving the entity's performance of the enterprise", at the Institute of Economic Research at BAS in 2016. Prof. Mihaylov is the Chairman of the Bulgarian Forum of Transport Infrastructure. He is a member of the Managing Board of the Bulgarian Construction Chamber. He is a co-chairman of the "Investment and Infrastructure Projects" Committee at the Confederation of Employers and Industrialists in Bulgaria. He is chairman of the Managing Board of "Trace for People" Foundation, a member of the Managing Board of the "Burov" Foundation and a member of the Board of Trustees of NATFA "Krastyo Sarafov" at the Thracian University, Stara Zagora. He has won the "Burov" award for industrial management in 2010. He is awarded with the "Engineer of the Year – 2012" prize of the Association of Road Engineers and Consultants. In 2015, Prof. Mihaylov was awarded the Russian "Prometheus" medal for his outstanding contribution in science and education.

Manol Denev is a member of the Supervisory Board of "Trace Group Hold" PLC. Within the Holding, he holds the position of Business Development Manager. He is awarded a Master's Degree in "International Tourism" by the University of National and World Economy, Sofia. He is fluent in English and Russian. His professional experience in the financial field – economic and foreign trade – was acquired through the managerial positions that he has held.

Acad. Anton Donchev is independent member of the Supervisory Board of "Trace Group Hold" PLC. He is one of the most prominent representatives of historical novels in Bulgaria; a world-known master of the epic, for which he has received the highest academic degree. Acad. Donchev is awarded the highest State award – the "Sv. Sv. Kiril i Metodiy" Order, a medal that is awarded by the President of the Republic of Bulgaria for particularly great service to culture. He is winner of the Grand Prix of Literature and the "Blue Flag" Honorary Sign award. Acad. Donchev is the founder of two scholarships – "Time apart" –, awarded to History and Bulgarian Literature students from the Rhodopes. The scholarships are organised by the International Foundation "Sv. Sv. Kiril I Metodiy".

The members of the Managing Board are people, holding different higher education degrees and skills – economic, financial and engineering –, each with additional qualification in the fields of business management.

The holding complies with the principle of gender equality in the election of the Managing and Supervisory Boards, and in the appointment of personnel at managerial positions. The number of women holding managerial positions in the entity, such as Mrs. Desislava Lyubenova – Chairman of the Managing Board, Mrs. Rositsa Dineva – Member of the Managing Board and Financial Director, Mrs. Boyka Georgieva and Mrs. Hristina Nikolova – Members of the Audit Committee, prove this.

The diversity policy, applied in respect of those who are part of the managing bodies, prohibits any age discrimination (age restrictions).

Representatives of different minority ethnic groups are employed in the “Trace” group. The company is open to employing disadvantaged people. The aim is to provide young people with opportunities for personal and professional growth.

The “male – female (employees)” ratio in the parent is 50 / 50. Due to the specificity of the activity, the “male – female (employees)” ratio for the entire group is 20 / 80 (women / men).

The Internal Labour Manual of “Trace Group Hold” PLC regulates the employees' rights and protection in the event of discrimination by the employer.

Members of the Managing Board:

Desislava Lyubenova – Chairman:

Eng. Boyan Delchev – Member:

Rositsa Dineva – Member:

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. 51 of the Accountancy Act, as a public interest entity and one which exceeds the criteria for an "average number of employees up to 500 persons during the financial reporting year" as at 31.12.2018, "Trace Group Hold" PLC 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 document, reflects the objectives and the operating 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 corporate social responsibility and the entity's 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 headquarters of the entity are at 12, "Nikola Obrazopisov" Str., Sofia.

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

"Trace Group Hold" PLC develops its business activities in the following construction areas:

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

TRACE takes part in the implementation of the major projects part of the Republican infrastructure, among which are completion of "Trakia" and "Hemus" highways. The company participates in the construction of the Serbian part of Corridor 10 Highway.

The companies part of TRACE organization structure carry out projects for reconstruction and repair works of the road network as well as of the urban infrastructure. They implement ongoing repair work and winter maintenance of 20% of the roads in the country and 3 000 km of the road network in the territory of the Republic of Serbia. The company has resources for construction and maintenance of the traffic organization system, vertical and horizontal marking, and has the technical and human resources to perform emergency restoration actions in areas affected by natural disasters.

✓ **Construction of metro (subway);**

"Trace Group Hold" PLC participates in the execution of 1/3 of the "Sofia Metro" project. Seven metro stations are put into operation and the alongside metro part. Currently Trace implements projects of the Third line of "Sofia Metro" project.

✓ **Construction of railway infrastructure and all related facilities – construction of high-speed railway lines, implementation of innovative railway technology – the Geismar system;**

The company is specialized in construction operations of the upper and lower superstructure of the railway track:

- Rehabilitation, reconstruction and new construction of the railway track by mechanized means;
- Mechanized laying of a new railway road and dismantling of an existing one;
- Earth excavations, rock excavations, embankments with landscaping and re-cultivation of terrains with application of modern technologies and high-productivity machines;
- Repair, rehabilitation and construction of new major and small artificial structures along to the existing and new built railway lines;
- Reconstruction of existing and construction of new railway stations and stops.

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

Significant project of the company is the reconstruction of "Graf Ignatievo" Airport, where design and construction works were carried out simultaneously for only 3 months. New technologies were introduced - production of polymer modified bitumen and laying of polymer modified asphalt concrete, as well as implementation of an advanced lighting system.

✓ **Construction of waste water treatment plants; integrated water cycles; water supply and sewerage network systems and ecological projects;**

In the water and ecological sector the holding company puts its efforts in the realization of projects related to rehabilitation, reconstruction and new construction of water supply and sewerage networks and facilities, which leads to an improvement in the quality of people's lives.

During the last few years "Trace Group Hold" PLC expands its activity in the environmental sector and focuses its efforts on implementation of waste management and soil protection facilities - municipal waste disposal installations, construction of regional landfills for municipal waste, construction of pre-treatment facilities, including composting, sorting and waste separation. The holding company has the capacity to work on adaptation to climate change, prevention and risk management.

"Trace Group Hold" has a strong experience in the design and implementation of anti-landslide activities and fortification facilities, coastal and shore protection structures.

✓ **Building construction, with diversified profile, including energy efficiency projects;**

The holding company has at its disposal a team specialized in the construction of public, industrial, commercial and residential buildings. The subsidiaries have the opportunity to build hotel complexes, industrial, residential, commercial and administrative buildings with the adjacent infrastructure.

✓ **Gas and power facilities, including gas stations;**

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

In order to ensure the quality of its projects, "Trace Group Hold" PLC carries out commercial activities with products and materials used in the construction process. Via its subsidiary "Infra Commerce" LTD, the holding company already has a stable presence in many commercial niches: fuels and road bitumen, technical salt, fittings, railway consumables and materials, construction machinery, etc.

The portfolio of activities of "Trace" further includes investment, international trade and logistics.

ORGANIZATION CHART

The parent company, "Trace Group Hold" PLC, has a two-level management system and it is managed by a Supervisory Board, composed of three members, and a Management Board, also composed of three members.

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 Management Board with guidelines in the development of the risk management system, including the internal control and internal audit, the financial – information system, and monitors their functioning, 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 an Advisory Board, a Financial Board and an Audit Committee.

The Management 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 Management Board has established and follows the Entity's risk policy. An internal control and risk management system is established and operates under the control of the Management Board. The Management 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 company with the following organization chart:

COMPANY	PRINCIPAL ACTIVITY	SHARE CAPITAL
"Trace Group Hold" PLC	Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities; execution of building and construction works; project management in the fields of building construction, road and railway construction projects.	Parent company consolidating
"Trace Sofia" JSC	Construction, reconstruction, rehabilitation and maintenance of underground and railway infrastructure and construction of structures; public infrastructure construction and development of residential areas; implementation of projects connected with the increasing of energy efficiency.	100%
"Trace – Road Construction" JSC	Rehabilitation, reconstruction, construction and maintenance of roads, highways, airports and urban infrastructure; implementation of water supply and sewerage systems, wastewater treatment plants, emergency-restoration activities after natural disasters and industrial accidents; construction and maintenance of civil and military airports.	99,86%

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"Trace Serbia" JSC	Construction of roads and structures, maintenance and repair of specialized construction equipment and maintenance of water and sewerage sector, including gas distribution and water supply networks, WWTPs, integrated water supply and treatment projects, solid waste treatment installations; landfills, communal services.	1
"Trace Yambol" JSC	Construction and maintenance of roads, highways and road structures, construction of public infrastructure and development of residential areas.	99,48%
"USM" JSC	Construction mechanization management, current repair works and winter maintenance.	99,69%
"Infra commerce" LTD	Domestic and foreign trade activities; mediation and agency of Bulgarian and foreign individuals; trade in products and materials used in the construction; logistics.	100%
"Trace International" LTD	International activity, international projects management.	100%
"Trace Properties" LTD	Real estate management	100%
"Trace SOP" LTD	Construction, ongoing repair works and maintenance of roads, urban and municipal communications and the adjacent infrastructures, maintenance of roads and road structures.	100%
"Metro Druzha" LTD	Construction, ongoing repair works and maintenance of roads, urban and municipal communications and the adjacent infrastructures, maintenance of roads and road structures.	100%
"Trace Ukraine" LTD	Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities; investor control of commercial and residential construction projects, commercial representation and mediation	100%
"Trace Plovdiv" LTD	Текущ ремонт и поддръжка на пътища, градски и общински комуникации и инфраструктурите около тях Ongoing repair works and maintenance of roads, urban and municipal communications and the adjacent infrastructures.	100%
"Trace Trance" LTD	Transport activity; repair and maintenance of transport vehicles.	100%

The production bases and warehouses of "Trace Group Hold" PLC are located in the key transport and communication centres, thus allowing the execution of the awarded projects to be completed in the shortest time periods and at a high quality. Broadening the breadth of the market sector that it possesses, the company equips its production bases with top-of-the-line specialised equipment. Main facilities of "Trace Group Hold" PLC are:

- Ten asphalt bases, of which two modular mobile ones;
- Installation for production of polymer modified bitumen. Installation for production of bitumen emulsion;
- Installations for the production of stone flour;
- Six aggregate quarries;

Non-financial Statement pursuant to Art. 51 of the Accountancy Act (AA)

- Ten crushing installations for the production of stone fractions, of which 4 mobile;
- Two machines for laying concrete;
- Earthmoving machinery;
- Asphalt-laying technique;
- Geismar system for laying railroad S2PV;
- 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 STRATEGY

At national level, the entity’s intentions cover participation in tender procedures for the implementation of infrastructure projects, included in the program period of the Operational Programs of the European Union, with emphasis on: water sector, landfills, railway and road construction; public works and municipalities development procedures, financed by the state budget; building construction projects and such for rehabilitation of buildings, targeting to improve energy efficiency; initiative to work with private investors, interested in infrastructure, logistics and industrial construction, as well as readiness to participate in public-private projects.

Attention shall be prioritised on opportunities in the field of building construction, not only as an executive activity but also in terms of investments. The Holding company short-term plans include participation in the construction of residential, administrative and office buildings in our country and on the territory of other countries where the group has a presence.

“Trace Group Hold” PLC has strengthened its position in the field of road maintenance in Serbia, in particular maintenance and rehabilitation of road infrastructure in the areas of Southeastern Serbia. It is due to participate in tunnel projects for connection of the national with the Sofia Municipality road infrastructure, as well as in tenders for rehabilitation of railway infrastructure in the country. In 2019 the construction of one of the most complicated from the engineering point of view sections from Nis to the Macedonian border - the section of E-75 Highway „Grdelica – Caricina dolina” will be completed.

Another interesting perspective is the development of activities in Croatia and Kosovo, where significant road and railway projects are to be launched. The international department of the Holding company continues to actively research the market in Central and Eastern Europe, Russia and the Central Asian countries.

III. POLICIES

1. QUALITY, ENVIRONMENTAL, HEALTH AND SAFETY AT WORK POLICY

It is a Management’s priority for “TRACE GROUP HOLD” PLC to continuously improve the quality of work by building a clear policy and strategy, aiming at gaining the trust and satisfying the requirements and expectations of clients and all stakeholders.

The re-certification of the Integrated system, conforming to ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007, and its continuous maintenance are the best guarantee for the company’s respect of its consumers and its permanent market presence.

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 a highly qualified personnel;
- Process optimisation;
- Conforming, implementing and ensuring compliance of all activities with the applicable legal and regulatory requirements related to the quality, environment, health and safety at work;
- A proper approach in the selection of the entity's suppliers and subcontractors;
- Non-admission of preconditions for objections and complaints by clients related to our main activity;
- 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, 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 undertake 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 Executive personnel in its development and improvement.

2. SOCIAL RESPONSIBILITY POLICY

The group of Trace follows and promotes compliance with the internationally recognised human rights, and considers the preservation of integrity and the 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 in the group of TRACE in 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 society in general, with a view to improving the quality of life.

The guiding principles of "Trace Group Hold" PLC regarding social responsibility includes:

- Respecting the human rights and fundamental freedoms as set out in the Universal Declaration of Human Rights;
- Protecting the generally accepted human values;
- Ensuring the health and safety of their employees;
- Developing and motivating the personnel;
- Creating new working places;
- Ensuring 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 workers and employees;
- Formulating the rules for constructive business ethics and ensuring their compliance;
- Carrying out 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 of the company's activities in the mass media.

IV. ACTIVITIES AND IMPLEMENTATION

ENVIRONMENT

"Trace Group Hold" PLC maintains an Integrated Quality Management System in accordance with the requirements of international standards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007

The company implements social activities supporting the principles of protecting the integrity, health, rights and well-being of its employees.

The process management system, influencing the quality, environment, health and safety at work in every company in the Group covers all activities implemented by these companies.

"Trace Group Hold" PLC applies international environmental management standards. For the group, its sustainable development, competitiveness and economic prosperity are closely linked to global environmental efforts.

The management of "Trace Group Hold" PLC makes efforts to reduce the environmental impact of the company by:

- Efficient use of electricity and heat;
- Minimization of waste;
- Prevention of pollution by reducing and minimizing harmful emissions to air and water;
- Using a new generation of techniques and facilities to carry out its activities;
- Monitoring of air, water and soil pollution.

The corporate governance of "Trace Group Hold" PLC appreciates the importance of 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 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 using dry production method, without using water. Asphalt mixing plants have a highly efficient filtration system that ensures dust extraction from the exhaust gases that are subjected to dry purification through an industrial filter. All smoke is absorbed by a powerful aspirator, passed through a dry dust filter, and the cleared exhaust air is emitted into the atmosphere.

"Trace Group Hold" PLC is one of the first Bulgarian construction companies to start using the "Cold Recycling on-site" method. This is a modern method for recovering compromised pavements. It allows using 100% of the available material on site and this is a huge advantage as it leads to a reduction in total number of construction works; harmful emissions; construction deadlines and value. For the implementation of this kind of method, the company has at its disposal the most advanced mechanization and offers a wide range of technologies - traditional and innovative.

The specialized machinery and trucks meet European and world environmental standards. The entity invests in last generation equipment and aims at introducing innovative production in order to protect the ecological balance. The holding company has more than 100 heavy-duty vehicles of EURO 4 and EURO 5 emission limits standard, and at the end of the previous year, the entity has invested in the purchase of a heavy-duty vehicle, which has EURO 6 standard. At the same time, "Trace Group Hold" PLC by its subsidiary "Trace - Road Construction" JSC has concluded contracts for the redemption of waste oils and greases, as well as for tire recycling of cars and heavy vehicles.

In the implementation of each infrastructure project, an environmental concept is developed and followed, which sets out the activities to minimize pollution and harmful effects on the environment. Through it it is possible to identify, evaluate and manage the important aspects of the environment, to prevent the pollution of the environment in the implementation of the subject of the respective public procurement. The concept of environmental protection shall take into account the main activities in the implementation of the project and the operation of the sites at the stage of their design, construction and operation, namely:

- Approved land-use planning plan for changing land use
- Preparation and coordination of project documentation
- Obtain building permit
- Realization of projects
- Commissioning the sites
- Conditions established through environmental decisions and / or environmental impact assessment

Procedures are in place in accordance with environmental legislation at national and European level to ensure the prevention of significant negative impacts on the environment and human health when implementing investment proposals, namely: Environmental assessment of plans and programs related to spatial planning and environmental impact assessment; Assessment of compatibility with the subject and objectives of conservation of protected areas.

During implementation of the final section of "Montevideo" Blvd., an engineering team from Trace preserved 27 years old Caucasian fir in Sofia. The tree with height 15 m and weight 10 tons, was moved to a location selected by the Municipality of Sofia. After plating, the tree was reinforced with a steel rope construction that was removed in March 2019. Irrigation takes place through drainage pipes reaching the root system.

The strategy for development of "Trace Group Hold" PLC includes participation in long-term environmentally friendly projects in the field of environmental protection. A separate collection system has been set up.

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. The identified health and safety requirements at work are implemented at all levels of the organisation.

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 of health and safety officials.

When starting to work in the group 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: salary, working hours, annual paid leave, position, and 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 trade unions of their choice, and to negotiate collectively with the company, on their own behalf. The personnel is 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, termination of contract or retirement on grounds of racial, national or social origin, class, family background, religion, disability, sex, sexual orientation, family responsibilities, marital status, trade union membership, political views or another condition that may lead to discrimination.

The entity does not interfere with the exercise of the personnel’s right to observe principles, practices or meet needs based on racial, national or social origin, religion, disability, gender, sexual orientation, family responsibilities, trade union membership, political views or other conditions that may 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 employing disadvantaged people. The aim is to provide young people with opportunities for professional and personal development.

Non-financial Statement pursuant to Art. 51 of the Accountancy Act (AA)

The gender equity principle in the selection of Management and Supervisory bodies, as well as in the appointment of managerial positions, is respected. Proof of this is a number of women holding a leading position in the entity, such as Ms. Dessislava Lubenova - Chairman of the Management Board, Ms. Rositsa Dineva - Member of the Management Board and FCO, Ms. Boyka Georgieva and Ms. Hristina Nikolova - members of the Audit Committee.

The entity does not tolerate threatening, abusive, exploitative or sexual harassment behaviour, including gestures, language and physical contact at work.

MALE – FEMALE COMPARISON

	2016	2017	2018
Total personnel	1759	1415	1064
Of which male	1376	1192	889
Of which female	283	223	175
Personnel, appointed at managerial positions	153	145	113
Of which male	125	120	92
Of which female	28	25	21

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 team, project managers, and all persons, appointed at managerial positions, treat all personnel with dignity and respect. The disciplinary practices are specified in the Internal Work Regulations.

"Fines" are not provided under the Labour Code, and thus "Trace Group Hold" PLC does not impose, nor does it intent to impose, such. Only the disciplinary measures, defined under Art. 188 of the LC are enforced in cases when the labour discipline of "Trace Group Hold" PLC is breached. There are three disciplinary measures – notice, dismissal notice and disciplinary dismissal.

WORKING HOURS

"Trace Group Hold" PLC complies with the applicable legislation and industry standards 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 business days.

REMUNERATION, FINANCIAL INCENTIVES

Remuneration at "Trace Group Hold" PLC meets the legal or industry minimum standards, sufficient to meet the core needs of the personnel and to ensure discretionary income.

"Trace Group Hold" PLC is fair to its employees and workers in the payment of agreed wages and social security contributions. The entity motivates its employees, specialists and workers both by paying additional remuneration, as well as by paying such in the form of shares in the entity's capital. Shares are granted to employees, specialists and workers, based on the achieved by them results in execution of their duties. The terms and conditions for granting shares to the entity's personnel are regulated by the internal statutes and decrees, which was adopted in 2013.

The Holding has arrangements with:

- Banking institutions for obtaining loans and insurance on preferential terms;
- Health care institutions and free annual physical examination;
- Chain stores the supply of goods and services.

AWARDS

Every year, "Trace Group Hold" PLC honours its most distinguished employees and workers with two special awards:

"Builder of the Year of "TRACE GROUP HOLD" PLC" Award

The prize is awarded to employees and workers, in recognition of their high professionalism in the execution of their work assignments and for their significant contribution to the group's development. The award was first introduced in 2008. The winners receive the "Road is Life" sculpture and non-bearer shares of BGN 10 000 in the entity's capital. In 2018 the management presented the award to Dipl. Eng. Georgi Ivanov for the completion before the appointed deadline of Aheloy bypass road project.

"CARRYING THE HONOUR OF THE BUILDER PROFESSION" Honorary sign

With this honorary sign, the Management team of "Trace Group Hold" PLC aims to grant recognition and public visibility for excellence in infrastructure construction and to enhance the quality of the professional competencies of the Group's employees; to stimulate the qualities and talents of each employee and the further sustainable development of "Trace Group Hold" PLC. The prize is awarded on the occasion of the Builder's Day or anniversary events of the Company, as well as by the decision of the Holding's Financial Board.

DONATION

As a public and socially responsible company, over the years, "Trace Group Hold" PLC has actively supported a number of charity causes in the fields of social activities, ecology, cultural and historical heritage and education, which are in line with the corporate culture of "Trace".

The "Trace for People" Foundation unities the efforts of the Group's entities in the fields of social and corporate responsibility. The Foundation is managed by a Public Council, members of which are prominent public figures – Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng, Acad. Stefan Vodenicharov, Acad. Anton Donchev, Vladislav Slavov.

In 2018 in the culture field, Trace supported more 20 events which have not only national but international importance for the image of Bulgaria. Among them, the most significant is the concert of Lisa Gerard and Yordan Kamzhalov in Sofia.

ANTI-CORRUPTION POLICY

No form of bribery or corruption is tolerated in "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 a public or State official;

Non-financial Statement pursuant to Art. 51 of the Accountancy Act (AA)

Unjustifiable enrichment – 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.

Entities of the Group of Trace adhere to the rules of pure donation or sponsorship on a case-by-case basis under full transparency and carry out donation activities through the "Trace for People" Foundation, which prepares a public activity report each year.

At a group level, there is no system for risk assessment related to corruption, but all processes and procedures are conducted in a way that excludes all forms of corruption in the entities. All transactions of the entities in the Group of Trace are individually evaluated in advance and those of significant value are approved by both the management of each of the entities and by the management of the Holding company.

CAREER DEVELOPMENT AND TRAINING

Personnel's motivation is an important factor in the achievement of the development targets, set on the company. The Management of "Trace Group Hold" PLC has a clear development strategy for each person, appointed to work in the Holding structure – from the worker to the manager. The strategy covers areas such as:

- Professional development of the specialists and workers by conducting trainings, which target to maintain and improve their qualifications, as well as close specialisation in specific professional fields;
- Providing the time and opportunities to increase one's education and to acquire higher qualifications;
- Stimulating the initiative to learn foreign languages, work with specialised software, implement new technologies, acquire new equipment;
- Stimulate innovative thinking, allowing creative people to apply their ideas in practice;
- The Holding's and the entities' Management provide opportunities for each individual worker, employee or Manager, to develop and grow career-wise in one or another entity within the Group, depending on his / her personal and professional interests.

INCREASING PROFESSIONAL QUALIFICATIONS

In 2018 two engineers (Ivan Katsarov and Hristo Ivanov) were awarded PhD and defended dissertation works before UASG, three more enlisted for PhD (Silvia Sandev, Petar Kostov and Yordan Markov). Their scientific interest is part of their professional commitments and is connected with the development of innovations and the application of technologies in various processes. Large number of engineers continues their education in masters programs related to the construction of water supply and sewerage systems, gas transmission networks, constructions of buildings and facilities etc.

"TRACE" ACADEMY

The master degree program "Business management and planning in the construction" is an educational product, which has no analogue in the Bulgarian education. The program response to the acute need of the Bulgarian construction business of new generation of engineers – managers, who in the works process apply engineering principles but have business knowledge for the successful and efficient implementation of projects. In 2018 first engineers from the group, who enrolled in the master degree program received their diploma with major "Business development and management in the

infrastructure construction". The education is designed in a manner that the engineers receive knowledge on multiple management techniques, identify business issues and develop creative skills.

INTERNSHIPS

The Holding has an established training system, designed to attract young professionals, and allowing them to develop and achieve high professional realisation. The Holding is the preferred partner of the professional schools and universities in the country. The policy of admitting young professionals stipulates:

- Organising and holding annual meetings with graduates of the University of Architecture, Civil Engineering and Geodesy (UASG), as well as graduates of other Universities, conducting trainings of professional experts, who would contribute to the Entity's activities;
- Providing opportunities for students and graduates to complete their practicum and internship within the entity' structure. For a serial year, "Trace" hosted graduates of the Sofia, Bourgas, Stara Zagora Specialised (in construction) High Schools, who visited the Company's sites and met the Management team;
- Encouraging young professionals to start working with the Entity and gain professional experience in real-life working processes and production conditions, regularly communicating with them their development perspectives;
- Monitoring the career development of each young specialist and in the cases of positive feedback and assessment of his / her professional skills – providing him / her with the opportunity to be appointed at a key Managerial position under the infrastructure projects, executed by the Entity.

In partnership with UASG, in 2018 the Holding company prepares programs, which allow the creation of new generation engineers, knowledgeable, reasoning, and independent:

- **Talents program** allows to students not only to be prepared for the job market, but to work in real time environment and to acquire qualifications;
- **Scholarship for excellent students**, who originate from Bulgarian diaspora in the Republic of Serbia, Macedonia, Kosovo, Albania, who are enrolled in UASG under 112 Decree of the Ministry of Education and Science;
- **"Best thesis paperwork"** - award winning graduates from the Dean Management Departments of the UASG engineering departments receive a cash prize and the opportunity for a start in the career;
- **Internship program of Ministry of Education and Science** – Every year the Holding participates in a program of the Ministry of Education for financier, accountants and lawyers. In 2018, 19 specialists were appointed;
- **"Open lectures"** – students from 11th and 12th grade visit infrastructure projects implemented by Trace which are under construction, participate in meetings with management teams of the Holding, as well as in so called laboratories. The purpose of these lectures is the attraction of young people towards the career path of construction engineer.

TRAININGS, SEMINARS, CONFERENCES, FORUMS

In the financial reporting 2018 the listed hereafter personnel's trainings were conducted:

- Annual training of the members of the WCC, within 6 (six) academic hours;
- A course of the personnel, assigned as a "health and safety at work" control body, within 8 academic hours;
- A course of the personnel with health and safety coordinators;
- A course in relation to the implementation of a system for protection of personal data;

Non-financial Statement pursuant to Art. 51 of the Accountancy Act (AA)

- Specialized courses on changes in legislation.

Internal workshops and seminars, annual meetings related to trainings and improvement of the Senior Management's qualifications, are held within the Group. Representatives of the entity participate in scientific and practical forums on the new trends in the infrastructure construction. In the past year, Managers of some of the entities within the Group, Project managers and prominent Engineers traditionally participated in the National Road Conference, held with international participations and organised by the "Roads" Department of the UACEG and the "Road Infrastructure" Agency. The conference was held under the patronage of the Ministry of Regional Development. The leading topic of the conference was "Financial resource management of the transport infrastructure".

Executive Director:
Dipl. Eng. Boyan Delchev



CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

The "Trace Group Hold" group performs activities in the mining industry, and in particular mining of underground natural resources, exploitation of mineral raw materials and mining and blasting activities, and it is obliged to prepare a consolidated report on payments to governments and publish it together with its annual consolidated management report in accordance with Art. 53 in conjunction with Art. 59 of the Accountancy Act.

The following subsidiaries of the Group engaged in mining activities in 2018:

Trace – Road Construction JSC, Bulgaria (mining of underground natural resources)

Trace Yambol JSC, Bulgaria (mining of underground natural resources)

Trace Serbia (PZP Nis) 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

The Group has been granted concessions for the extraction of underground natural resources – construction materials – marble, marble limestone, limestone and dolomites – pursuant to the 5 agreements, concluded in the Republic of Bulgaria. The concession agreements were signed by and between the Concession grantor – the Council of Ministers of the Republic of Bulgaria – and the Concessionaire – entities in the Group in 2001, 2005 and 2011.

In accordance with the agreements, the entities of 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 and Boyanovo, within the concession area, and to acquire the extracted materials.

Construction materials from fields located in the Republic of Bulgaria are extracted by open-pit mining, within the concession area, under the following conditions:

- Frame of the concession area – 831 thousand square meters;
- Mining 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 282 thousand, were paid to the Ministry of Energy of the Republic of Bulgaria in 2018. Part of those payments include and the amounts paid to an escrow account to satisfy the obligation of the entities for subsequent reclamation of the exploited concession areas.

2. Payments under approvals for exploitation of mineral raw resources

In accordance with the legislation of the Republic of Serbia, an entity of the Group has obtained approval to exploit mineral raw materials from the Ministry of Mining and Energy in 2008 (№310-02-00235/2008-06) and in 2017 (№310-02-00000-/21017-02), and approval to execute mining and blasting works on lands, owned by the entity (№310-02-00616/2009-06), granted by the same Ministry in 2010.

The approvals received by the entity grant it the exclusive right to exploit mineral raw resources and perform mining and blasting works on the field, located in the village Dolac, Municipality of

Bela Palanka, Republic of Serbia, within the owned by the entity area.

Construction materials from fields located in the Republic of Serbia are extracted by open-pit mining, within the concession area, under the following conditions:

- Frame of the concession area – 180 000 thousand square meters;
- Mining term – termless, with the term starting as of the date on which the approval is obtained;

BGN 202 thousand have been paid to the Ministry of Mining and Energy of the Republic of Serbia in 2018, in the form of quarterly instalments. The quarterly instalments are calculated based on the extraction realised within the respective quarter.

3. Taxes paid

In 2018, the entities of the Group performing activities in the mining industry, and in particular mining of underground natural resources, exploitation of mineral raw materials and mining and blasting works, have paid BGN 1 thousand corporate income tax and other taxes to the National Revenue Agency of the Republic of Bulgaria and taxes, in the amount of BGN 19 thousand (net), have been recovered; BGN 254 thousand have been paid to the Tax Office of the Republic of Serbia, of which:

- BGN 1 thousand – taxes on entertainment costs, paid in 2018 (BGN 0 thousand for Serbia);
- BGN 19 thousand – recovered excess payment of corporate tax due for 2017 (BGN 0 thousand for Serbia);
- BGN 178 thousand – advance payments of the corporate tax payable for 2018 (BGN 0 thousand for Bulgaria);
- BGN 76 thousand – corporate tax paid as per the annual tax returns, filed for 2017 (BGN 0 thousand for Bulgaria);

The entities, engaging in mining activities, have also paid BGN 61 thousand for local taxes and fees to Municipalities in the Republic of Bulgaria and BGN 89 thousand – to Municipalities in the Republic of Serbia.

4. Payments under projects

The entities in the Group, engaging in mining activities, have not completed any projects and respectively have not conducted any payments to parties that are Governments, within the meaning of the Law, in 2018.

Executive Director:

Eng. Boyan Delchev

