

„TRACE GROUP HOLD“ PLC

**CONSOLIDATED FINANCIAL
STATEMENT
31.12.2019**

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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 2019, 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 2019, 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 Company in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter paragraph

We pay attention to:

Section "Additional information to the items of the consolidated financial statements note 4.13 Events after the end of the reporting period, in which a significant non-adjusting event after the reporting date was announced, related to the spread of the coronavirus pandemic (COVID - 19), its impact on the economic environment in Bulgaria and the world and the uncertainties related to it, as well as the position of the management for its potential effects in relation to the activity of the company.

Our opinion has not been modified on this issue.

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 285 760 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.

Additional Reporting Concerning the Audit of Consolidated Financial Statements in connection with Art. 100 (n), paragraph 4 (3) of the Public Offering of Securities Act

Statement in connection with Art. 100 (n), paragraph 4 (3b) of the Public Offering of Securities Act

Information on related party transactions is disclosed under the “Other disclosures” item 4.2 to the consolidated financial statements. Based on the performed audit procedures on related party transactions as part of our audit of the consolidated financial statements as a whole, no facts, circumstances or other information have come to our attention that caused us to conclude that the related party transaction are not disclosed in the accompanying consolidated financial statements in accordance with the requirements of IAS 24 “Related party disclosures”. The results of our audit procedures on related party transactions were reviewed in the context of forming an opinion on the consolidated financial statements as a whole, but not for the purpose of expressing an opinion on related party transactions.

Statement in connection with Art. 100 (n), paragraph 4 (3c) of the Public Offering of Securities Act

Our responsibilities for the audit of the consolidated financial statements as a whole, described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report include assessment of whether the consolidated financial statements present fairly the significant transactions and events. Based on the performed audit procedures on the significant transactions, which are fundamental to the consolidated financial statements for the year ended 31 December 2019, no facts, circumstances or other information have come to our attention that caused us to conclude that there are instances of significant unfair presentation and disclosure in accordance with the applicable requirements of IFRS, as adopted by the European Union. The results of our audit procedures on the significant transactions and events of the Entity, which are material to the consolidated financial statements, were reviewed in the context of forming an opinion on the consolidated financial statements as a whole, but not for the purpose of expressing a consolidated opinion on these significant transactions.

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 2019. The auditing company was appointed by the General Meeting of Shareholders, held on 26.06.2019, for a period of one year.
- The audit of the Group’s consolidated financial statements for the year ended 31 December 2019 is the third full, continuous statutory audit engagement for that group, carried out by Zaharinova 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, 02.06.2020**

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31.12.2019**

The Consolidated Financial Statements for the year ended 31.12.2019, pages 1 to 114, have been approved by the Managing Board and have been signed on behalf of "Trace Group Hold" PLC on 02 June 2020 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 31.12.2019**

The Consolidated Management Report, pages 1 to 44, 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 02 June 2020 by:

Executive Director:
Eng. Boyan Delchev



	Note	31.12.2019 BGN'000	31.12.2018 BGN'000
ASSETS			
Non-current assets			
Property, plant, machinery and equipment	1.1.	77 612	74 456
Investment property	1.2.	7 006	6 850
Non-current intangible asset	1.3.	1 606	1 398
Non-current financial assets	1.4.	19	22
Investments recognized under equity method	1.5.	25	1 772
Non-current trade receivables	1.6.	1 140	8 969
Other non-current receivables and assets	1.7.	248	405
Deferred tax assets	1.8.	3 536	3 736
Total non-current assets		91 192	97 608
Current assets			
Inventories	1.9.	8 774	7 964
Current trade receivables	1.10.	117 241	72 155
Other current receivables and assets	1.11.	4 392	6 925
Current financial assets	1.12.	1 492	113
Cash and cash equivalents	1.13.	32 960	36 407
Total current assets		164 859	123 564
Total assets		256 051	221 172

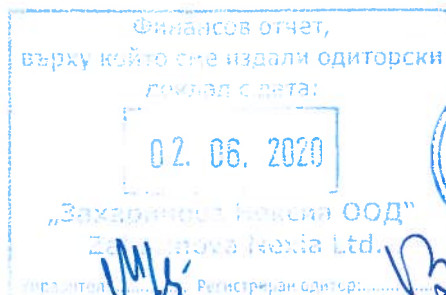
The notes on pages 7 to 114 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinoва Nexia Ltd.

Sofia, 29 May 2020



	Note	31.12.2019 BGN'000	31.12.2018 BGN'000
EQUITY AND LIABILITIES			
Equity			
Share capital	1.14.1.	24 184	24 177
Registered capital		24 200	24 200
Shares redeemed		(16)	(23)
Share premium	1.14.2.	21 739	21 739
Translation reserve	1.14.3.	(794)	(798)
Reserves	1.14.4.	55 888	69 389
Financial result	1.16.5.	18 210	(13 624)
Accumulated profit / (loss)		(212)	(19 529)
Current year's profit / (loss)		18 422	5 905
Equity attributable to shareholders of the parent company		119 227	100 883
Non-controlling interests		132	335
Total equity		119 359	101 218
Non-current liabilities			
Non-current financial liabilities	1.17.	6 853	7 609
Non-current trade payables	1.18.	5 308	10 033
Non-current provisions	1.19.	1 196	677
Deferred tax liabilities	1.20.	1 110	1 003
Other non-current payables and liabilities	1.21.	906	1 128
Total non-current liabilities		15 373	20 450
Current liabilities			
Current financial liabilities	1.22.	3 087	2 942
Current trade payables	1.23.	97 491	76 873
Tax liabilities	1.24.	5 376	2 936
Employee benefits payables	1.25.	2 938	4 351
Current provisions	1.26.	9 430	6 772
Other current payables and liabilities	1.27.	2 997	5 630
Total current liabilities		121 319	99 504
Total equity and liabilities		256 051	221 172

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

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinoва Nexia Ltd.

Sofia, 29 May 2020



TRACE GROUP HOLD PLC
CONSOLIDATED INCOME STATEMENT for 2019

TRACE

	Note	2019 BGN'000	2018 BGN'000
Income			
<i>Revenue from contracts with customers</i>	2.1.1.	312 812	346 572
Revenue from construction contracts		285 760	324 526
Revenue from finished products		17 078	10 564
Revenue from sales of goods		9 283	10 522
Revenue from sales of services		691	960
<i>Other operating income/(losses), net</i>	2.1.2.	3 838	5 303
<i>Financial income</i>	2.1.3.	1 042	711
Total Income		317 692	352 586
Expenses			
<i>Expenses per economic items</i>		(285 051)	(332 413)
Raw materials, materials and consumables	2.2.1.	(56 782)	(61 402)
Cost of external services	2.2.2.	(177 526)	(227 720)
Depreciation and amortisation costs	2.2.3.	(5 848)	(5 066)
Employee benefits	2.2.4.	(30 846)	(29 100)
Impairment of assets	2.2.5.	(2 026)	(4 047)
Other costs	2.2.6.	(12 023)	(5 078)
<i>Allowances</i>	2.2.7.	(8 811)	(10 844)
Net book value of assets disposed (excluding production)		(8 654)	(10 681)
Capitalised costs at assets		-	4
Changes in inventories of finished goods and work in progress		(157)	(108)
Other costs		-	(59)
<i>Finance costs</i>	2.2.8.	(1 509)	(2 665)
Total expenses, excluding tax expenses		(295 371)	(345 922)
<i>Gain/(Loss) from associates companies</i>	2.2.9.	(733)	2
Profit / (Loss) before income tax		21 588	6 666
<i>Tax expense</i>	2.2.10.	(3 285)	(733)
Current tax expense		(2 970)	(408)
Deferred tax changes		(315)	(325)
Profit / (Loss) from continuing operations		18 303	5 933
Profit / (Loss)		18 303	5 933
to shareholders of the parent company		18 422	5 905
to non-controlling interests		(119)	28

	2019 BGN	2018 BGN
Primary Net Earnings per Share	0,76	0,25
from continuing operations	0,76	0,25

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

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinova Nexia Ltd.

Sofia, 29 May 2020

TRACE
ТРЕЙС ГРУП ХОЛД АД 1

Финансов отчет,
къри който сме издали одиторски
доказателства с дата:

02. 06. 2020

„Зохаринова Нексия ООД“
Zaharinova Nexia Ltd.

Аудиторски одитор



	Note	2019 BGN'000	2018 BGN'000
Profit / (Loss)		18 303	5 933
Other comprehensive income	2.3.1.	(85)	(185)
Items that are not subject to subsequent reclassification in profit or loss, including:		23	55
Actuarial gains / (losses)		23	55
Items that are not subject to subsequent reclassification in profit or loss, including:		(108)	(240)
Gains / (Losses) from translation of foreign currency		(108)	(240)
Total comprehensive income		18 218	5 748
to shareholders of the parent company		18 337	5 720
to non-controlling interests		(119)	28

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

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinoва Nexia Ltd.

Sofia, 29 May 2020



	2019 BGN'000	2018 BGN'000
Cash flows from operating activities		
Proceeds from contractors	314 182	365 561
Payments to contractors	(246 852)	(312 568)
Net cash flows to personnel and social insurance contributions	(31 006)	(30 483)
Tax paid (excluding income tax)	(7 421)	(7 281)
Proceeds from tax (excluding income tax)	2 223	3 563
Income tax paid	(630)	(450)
Tax reimbursed	-	19
Payments under profit distribution	(2 125)	(2 075)
Payments of guarantees	(644)	(1 449)
Net foreign exchange gains / (losses)	(13)	(2)
Other cash flows from operating activities	(110)	(139)
Net cash flows from operating activities	27 604	14 696
Cash flows from investing activities		
Purchases from acquisitions of non-current assets	(6 570)	(5 797)
Proceeds from disposals of non-current assets	203	80
Payments under transactions with financial assets	-	(10)
Proceeds from sales of financial assets, net of cash	742	3
Acquisition of subsidiaries, net of cash received	(248)	-
Payments of loans granted	(1 376)	(250)
Proceeds from loans granted	86	317
Proceeds from interest on loans granted	36	13
Payments under cession contracts	(15 894)	(8 528)
Dividends received	-	6
Net Cash flows from investing activities	(23 021)	(14 166)
Cash flows from financing activities		
Payments for repurchases of shares and other capital instruments bought back in the entity	(4)	(37)
Proceeds under loans received	6	8 193
Payments under loans received	(3 949)	(7 411)
Payments of interest on loans received	(413)	(479)
Proceeds from deposits	-	128
Payments under finance lease	(3 697)	(956)
Net foreign exchange gains / (losses)	-	(9)
Other cash flows from financing activities	(7)	(12)
Net Cash flows from Financing activities	(8 064)	(583)
Net cash increase / (decrease) in cash and cash equivalents	(3 481)	(53)
Cash and cash equivalents as at 1 January	36 437	36 484
Translation reserve	29	6
Cash and cash equivalents as at 31 December	32 985	36 437

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

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharinova Nexia Ltd.

Sofia, 29 May 2020

TRACE
ТРЕЙС ГРУП ХОЛДЪНГ

Финансов отчет,
който сме издали одиторски
доклад с дата:

02. 06. 2020

„Зехаринова 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 31.12.2017	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 31.12.2017 (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)	-		-
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
Changes in equity for the financial reporting 2019	7	-	4	(13 501)	31 834	18 344	(203)	18 141
Other comprehensive income	-	-	(108)	-	23	(85)	-	(85)
Actuarial gains / (losses)					23	23		23
Translation of foreign activities			(108)			(108)		(108)
Profit / (loss) for the period					18 422	18 422	(119)	18 303
Total Comprehensive Income for 2019	-	-	(108)	-	18 445	18 337	(119)	18 218
Treasury shares	7					7		7
Dividends						-	(55)	(55)
Reserves distribution				(13 501)	13 501	-		-
Other changes at equity			12		(112)	-	(29)	(29)
Balance as at 31.12.2019	24 184	21 739	(794)	55 888	18 210	119 227	132	119 359

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

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audit Firm
Zaharionova Nexia Ltd.

Sofia, 29 May 2020

TRACE
ТРЕЙС ГРУП ХОЛД-АА 1

Финансов отчет,
върху който сме издали одиторски
доказателства с дата:
02. 06. 2020
„Зехаринова Нексия ООД“
Zaharionova Nexia Ltd.
Регистриран одитор



Notes to the consolidated annual financial statements

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I. General information, accounting policies, baseline

1. General information on the Group

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

Parent

Trace Group Hold PLC (Parent) is a joint stock company, registered 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; acquisition, management and sale of bonds; acquisition, management and sale of patents; assignment of licences for the use of patents to entities in which the holding company has interest; financing of entities in which the holding company has interest; design, construction, reconstruction, rehabilitation and overhaul of roads, road facilities, highway, road and street facilities (bridges, tunnels and others) and road infrastructure facilities; design, construction, reconstruction, furnishing, repairs and investor control of commercial and residential construction sites, of railway and aircraft runways (new construction, overhaul and rehabilitation), of metro stations, of hydropower plants, hydro-ameliorative facilities and systems, water supply facilities and systems, of port and shore protection facilities and systems; execution of all types of building and construction works, consulting services, trading activities and rental (sublease) of non-current assets.

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

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

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

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

<i>Subsidiaries, domiciled in Bulgaria</i>	31.12.2019	31.12.2018	<i>Date of</i>	<i>Dale of</i>
	Participating	Participating	gaining control	loss of control
	interest	interest		/ merger
	%	%		
Trace Sofia LTD	100.00	100.00	-	-
Trace – Road Construction JSC	99.86	99.86	-	-
Trace Yambol JSC	99.48	99.48	-	-
Infra Commerce EOOD (LTD)	100.00	100.00	-	-
Himcolor JSC **	-	-	10.04.2019	03.08.2019
Trace Commerce EOOD (LTD)	-	-	-	04.04.2018
USM JSC	99.69	99.69	-	-
Metro Druzhba LTD	100.00	100.00	-	-
Trace SOP LTD	-	100.00	-	06.11.2019
Trace Plovdiv LTD – in liquidation	100.00	100.00	-	-
Trace Properties EOOD (LTD)	100.00	100.00	-	-
Trace Ukraine LTD	100.00	100.00	-	-
Trace Svilengrad LTD **	99.48	99.94	-	-

“TRACE GROUP HOLD” PLC

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Trace Trans LTD	-	100.00	-	22.10.2019
Trace International LTD	100.00	100.00	-	-

* effective percentage of participating interest

** indirect participating interest

<i>Subsidiaries, domiciled abroad</i>	31.12.2019	31.12.2018	<i>Date of</i>	<i>Dale of</i>
	Participating	Participating	gaining control	loss of control
	interest	interest		/ merger
	%	%		
Trace Serbia, Serbia	100.00	100.00	-	-
Trace PZP Vranja, Serbia	-	-	-	02.08.2018
Vior Velika Morava, Serbia	-	100.00	-	25.09.2019
New Bridges, Serbia**	-	-	-	02.08.2018
Trace Balkans, Serbia**	-	100.00	-	16.12.2019
Trace Al Junaibi, The Sultanate of Oman**	70.00	70.00	-	-

* effective percentage of participating interest

** indirect participating interest

Subsidiaries

As at 31.12.2019, the subsidiaries with principal activity are:

- TRACE – SOFIA LTD, SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC
Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure;
- TRACE – 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 (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
The entity has an established branch in the Republic of Serbia.
Principal activity: Trade activities in Bulgaria and abroad, trade representation and trade intermediation;
- HIMCOLOR JSC, PARVOMAY, BULGARIA – 100% owned by Infra Commerce EOOD (LTD) as of 10.04.2019 and until its merger to Infra Commerce EOOD (LTD) on 03.08.2019;
Principal activity: Production of and trade in chemical products, construction, reconstruction, furnishing, repairs and investor control of commercial and residential construction sites;
- TRACE TRANS LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC until the discharge of 63,25% on 22.10.2019 and its change to associate.
Principal activity: Transport activities, repairs and maintenance of transport vehicles, rental 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;
- METRO DRUZHBA LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Bridge and tunnel construction;
- TRACE SOP LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC until its merger to Metro Druzha on 06.11.2019
Principal activity: Road design and road construction;
- TRACE PLOVDIV LTD – in liquidation proceedings as of 15.08.2019 –, PLOVDIV, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road facilities;
- TRACE PROPERTIES EOOD (LTD), SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Property management, as well as all types of auxiliary services, and any other activities;
- TRACE UKRAINE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities, construction, trade in construction materials and products, trading activities in the country and abroad;
- TRACE SVILENGRAD LTD, SOFIA, BULGARIA – 100% owned by Trace Yambol JSC
Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure;
- TRACE INTERNATIONAL LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Construction, trade in construction materials and products, trading activities in the country and abroad, trade representation and trade intermediation;
- TRACE SERBIA LTD, NIS, SERBIA – 100% owned by Trace Group Hold PLC
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 Group Hold PLC until its merger to Trace Serbia on 25.09.2019
Principal activity: Design and supervision of water supply infrastructure and engineering activities;
- TRACE BALKANS LTD, BELGRADE, SERBIA – 100% owned by Trace Group Hold PLC until its merger to Trace Serbia on 16.12.2019
Principal activity: Construction of roads and highways;
- TRACE AL JUNAIBI LTD, THE SULTANATE OF OMAN – 70% owned by Trace International LTD
Principal activity: Construction, repairs and maintenance of roads, highways, aircraft runways and premises, trade in 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% participating interest of Trace Group Hold PLC and 15% participating interest of Trace – Sofia LTD
Principal activity: Other specialised construction activities;

- METRO MLADOST ALLIANCE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace – Road Construction JSC and 15% participating interest of Trace – Sofia LTD
Principal activity: Construction of roads, aircraft runways and sports fields;
- MAGISTRALA TRACE (TRANS. TRACE HIGHWAY), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 75% participating interest of Trace Group Hold PLC and 10% participating interest of Trace – Road Construction JSC
Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE – PLEVEN, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC and 49% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- TRACE – BG, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC and 49% participating interest of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
- KARDZHALI 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participating interest of Trace – Road Construction JSC and 24% participating interest of Trace Yambol JSC
Principal activity: Construction of roads, aircraft runways and sports fields;
- STARA ZAGORA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace – Road Construction JSC
Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE BOURGAS – SK-13 TRANSSTROY, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace – Road Construction JSC
Principal activity: Construction of electrical installations;
- SOFIA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participating interest of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
- EURO PARK 2011, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99% participating interest of Trace Yambol JSC
Principal activity: Overall construction works on buildings and construction premises;
- HEMUS A2, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE SVOGE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;
- TRACE – APOLONIA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace – Road Construction JSC and 40% participating interest of Trace – Sofia LTD
Principal activity: Construction of other premises, not classified elsewhere;

- TRACE RADNEVO 2012, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Yambol JSC and 49% participating interest of Trace – Road Construction JSC
Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE SOP, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC and 20% participating interest of Trace – Road Construction JSC
Principal activity: Construction of roads, aircraft runways and sports fields;
- LYULIN TRACE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace Group Hold PLC and 5% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- METRO DRUZHBA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 98% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;
- TRACE – KORDEEL – PERNIK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;
- TRACE STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace – Sofia LTD and 30% participating interest of Trace – Road Construction JSC
Principal activity: Overall construction of buildings and construction premises;
- TRACE AIR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC and 15% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- TRACE OBHOD (TRANSL. BYPASS) MONTANA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Group Hold PLC and 10% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- YAMBOL, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 67% participating interest of Trace Yambol JSC and 1% participating interest of Trace – Road Construction JSC
Principal activity: Other specialised construction activities, not classified elsewhere;
- SMOLYAN – YUG (TRANSL. SOUTH), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC and 10% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- TRAPEZITSA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;

- TRACE INFRA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC and 20% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- PS 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- TMA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 65% participating interest of Trace – Road Construction JSC and 35% participating interest of Trace – Sofia LTD
Principal activity: Construction of other premises, which are not classified elsewhere;
- TSARIGRADSKO, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;
- CHEPELARE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;
- TRACE PRIBOR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC, 19% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- PB – MARK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- MARKIROVKA (TRANSL. MARKING) 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 84.99% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;
- SAMARA 2015, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace Group Hold PLC
Principal activity: Construction of other premises, not classified elsewhere;
- GABROVO CENTAR (TRANSL. CENTER), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- EE KYUSTENDIL BLOCK 27, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 91% participating interest of Trace – Sofia LTD
Principal activity: Construction of other premises, not classified elsewhere;
- EE KYUSTENDIL BLOCK 82 and BLOCK 83, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace – Sofia LTD
Principal activity: Construction of residential and non-residential buildings;

- VIDELINA 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 75% participating interest of Trace – Road Construction JSC
Principal activity: Construction of residential and non-residential buildings;
- HEMUS 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
Principal activity: Construction, engineering, design, copy right supervision;
- TRACE – ARCH, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 85% participating interest 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% participating interest of Trace – Sofia LTD
Principal activity: Construction of highways, roads and aircraft runways;
- ULITSI (TRANSL. STREETS) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC and 20% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- STARA ZAGORA 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
Principal activity: Design and execution of building and construction works in connection with the realisation of the National Program for Energy Efficiency of Multifamily Residential Buildings (NPEEMRB);
- EE 32 – 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
Principal activity: Activities related with the realisation of investment projects on buildings;
- EE LUKOVIT, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest 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% participating interest of Trace Group Hold PLC
Principal activity: Construction of residential and non-residential buildings;
- PIRGOS 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest 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% participating interest of Trace Yambol JSC and 30% participating interest of Trace – Road Construction JSC
Principal activity: Construction of highways, roads and aircraft runways;
- ZELENA SREDA (TRANSL. GREEN ENVIRONMENT), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 93% participating interest of Trace Yambol JSC
Principal activity: Construction of highways, roads and aircraft runways;

- INZHENERING (TRANSL. ENGINEERING) 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
Principal activity: Construction, engineering, design, copy right supervision;
- INZHENERING (TRANSL. ENGINEERING) 2017, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace Yambol JSC
Principal activity: Construction, engineering, design, copy right supervision;
- ZHELEZOPATNA INFRASTRUKTURA (TRANSL. RAILWAY INFRASTRUCTURE), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50.5% participating interest of Trace Group Hold PLC
Principal activity: Construction of underground and overground railways;
- MARAZH 2018, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 77% participating interest of Trace Yambol JSC
Principal activity: Construction of highways, roads and aircraft runways;
- VIK (TRANSL. WATER SUPPLY AND SEWERAGE) STORY – GOURKOVO 2018, A COMPANY UNDER THE LAW ON OBLIGATION AND CONTRACTS, BULGARIA – 90% participating interest of Trace – Road Construction JSC
Principal activity: Construction of transmission and distribution pipelines;
- METRO STROITELSTVO (TRANSL. CONSTRUCTION), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 97.99% participating interest of Trace Group Hold PLC as of 14.11.2019 (previously carried as an associate)
Principal activity: Construction of underground and overground railways;
- TRACE BUILD, A COMPANY UNDER THE LAW ON OBLIGATION AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC
Principal activity: Construction of highways, roads and aircraft runways;

New companies under the Law on Obligations and Contracts (subsidiaries, joint ventures and associates) were established together 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 were established under already completed projects have been terminated.

Trace Group Hold PLC acquired 100% of the capital of Vior Velika Morava LTD from Trace International LTD. The change in the ownership of Vior Velika Morava LTD was entered in the Register of the Serbian Business Registers Agency (SBRA) on 05.02.2019.

The increase in the capital of Trace Balkans, Serbia – from 100,00 Serbian Dinars to 32 562 172,50 Serbian Dinars – resulting from an increase in the nominal value of the shares was entered in the Register of SBRA on 17.01.2019. Trace International LTD is sole owner of the capital of Trace Balkans.

The increase in the capital of Infra Commerce EOOD (LTD) by BGN 395 000 (three hundred ninety five thousand Bulgarian Lev), resulting from the subscription of 3 950 (three thousand nine hundred and fifty) new shares at nominal value of BGN 100 (one hundred Bulgarian Lev) each, was entered in the Commercial Registry of the Registration Agency on 26.03.2019. The entity's capital amounts to BGN 400 000 (four hundred thousand Bulgarian Lev), distributed among 4 000 (four thousand) equal shares of BGN 100 (one hundred Bulgarian Lev) each.

Trace Balkans, Serbia, sold 1 share of the capital of Trace Serbia AD (JSC) to Trace Group Hold PLC. As a result, Trace Group Hold PLC has become the sole owner of Trace Serbia AD (JSC).

Infra Commerce EOOD (LTD) acquired 5 000 (five thousand) available, ordinary, personal, voting shares at nominal value of BGN 10 (ten Bulgarian Lev), representing 100% of the capital of Himcolor JSC. The acquisition was entered in the Commercial Registry of the Registration Agency on 10.04.2019. Pursuant to the acquisition Infra Commerce EOOD (LTD) became sole owner of the capital of Himcolor JSC.

The transfer of the shares of Trace Svilengrad LTD, held by Trace Sofia LTD (60%) and Trace Road Construction JSC (40%), to Trace Yambol JSC was entered in the Commercial Registry on 10.07.2019. Pursuant to the share acquisition, Trace Yambol JSC became the sole owner of the capital of Trace Svilengrad LTD.

The merger of Himcolor JSC in its sole owner Infra Commerce EOOD (LTD) was entered in the Commercial Registry on 03.08.2019. Pursuant to the merger, the entire property of the restructured entity was transferred to the receiving entity, with the restructured entity being terminated without liquidation proceedings. Himcolor JSC discontinued its existence as a separate entity and Infra Commerce EOOD (LTD) became its universal assignee as of that same date. All the assets and liabilities of Himcolor JSC were transferred to Infra Commerce EOOD (LTD).

The initiated liquidation proceedings of Trace Plovdiv LTD, approved by a decision of the Managing Board of Trace Group Hold PLC, was entered in the Commercial Registry on 15.08.2019.

The change in the ownership of Trace Balkans LTD, Belgrade was entered in the Central Registry of the Republic of Serbia on 23.08.2019. By virtue of a sale contract, Trace International LTD transferred all its shares in Trace Balkans LTD, Belgrade to Trace Serbia. Trace Serbia became owner of 100% of the entity's shares. Preliminary approval for the restructuring of Trace Balkans by its merger in Trace Serbia has been granted and the parameters of the restructuring contract, signed by and between the entities, have been approved.

The restructuring of Vior Velika Morava, by its merger in Trace Serbia, was entered in the Central Registry of the Republic of Serbia on 25.09.2019. Pursuant to the restructuring, the capital of Trace Serbia JSC has increased by the increase in the nominal value of one share and amounts to 985 282 255,5 Serbian Dinars, distributed among 591 527 shares at nominal value of 1 665,659 Serbian Dinars each.

On 16.10.2019, Trace Group Hold PLC sold 30 360 (thirty thousand three hundred and sixty) corporate shares of the capital of Trace Trans LTD, representing 63,25% of its capital, to GCF – Generale Costruzioni Ferroviarie JSC. The total amount of the contract for the sale of shares amounts to the BGN equivalence of EUR 1 300 (one thousand three hundred Euros). The new conditions in Trace Trans LTD were entered in the Commercial Registry of the Registration Agency on 22.10.2019. The corporate name of the entity was changed to GT Trans BG LTD. Pursuant to the sale, the Group lost its control over the entity and changed its classification from “subsidiary” to “associate”. Trace Group Hold PLC and GCF – Generale Costruzioni Ferroviarie JSC are partners in the capital with 36,75% and 63,25%, respectively. Ms. Camila Rosi and Mr. Manol Denev are Managers of the entity.

The restructuring of Trace SOP LTD by its merger in Metro Druzhba LTD (the sole capital owner of both being Trace Group Hold PLC) was entered in the Commercial Registry on 06.11.2019. The entire property of the restructured entity – Trace SOP LTD – was transferred to the receiving entity – Metro Druzhba LTD – with the later becoming its universal assignee. The restructured entity Trace SOP LTD has been terminated without any liquidation proceedings.

The acquisition of 48,99% participating interest of Metro Stroitelstvo (Transl. Construction) a Company under the Law on Obligations and Contracts by Trace Group Hold PLC was entered in the BULSTAT Registry on 14.11.2019. As a result of the acquisition, Trace Group Hold PLC acquired the control package and the entity is now classified as “subsidiary” with 97,99% participating interest.

The restructuring of Trace Balkans LTD Belgrade, by its merger in Trace Serbia JSC Nis, was entered in the Central Registry of the Republic of Serbia on 16.12.2019. By virtue of the merger agreement, all assets of Trace Balkans LTD, Belgrade have been transferred to Trace Serbia JSC, Nis and its existence is terminated without any liquidation proceedings.

Joint ventures

As at 31.12.2019, joint venture of the Group is the following entity with principal activity:

- TRACE – M INVEST, GERMANY – 50% participating interest 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

As at 31.12.2019, associates of the Group are the following entities with principal activity:

- REDKO TRACE INTERNATIONAL, QATAR – 49% participating interest 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% participating interest of Trace Group Hold PLC and 4% participating interest of Trace – Road Construction JSC
Principal activity: General construction of buildings and construction premises;
- GT TRANS BG LTD (TRACE TRANS LTD), BULGARIA as of 22.10.2019 – 36,75% participating interest of Trace Group Hold PLC
Principal activity: Transport activities, repairs and maintenance of transport vehicles, rental of transport vehicles and complex transport services;

The Group sold the held by it 8251 shares, at nominal value of BGN 10 each, of the capital of “Technostroy – Engineering 99” JSC on 18.04.2019. The transaction amounts to BGN 1 100 000 (one million and one hundred thousand Bulgarian Lev).

On 16.10.2019, the Group sold 30 360 (thirty thousand three hundred and sixty) corporate shares of the capital of Trace Trans LTD (with changed corporate name to GT Trans BG LTD), representing 63,25% of its capital, to GCF – Generale Costruzioni Ferroviarie JSC. Pursuant to the sale, the Group lost its control over the entity and changed its classification from “subsidiary” to “associate”.

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.

As at 31.12.2019, the ownership is distributed as follows:

	%
Nikolay Mihaylov	66,97%
Galini – N LTD	9,00%
Trace Group Hold PLC (repurchased treasure 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 31.12.2019 are:

Nikolay Mihaylov	Chairman
Manol Denev	Member
Anton Donchev	Member

Members of the Managing Board (MB) at 31.12.2019 are:

Desislava Lyubenova	Chairman
Boyan Delchev	Member
Rositsa Dineva – Georgieva	Member

As at 31.12.2019, the parent is managed and represented by the Executive Director Eng. Boyan Delchev.

Members of the Audit Committee (AC) at 31.12.2019 are:

Hristo Savchev	Chairman
Hristina Nikolova	Member
Diana Deyanova – Rangelova	Member

1.2. Other information

Compiler of the consolidated annual financial statements: Boyan Hristov

Lawyers: Tsvetelina Angelova

Auditor: Zaharinova Nexia LTD

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

At the date of these consolidated annual financial statements, the personnel employed within the Group, amounts to 1 147 workers and employees.

2. Accounting policies

2.1. Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ending 31 December 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union Committee. These are comprised of the financial reporting standards and interpretations of the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and SIC Interpretations (Interpretations of the Standing Interpretations Committee), endorsed by the International Accounting Standards Board (IASB, former IASC). IFRS adopted by the EU is the common name of the conceptual framework – accounting base, equivalent to the “International Accounting Standards” (IAS) framework introduced by the definition under § 1, item 8 of the Additional Provisions of the Accounting Act.

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

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

These estimates, accruals and assumptions are based on the information available at the date of the consolidated financial statements, therefore future actual results could differ. Items that involve a higher degree of subjective judgment or complexity, or if assumptions and estimates are material to the consolidated financial statements, are disclosed in *Note 2.32*.

For the current financial year, the Group has adopted all new and / or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee, respectively that were relevant to its activity.

There have been no changes in the accounting policies of the Group since the adoption of these standards and / or interpretations, practically applicable for annual reporting periods beginning at the earliest on 1 January 2019 for the entities domiciled in the Republic of Bulgaria, except for some new or expansion of already established disclosures, without this leading to other changes – in the classification or measurement of separate reporting items and transactions. Exception to the prior is the effect of the application of IFRS 16 Leases that have led to changes in the reporting principles, rules and criteria, as well as the presentation and disclosure of financial information for the following reporting items: property, plant and equipment, lease obligations, other current payables, depreciation and finance costs.

The new and / or revised standards and interpretations include:

IFRS 16 Leases effective for annual reporting periods starting on or after 01.01.2019, adopted by the EC.

This standard has a completely changed concept. It introduces new principles for recognition, measurement and presentation of leases by imposing a new model in order to ensure a more reliable and adequate presentation of these transactions, especially to the lessee. The standard replaces the effective until that time standard on leases – IAS 17 and the related interpretations.

a) For lessees, the guiding principle of the new standard is the introduction of a single lessee accounting model – right-of-use assets, which shall be depreciated for the period of the lease, and a financial liability for the payable under those same leases, respectively, shall be recognised for all leases with an actual term of more than 12

months. This is also the most significant change compared to the reporting practice, applied until now. The standard allows for two mitigating exceptions: 1) short-term leases (up to 12 months) and / or 2) low value assets. If the lessees choose to apply to exemptions, provided by the standard for short-term and / or low-value leases, the lease payments related to those lease agreements should be reported as current expenses on a straight-line basis over the term of the lease, or on another systematic basis, similar to IAS 17 operating lease accounting.

b) The lessor’s accounting remains largely unchanged and the lessors will continue to account for both operating and finance leases in accordance with the requirements of the old IAS 17.

The standard shall have an impact on the financial result for the period as lease costs are higher in the first years, but also as the operating costs shall be replaced by depreciation and interest expenses, which will result in a certain change in key indicators, such as EBITDA, the operating cash flows shall increase as the principal and interest are classified as cash flows from financing activities. There will be no significant changes in the reporting practise of the lessors and they will continue to account for both operating and finance leases in accordance with the requirements of the old IAS 17. A more thorough analysis of the leases’ terms should be made in so far as the new standard provides a more comprehensive concept and it is possible that they (lessors) may have grounds for reclassification of certain lease transactions. The new standard requires expanded disclosures. Pursuant to a conducted research, the Management has determined that the changes in the new standard have an impact on the accounting policies and on the values, and classification, of the Group’s assets, liabilities, operations and results.

The Management has chosen to apply a modified retrospective approach on the initial application of IFRS 16 and to not restate the comparative information. The effects of the Management’s analysis and remeasurements, and reclassifications, are disclosed in *Note №4.12*.

IFRIC 23 (amended) Uncertainty Over Income Tax Treatments, effective for annual reporting periods beginning on or after 01.01.2019, adopted by the EC.

This Interpretation provides guidelines on the accounting treatment and reporting of income taxes under IAS 12, when there are certain uncertainties regarding the tax treatment . It does not affect taxes and other state receivables and fees, other than those within the scope of IAS 12, nor does it include special requirements for interest and other penalties, associated with tax uncertainties.

IFRS 9 (amended) – Financial Instruments – regarding prepayment features with negative compensation and modification of financial liabilities, effective for annual reporting periods beginning on or after 01.01.2019, adopted by the EC.

This change covers two issues: (a) it amends the current requirements of IFRS 9 by allowing certain financial assets to be classified at amortised cost and conducting SPPI tests on them, regardless of the existence of conditions for prepayment with negative compensation. Negative compensation exists when the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid principal and interest. An important condition is that this negative compensation is reasonable and relevant for the early termination of the contract. (b) confirms that when a given financial liability, carried at amortised cost, is modified without being written off, the effect of this modification should be recognised in profit or loss. The effect is measured as the difference between the original agreed cash flows and those, after the modification, discounted at the original effective interest rate.

Annual improvements to the IFRS 2015 – 2017 Cycle – amendments to IAS 23, IAS 12 and IFRS 3 in connection with IFRS 11, effective for annual reporting periods, beginning on or after 01.01.2019, adopted by the EC.

These improvements make partial amendments and revisions to the respective standards, mainly in order to eliminate the existing inconsistencies or ambiguities in the application of the rules and requirements of the separate standards, as well as in order to introduce more detailed terminology of concepts.

The amendments are intended to the following items or transactions: (a) clarify that when an entity acquires control over a business that is a joint venture, the entity should remeasure (revalue) its previously held interests in that business in application of IFRS 3. Also, it is specified that when an entity acquires joint control in a business that is a joint venture, it should not remeasure its previously held interests in applying IFRS 11; (b) clarify that any tax consequences of taxes on dividend income (i.e. in the distribution of profit) should be recognised in profit or loss, regardless of how they were incurred – in applying IAS 12; and (c) clarify that if a qualifying asset remains outstanding once the asset is ready for its intended use or sale, special purpose funding loans become part of the general purpose funds, when computing the capitalisation rate under IAS 23.

IAS 19 (amended) – Employee Benefits, effective for annual periods beginning on or after 01 January 2019, adopted by the EC

This amendment specifies on amendment, curtailment or settlement of the defined benefit plans, the Group is required to use the assumptions used for the remeasurement to determine current service cost and net interest for the period after the remeasurement. In addition, amendments in the presentation and disclosure of the effect of amendments in defined benefit plans, calculation of past service, effects of a plan amendment, curtailment or settlement on the requirements regarding the asset upper limit (ceiling) have been included.

IAS 28 (amended) – Investments in Associates and Joint Ventures – on long-term interests in associates and joint ventures, effective for annual periods beginning on or after 01.01.2019, adopted by the EC

This amendment specifies that the entity should apply IFRS 9, including the impairment requirements, to interests in associates or joint ventures that form part of the net investment with those entities and to which the equity method does not apply.

At the date of issue for approval of these financial statements, several new standards and interpretations have been issued but are not yet effective (and / or not adopted by the EC) for annual periods beginning on or after 1 January 2019, as well as amended standards and interpretations that have not been early adopted by the Group.

The Management has determined that the following standards and interpretations could have a potential effect in future periods – for changes in the accounting policies and the classification and values of reporting items in the consolidated financial statements of the Group for future periods, namely:

Amendments to References to the **Conceptual Framework for financial reporting**, effective for annual periods beginning on or after 01.01.2020, not yet adopted by the EC

These amendments include revised definitions for “assets” and “liabilities”, as well as new guidelines for their measurement, derecognition, presentation and disclosure. The amendments in the Conceptual Framework are accompanied by amendments to some references to the Conceptual Framework in IFRS Standards, including IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32. Some pronouncements indicate which version of the Conceptual Framework they are referencing to (the IASC framework, adopted by the IASB in 2001, the IASB framework of 2010 or the new revised framework of 2018), while others explicitly indicate that definitions in the standard have not been updated with the new amendments in the framework.

IFRS 3 (amended) – Business combinations, effective for annual periods beginning on or after 01.01.2020, not yet adopted by the EC

This amendment concerns the definition of “business”, provided in the Appendix to the standard and is related to the difficulties that the acquiring entity encounters in assessing whether to acquire a business or a set of assets.

The amendment aims to: (a) clarify that to be considered a business, the acquired set of activities and assets must include at minimum the inputs and substantive processes that together contribute to creating products; (b) narrow the definitions of a “business” and a “product” by focusing on the goods and services provided to the customer and taking away the focus on the ability to lower costs; (c) add guidance and illustrative examples to assist entities in assessing whether a substantive process has been acquired; (d) remove the requirement to assess whether market participants can replace the missing elements (inputs and substantive processes) in the acquired entity and continue to produce outputs; and (e) add the option of the so-called concentration test that allows a simplified assessment of whether or not a set of activities and assets is a business.

Amendments to **IAS 1 Presentation of Financial Statements** and **IAS 8 Accounting Policies, Changes in Estimates and Errors**, effective for annual periods beginning on or after 01.01.2020 – not yet adopted by the EC

These amendments concern the refinement of the definition of “materiality”, set out in the two standards. According to them, the new definition of materiality is: “information is material if omitting, misstating or obstructing it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. There are three new aspects of the definition that should be noted: a) “obstruction” b) “reasonable expectation to influence the decisions of the primary users” and c) “primary main users”. Also, the amendments stress especially five ways material information can be obstructed: (a) the use of language regarding a material item that is vague or unclear; (b) information regarding a material item, transaction or event that is scattered in different places in the financial statements; (c) dissimilar items, transactions or events that are inappropriately aggregated; (d) similar items, transactions or events that are inappropriately disaggregated; and (e) material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

Interest Rate Benchmark Reform (amendments to IFRS 9, IAS 39 and IFRS 7)

These amendments are related to the uncertainty arising from the interest rate benchmark reform, undertaken by the G20 Financial Stability Board. This reform intended to replace the existing interbank interest rates, used as a base rate in transactions with financial instruments (For example: Libor, Euribor, Tibor), with alternative base interest rates based on interbank markets, as well as to develop alternative base interest rates that are nearly risk-free. The reform aims to overcome the effects of the interest rate benchmark reform on the financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative RFR. The amendments to the interest rate benchmark reform (amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities will continue to apply certain hedge accounting requirements, assuming that the interest rate indicator on which the hedged cash flows and the cash flows from the hedging instrument are based will not change as a result of the interest rate benchmark reform.

The Management is in the process of researching, analysing and evaluating the effects of the amendments in the Conceptual Framework and the above stated standards that will affect the accounting policies and the values and classifications of the Group’s assets, liabilities, transactions and results in the following reporting periods.

In addition, for the following amended standards that have been issued but are not yet effective for annual periods beginning on or after 1 January 2019, the Management has determined that the following would not have a potential effect for changes in the accounting policies and the classification and values of reporting items in the consolidated financial statements of the Group, namely:

IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 01.01.2021 – not yet adopted by the EC

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

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

These amendments are aimed at resolving the accounting treatment of sales or contributions between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or the non-monetary assets contributed constitute or not a “business”, as defined in IFRS 3.

2.2. Going concern

The financial statements of the Group for the year ended at 31 December 2019 have been prepared on a going concern basis.

The Management has taken into consideration the state of emergency in which the Republic of Bulgaria is currently at and has disclosed this in detail in *Note №4.13*.

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

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 perspectively, with which the Group has fully complied.

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

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

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

The functional currency of the entities within the Group, domiciled in Bulgaria, and the reporting / presentation currency of the Group is the Bulgarian Lev (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 and foreign based entities from functional to presentation currency are carried out in accordance with IAS 21 – Effects of Changes in Foreign Exchange Rates (*Note № Effects of changes in foreign exchange rates 2.21*).

2.5. 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.

Presentation of the effects of the initial application of IFRS 16 – Leases from 01 January 2019 is an exception to this rule. The Groups has chosen to apply a modified retrospective approach on the initial application of IFRS 16 and the comparative information for the prior reporting period (2018) shall not be restated.

The Group has applied the exemptions (reliefs) on the first-time adoption of IFRS 9 – Financial instruments and IFRS 15 – Revenue, when adopting those two standards as of 01 January 2018, and the Group has chosen to apply a modified retrospective approach. All adjustments, arising from the initial adoption of the two new standards have been accounted for in equity (under “retained earnings”) as at 01 January 2018.

2.6. Consolidated financial statements

Parent

This is the entity, including a non-legal (unincorporated) entity, such as a partnership that controls one or more other entities in which 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 (*Note № 1*).

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.

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

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.

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

Associates

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 Profit or Loss, 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.

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

Non-controlling interest

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

2.7. Consolidation principles

The consolidated financial statements include the financial statements of the parent, of the subsidiaries, of the joint ventures and of the associates, prepared 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.

2.7.1. Consolidation of subsidiaries

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

Shares of partners – third parties – in subsidiaries, other than those of the shareholders of the parent, are disclosed separately in the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income and the Statement of Changes in Equity as “non-controlling interest”. Non-controlling interest includes: (a) the amount of the share of third party shareholders (partners) at the first consolidation date

at the fair value of all identifiable assets acquired, liabilities assumed and the contingent (crystallised) liabilities of each of the respective subsidiaries, determined (based on the share) under the proportionate method, and (b) the change in the amount of the share of those persons in the equity of each of the respective subsidiaries from their first consolidation and until the end of the current reporting period.

2.7.2. Acquisition of subsidiaries

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

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

2.7.3. Sale of subsidiaries

In the sale or in 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 when control is lost, including all components of other comprehensive income, relating to those;
- The consideration received from the transaction, event or circumstances that resulted in the loss of control, is recognised at fair value;
- All components of equity, representing unrealised gains or losses, are reclassified in “profit or loss for the period”, or are transferred directly in retain earnings, in accordance with the requirements of the respective IFRSs under 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.

2.7.4. Non-controlling transactions

The Group treats non-controlling transactions as transactions with parties, who own equity instruments of the Group. The effects of sales of the parent's shares, without loss of control, to owners of non-controlling interests are not treated as components of the Group's current profit or loss, but as changes 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 interest of owners of non-controlling interests, and the respectively acquired share of the book value of the net assets of the subsidiary is recognised too directly in the Consolidated Statement of Equity – 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).

2.7.5. Consolidation of associates and joint ventures

The equity method is applied for the inclusion of associates and joint ventures in the consolidated financial statements. According to the equity method, the parent's investment is initially recognised at acquisition cost (cost) and is subsequently remeasured to reflect changes in the investor's share (in particular the parent) 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 change in the other components of comprehensive income in the Consolidated Statement of Comprehensive Income, and respectively – in the Group's consolidated reserves in the Statement of Changes in Equity. The Group recognises its share of losses of associates and joint ventures to the amount of its investment, including the internally granted 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 the 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.

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

Investments in associates and joint ventures are derecognised when the rights deriving from them are transferred to others, when the legal grounds for doing so arise, and thus the significant or joint effect on the economic benefits of the investment is lost. Gains on the disposal are presented in the Consolidated Statement of Profit or Loss under the “Finance income from operations with financial instruments” (in the profit or loss for the year).

2.8. Current and non-current assets and liabilities

2.8.1. Current and non-current assets

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

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

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

2.8.2. Current and non-current liabilities

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

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

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.

2.9. Property, plant and equipment

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

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 (*Note № 1.1*).

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

Subsequent costs, relating to an item of property, plant and equipment, are recognised as an increase in the carrying amount of the asset, if the recognition principle under IAS 16 has been applied and when it is probable that economic benefits, exceeding the initially estimated standard effectiveness of an existing asset, will flow to the 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
Machinery, 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 assets are 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 in these cases and in cases of assets, held for sale in the ordinary course of activities. In accordance with IFRS 15 – Revenue from Contracts with Customers, proceeds from the sale of such assets are recognised as revenue when the customer gains control over them, and the performance obligation is thereby satisfied.

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

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

2.10. Investment property

In compliance with IAS 40, land and / or buildings, and / or parts of buildings, held mainly with the purpose to earn rentals or for capital appreciation, or both, are recognised as investment property (*Note №1.2*). A

property that is being constructed or developed for future use as an investment property is also recognised as investment property.

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

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

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

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

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

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

Group	Years
Buildings	50

Investment property is derecognised on retirement (disposal or by entering into a finance lease) or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Proceeds from sales of such assets are recognised as revenue in accordance with IFRS 15 – Revenue from Contracts with Customers when the customer gains control over those assets and the performance obligation is thereby satisfied.

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

2.11. Intangible assets

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

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

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

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

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

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

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

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

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

Group	Years
Software, peripheral devices	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. IFRS 16 applies to disposals by entering into a finance lease or a sale and leaseback.

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

2.12. Impairment of non-current assets

In conformance with the requirements of IAS 36, an assessment is conducted at the end of each reporting period, on whether there are any indications that the value of a non-current asset, classified as Property, plant and equipment, as Investment property, as Intangible assets or as Investments in subsidiaries, associates and

joint ventures may be impaired. If any such indications exist, the recoverable amount of the asset is estimated and the impairment loss is determined.

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

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

2.13. Goodwill

Goodwill represents the excess of the acquisition cost (the consideration paid) over the fair value of the group’s share of the net identifiable assets of the acquiree at the acquisition date (business combination). In the consolidated financial statements, goodwill is initially measured at acquisition cost (cost) and subsequently at cost less accumulated impairment losses. 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” 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 ones per annum. Impairment losses on goodwill are not subsequently reversed. Gains or losses on sale (disposal) of a subsidiary (entity) by the Group also include the carrying amount of the goodwill, 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”.

2.14. Inventories

Inventories are assets:

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

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

The cost of purchase of inventories comprises the purchase price, import duties and other non-recoverable taxes, transport and others costs, directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the 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 Statement of Profit or Loss. The cost of consumption / derecognition is determined using the “average weighted” method.

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

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

2.15. Assets held for sale

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

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

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

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

2.16. Financial instruments

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

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

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

2.16.1. Financial assets**2.16.1.1. Recognition and classification of financial assets**

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

The Group classifies financial assets in the following categories, depending on their subsequent measurement: “financial assets subsequently measured at amortised cost”, “financial assets subsequently measured at fair value through other comprehensive income” or “financial assets subsequently measured at fair value through profit or loss”, as appropriate in compliance with the contractual terms of the instruments and the 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.

2.16.1.2. Initial recognition

Except for trade receivables, at initial recognition all financial assets are measured at their fair value, plus the direct transaction costs if they are not measured at fair value through profit or loss – when such are initially recognised net of transaction costs. Trade receivables that do not contain a significant financing component and for which the Group applies the practically expedient measure under IFRS 15 are initially measured at the transaction price in accordance with IFRS 15. For all other financial assets, acquired under market conditions, the Group also adopts the respective transaction price as the best evidence of their fair value upon initial recognition. When the two values differ, instruments with quoted prices or relevant observable data are measured at fair value and the excess / deficit to the transaction price is recognised in profit or loss, 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.

2.16.1.3. Subsequent measurement and presentation

For the purpose of subsequent measurement and presentation, financial assets are classified in one of the following three categories: “financial assets measured at amortised cost”, “financial assets measured at fair value through other comprehensive income” or “financial assets measured at fair value 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 Group 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 computed by applying the effective interest rate to the gross carrying amount of the instruments. The credit-adjusted effective interest rate and the effective interest rate at the amortised cost of the asset are applied for purchased or originated credit-impaired assets and those which subsequently have become credit-impaired financial assets, respectively.

Interest is not accrued for trade and other receivables 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 irrecoverable election at initial recognition for particular investments in such instruments to be measured at fair value through other comprehensive income. Such financial assets are disclosed in the notes to the financial statements, separately from other instruments that are required to be measured by using this model.

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

This category of instruments is subsequently measured at fair value and changes are recognised in other comprehensive income. Fair value is determined 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, with the exception of those financial assets measured at amortised cost or at fair value through other comprehensive income.

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

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

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

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

iv. Financial assets' composition

The financial assets of the Group include:

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

2.16.1.4. Impairment of financial instruments

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

The Group recognises the amount of expected credit loss (ECL), or their reversal, as an impairment gain or loss. ECLs are the present value of the cash shortfalls for the expected duration of the instrument, which is the difference between all contractual cash flows that are due to an entity 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 not 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, similar to and in line with the general model for impairment of financial assets, against changes in the instruments’ credit risk.

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

2.16.1.5. Derecognition, gains and losses

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

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

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

The result from the derecognition of a financial asset, representing the difference between the consideration received and its carrying amount at the date of derecognition, is recognised net in profit or loss in “Finance income / cost” in the Statement of Profit or Loss.

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.

2.16.2. Financial liabilities

2.16.2.1. Recognition and classification

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

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

2.16.2.2. 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 regards 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.

2.16.2.3. Subsequent measurement

For the purpose of subsequent measurement and presentation, 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 Group has become party to a contract or a commitment, and which should be settled in net cash.

Subsequent measurement is carried out using the “effective interest rate” method. Amortised cost is 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 or 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 arising as a result of the derecognition of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies

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

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

v. *Commitments to provide loans at below-market interest 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. *Financial liabilities’ composition*

The financial liabilities of the Group 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.

2.16.2.4. Derecognition, gains and losses

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

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

2.17. Cash and cash equivalents

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

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

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

For preparation of Cash Flow Statement purposes:

- Cash receipts from customers and cash payments to suppliers are presented at their gross amounts, inclusive of VAT (20%);
- Lease payments (cash payments of interest and principal), related to “right-of-use assets” recognised in the Statement of Financial Position and to lease obligations, are included in the cash flows from financing activities, and the payments of short-term lease’ interest and principals and of low-value leased assets are included as cash flows from operating activities.
- Proceeds from and payments for overdrafts are disclosed net of the Group

- Payments of interest under loans obtained are included as cash flows from financing activities

Additionally, a reconciliation of the balances in the Statement of Financial Position and the balances in the Cash Flow Statement is disclosed in the notes to the Financial Statements (*Note № 1.14*).

2.18. Equity and reserves

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

2.18.1. Share capital

The share capital of the Group comprises:

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

If the Group redeems its own equity instruments, those instruments (redeemed 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.

2.18.2. Share premium

Share premium was formed on the initial public offering of the shares of the Group in 2007 as a difference between the issuing value and the nominal value, less costs to redeem treasury shares in subsequent periods.

2.18.3. Translation reserves

The Group has established and registered branches in the Republic of Serbia, the Czech Republic, North Macedonia, 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 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 prior closing rate.

2.18.4. General and other reserves

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

2.18.5. Financial result

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

2.19. Earnings per share

Basic earnings per share are computed by dividing the net profit or loss for the period by the weighted average number of ordinary shares, held 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 redeemed ordinary shares and the newly issued shares during the period, multiplied by the average time factor. This factor reflects the number of days for which those shares were held, compared with the total number of days within the period.

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

2.20. Employee benefits

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

A fundamental obligation of the employer is to pay the statutory social insurance contributions 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 it recruits personnel, and are firmly pre-determined. By their very nature, these contributions are “defined benefit plans”. Under these plans, the employer pays monthly defined contributions to government funds and to universal and occupational pension funds.

The same applies and for payables to the “Health Insurance” Fund. The Group does not have an established and functioning private insurance fund.

2.20.1. Short-term employee benefits

Short-term employee benefits, in the form of salaries and wages, bonuses and social contributions, and benefits (payable within 12 months after the end of the period, in which labour, related to these benefits was provided, or the requirements for their receipt were satisfied) are recognised as an expense in the Statement of Profit or Loss for the respective period and as a current payable at their non-discounted value. The payable by the Group 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 of leave. The assessment includes estimates of the remuneration costs and of the statutory social insurance and health contributions expenses, due to by the employer in respect of those amounts.

i. Bonus schemes

The amounts due to the personnel, including the members of the key management personnel, under the different bonus schemes applied by the entities within the Group are typically accrued for the reporting year for which the achieved results refer. Such remuneration costs are usually current expenses / payables and are recognised in the Statement of Profit or Loss (in profit or loss) under “Employee benefits” and in the Statement of Financial Position under “payables to the personnel”.

2.20.2. Long-term employee benefits**ii. Defined benefit plans**

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

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

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

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

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

iii. Share-based payments

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

iv. Termination benefits

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

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

2.21. Effects of changes in foreign exchange rates

2.21.1. Foreign currency transactions

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

2.21.2. Translation of foreign operations

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

For the 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 / disposed;
- 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.

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

Goodwill and adjustments to fair value, arising in the acquisition of foreign (based abroad) entities, are treated in the same ways 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”.

2.22. Revenue, other income, finance income

The Group considers and presents considerations received from customers and from other transactions in three groups: as income from ordinary activities (revenue from contracts with customers), as other income from activities other than the principal activity, net of the related costs, and as finance income arising from financial

instruments and investments, net of the transaction costs when this is required by the applicable accounting basis.

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

2.22.1. Revenue from contracts with customers

The Group recognises considerations as revenue from contracts with customers only if the counterparty to the contract is a customer – i.e. a party that has concluded a contract with the Group to obtain goods or services that are outputs 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, machinery and equipment, fuel and oil; as well as services including: project and site management, commissions, transport, mechanisation, design, geodesy, laboratory analysis and others related to construction.

The Group is a principal in its revenue arrangements as it typically controls the goods or services before transferring them to the customer, including and particularly for construction contracts, and as it has the discretion in establishing prices, it is exposed to credit risk and bears the ultimate responsibility.

2.22.1.1. Identifying a contract

v. Construction contracts

Construction services for building and construction, repairs 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 alternatively used by it. Goods and services under such contracts are sold together, typically constituting a single promise to the customer, and respectively a single performance obligation, which are not 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.

vi. 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.

2.22.1.2. Identifying performance obligation***i. Construction contracts***

Construction contracts specify the goods and services promised to the customer and the Group uses this as a basis to identify and evaluate the performance obligation under the contract. Assets are created and / or enhanced in 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.

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

Transaction price is the amount of the consideration, which the Group expects to be entitled to in exchange for the transferred goods or services, 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 that the Group expects to be entitled to in exchange for those output, goods or services. Goods and services are sold separately and / or in series and may, 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, respectively – in terms of the performance obligation. Consideration from sales of output, goods or services is agreed upon, and typically does not contain elements of variable consideration.

Contract modifications that affect their price and scope are accounted for as a separate contract, adding new goods or services from which customers can benefit directly, and if goods or services are exchanged – the existing contract is 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 satisfied. When the scope and / or price of contracts for the supply of goods or services that are not distinct and which are part of an unsatisfied,

or partially satisfied, performance obligation is modified, the cumulative effect on the transaction price and the measurement of progress towards complete satisfaction is recognised currently, at the date of the modification.

2.22.1.4. Recognising revenue

i. Construction contracts

The Group recognises 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 as at 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 to the value to the customer of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has a right to invoice.

ii. Sales of output, goods or services

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

Output methods are used to measure the progress of outputs and goods, while for the measurement of the progress of services – methods accounting for and resources, these being: direct estimates of the outputs, goods or services transferred based on the produced and delivered units, or the devoted time, and estimated costs with the respective adjustments of costs that do not contribute to the progress towards 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 to the value to the customer of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has a right to invoice.

2.22.1.5. Contract costs

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

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

2.22.1.6. Contract balances

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

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. Assets under contracts with customers are subject to impairment review in accordance with the “Impairment of Financial Instruments” section of IFRS 9.

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. It is possible to unambiguously determine that the goods or services under the contract have been transferred, and respectively recognise revenue from the already satisfied obligations, in so far as an asset that is controlled by the customer is enhanced through construction. As a result of these circumstances, there is a discrepancy between the time when revenue from construction contracts is recognised, and 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 the ordinary business practice.

Typically, payments under construction contracts, which are most significant to the financial statements and to the Group as a whole, are defined in terms of timing and amounts (and in some cases – according to the type and size of the project or site) and depending on the assignor and the source of financing such, and consist of an advance payment in the amount of 10% – 20%, interim payments of 60% – 80% and a final payment. When the entity is a subcontractor, the direct or ultimate assignors are public entities / organisations and the main contracts and conditions vary, it is possible different conditions to be applicable to similar projects and sites, or vice versa, resulting in varying amounts and time of payments too. Pursuant to the 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 believes 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 content of the transactions, but and in principle.

The Group adjusts the promised amount of the consideration, paid by customers before the goods or services are transferred to them, to reflect the effect of the existence of a significant component of funding, when such exists and when the period between the payment and the transfer is expected to be more than one year. The adjustment is recognised as interest expense in the Statement of Profit or Loss, under “Finance costs”.

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 of contracts (especially construction contracts) are prolonged for reasons beyond the Group’s control, and payments have been received in respect of some of these prolonged contracts 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 discloses both the aggregate amount of the transaction price, allocated to the performance obligations that are unsatisfied or are partially satisfied at the end of the reporting period and which are part of a contract with 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.

2.22.2. Other revenue

Net revenue (net positive results) and gross revenue, realised from activities other than the Group's ordinary activity and / or incidental, are recognised as “other revenue”.

Other revenue comprises also operating lease income in accordance with the accounting policies and IFRS 16 – Leases, as well as income from sales of materials and gains on disposals of non-current assets, net of their carrying amount, whereby revenue is recognised in accordance with IFRS 15, when the customer obtains control over them and the performance obligation is satisfied respectively, and expenses – when revenue is recognised, in accordance with the applicable accounting policies and the relevant standards. Other income also comprises the derecognised and non-payable liabilities, including financial liabilities and others that are terminated or have expired, as well as differences and from write-offs related to provisions, recognised in accordance with IAS 37, and surpluses of assets and inventories, others.

2.22.3. Finance income

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

2.23. Expenses

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

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

2.23.1. Operating expenses

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

Expenses are recognised when a decrease in future economic benefits, related to a decrease in an asset or an increase of a liability, has arisen and 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 Statement of Profit or Loss immediately when such produce no future economic benefits or when, and to the extent that, the future economic benefits do not qualify, or cease to qualify, for recognition as assets in the Balance Sheet.

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

2.23.2. Finance costs

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

2.24. Profit or loss for the period

The Group recognises all elements of income and expenses during the period in profit or loss, unless otherwise required or permitted under the applicable IFRSs.

Some IFRSs define circumstances, under which the Group recognises specific items outside profit or loss in the current period. Other IFRSs require or permit components of other comprehensive income, which meet the definition of the income and expense framework, to be excluded from profit or loss.

2.25. Corporate income tax

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

2.25.1. Current taxes

Current tax is the amount of income 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 tax benefit relating to a tax loss that can be carried forward to cover current tax of subsequent periods is recognised as an asset that will reduce the current tax in 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 tax authorities, using the tax rates (and tax laws) that have been enacted by the end of the reporting period.

The current income tax of the Group’s entities, domiciled in the Republic of Bulgaria, 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 2019, is 10% (2018: 10%).

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

Country	Tax rate 2019
Serbia	15%
Ukraine	18%
Czech Republic	19%
North Macedonia	10%
Germany	29-33%
Qatar	10%
Oman	15%

2.25.2. 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 benefit as an asset in the period in which the tax loss occurs because it is probable that benefits will flow to the entity and these benefits can be measured reliably.

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

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

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

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

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

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

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

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

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

2.26. Provisions, contingent assets and contingent liabilities

2.26.1. Provisions

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

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events; it is probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation; and the amount of the obligation may be estimated reliably. If these conditions are not met, no provision shall be recognised. Current liabilities include 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 of the expenditure required to settle the present obligation.

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

2.26.2. Contingent assets and contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events that cannot be wholly controlled by the entity; or a present obligation that arises from past events, but which is not recognised because

it is not probable that an outflow of resources, embodying economic benefits, will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.27. Leases – accounting policies, applicable as of 01 January 2019

At the inception of each contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reviews these assessments in case of changes in the contract.

The Group determines the term of the lease, taking into account the irrevocable term of the contract, as well as the periods covered by options to extend the lease, or options to terminate the lease, when there is reasonably certainty that such options will be exercised, together with all economic incentives in this regard. The lease term, and respectively the certainty of exercising the options are reviewed when significant events occur that may influence the decisions to do so.

2.27.1. The Group as a lessee

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

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

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

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

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

Group	Years
Buildings	1 – 8
Transport vehicles	3 – 20
All other assets	3 – 5

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

- Fixed payments less the lease incentives payable;
- Variable lease payments that depend on an index or a rate;

- The exercise price of a purchase options if it is reasonably certain that the Group shall exercise that the option;
- Payments of penalties for terminating the lease;
- Residual value guarantee.

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

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

The subsequent measurement of the right-of-use assets is made at acquisition cost, less any accumulated depreciation and any accumulated impairment losses, in the same way as the entity's own assets and, adjusted for any remeasurement of the lease liability.

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

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

The Group presents right-of-use assets within the same line items in the Statement of Financial Position as those within which are presented assets that are owned and discloses additional detailed information in this regard in the notes to the financial statements. The depreciation charge of right-of-use assets is presented in the Statement of Profit or Loss, under the “depreciation costs”.

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

2.27.2. The Group as a lessor

The Group has the practise to lease its own assets and subleases right-of-use assets. A lease is classified as finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of the assets owned. A lease is classified as operating lease if the risks and rewards incidental to ownership of the assets owned are retained.

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

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

Modifications to finance leases are accounted for as a separate lease if both the scope of the lease increases by adding the right to use the fixed asset and the consideration increases proportionately.

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

Modifications to operating leases are accounted for as new leases from the effective date of the modification.

The Group leases mainly real estate, buildings, machinery and equipment, and vehicles.

The following are disclosed in the notes to the financial statements with regards to finance leases: gains arising the sale of the asset, the written-off book value and the net result, as well as the income from variable payments and the realised finance income. Income from variable payments is presented in the Statement of Profit or Loss, under “other income”, while the realised finance income – under “finance income”.

Operating lease income is presented in the Statement of Profit or Loss, under “other income”. The own assets, leased under operating leases, are presented in the notes to the financial statements separately from the assets, used by the entity.

2.28. Leases – accounting policies, effective until 31 December 2018

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.

2.28.1. Finance leases, whereby the Group 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 computing 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.

2.28.2. Operating lease, whereby the Group is a lessee

Lease payments under an operating lease are recognised as an expense in the Statement of Profit or Loss, 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.

2.28.3. Finance lease, whereby the Group 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.

2.28.4. Operating lease, whereby the Group 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.

2.29. 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, for the purpose of the current monitoring of the activities and assessment of performance, and the allocation of the Group's resources. Financial segment information in the publicly available financial statements is disclosed on the same basis as the one used to disclose such for internal purposes, thus allowing investors to see the Group from the Management's perspective.

The Group operates in a single business sector. The main services performed and the output produced by all entities are related with 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 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

2.30. Fair value measurement

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

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between independent market participants at the measurement date (i.e. an exit price). Fair value is the 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 publicly available, observable information, thereby minimising the use of obscure information.

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

The fair value of all assets and liabilities, measured and / or disclosed in the financial statements in this way, 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.

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

2.31. Accounting assumptions and accounting estimates, errors

2.31.1. Accounting assumptions and accounting estimates

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

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

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

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

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

The effect of a change in 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.

2.31.2. 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.

2.32. Key estimates and Management’s judgements, carrying a high level of uncertainty

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

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

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, machinery and equipment, or of Intangible assets,

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

2.32.2. Impairment of investments in associates and joint ventures

Joint ventures are those entities over which the Group and the other parties 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.

2.32.3. Impairment of inventories

The entities within the Group review the available inventories – materials, output, goods – in order to establish whether there are such whose net realisable value is lower than their carrying value. Reviews for impairment of advance payments are also conducted on this 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 31.12.2019.

2.32.4. Inventories. Normal production capacity

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

2.32.5. Impairment of financial assets

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

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

the effects of future forecasts on them in the measurement of expected credit losses; (e) specific assumptions and judgments for certain receivables, including from related parties.

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

The simplified approach, in accordance with IFRS 9, and a provisions matrix are applied in the measurement of the expected credit losses for trade receivables. Receivables are accounted for on a collective basis against the probability of default events and the resulting potential losses, computed based on the Group's historical data for a 5-year period. Objective external information and the accrued credit impairment are taken into account for receivables for which there is sufficient information (*Note №0*).

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

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

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

2.32.6. Revenue from contracts with customers

The Group recognises revenue from construction contracts on the basis of the performance obligation satisfied over time only if the Group can reasonably measure its progress towards complete satisfaction of the performance obligation. Progress towards complete satisfaction is remeasured at the end of the reporting period using inputs, in particular estimates of the expected and actually incurred costs that the Management considers appropriate. Nevertheless, changes may incur in future in so far as it is possible that facts and circumstances that were not known or were not under the Management's control have not been taken into account, as well as due to the fact that upon completion, these contracts are subject to formal approval and / or acceptance by the customer and / or third party – a state body (*Note №2.22.1*).

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

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

2.32.7. Provisions

The Group recognises the following types of provisions:

- Provisions for construction contracts, relating to assumed guarantees to eliminate possible defaults by the assignor and for other related costs, incurred under concluded construction contracts;
- Provisions for obligations relating to building and construction work for expenses that can be reliably estimated and carry a high degree of uncertainty that they will be recognised;
- Provisions for obligations under litigation and lawsuits;
- Provisions for land reclamation in the extraction of underground natural resources and the exploitation of mineral raw materials after completion of the activities;
- Provisions for other contractual commitments.

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

Provisions are restated at each consolidation year-end (date of the consolidated financial statements) based on the current best estimate of the settlement of the liability. Changes in estimates may result from changes in the amounts or timing of cash outflows, or from changes in the interest rates (discounting factors). (Notes № 1.19 and 1.26 **Error! Reference source not found.**)

2.32.7.1. Provisions for construction contracts

In accordance with the concluded contracts for building and construction works, the Group has assumed a commitment to remove, at its own cost, possible defaults on behalf of the assignor within time frames, defined under the respective contracts. Upon completion of each construction project and / or site in respect of which the Group has assumed such a commitment, provisions for construction contracts are estimated by internal specialists, who have the requisite qualifications and experience, based on 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 988 thousand at 31.12.2019 (31.12.2018: BGN 1 415 thousand).

2.32.7.2. Provisions for obligations relating to building and construction works

At the end of each reporting period, the Group computes an approximate estimate of the accrued costs under obligations relating to buildings and construction works for the completion of works and elimination of defects. The Management, together with internal specialists, assesses the amounts and timing of these costs, as well as the degree of uncertainty in recognising them. Provisions for obligations relating to building and construction works include costs that can be measured reliably and carry a high degree of certainty that they will be recognised. Most often, these are amounts for the completion of construction contracts, obligations to pay for goods or services received that have not yet been paid, invoiced or are the subject of a formal agreement with the supplier, including and payables to employees and others. The best estimate for the necessary provisions for obligations relating to buildings and construction works amount to BGN 7 873 thousand at 31.12.2019 (31.12.2018: BGN 4 629 thousand).

2.32.7.3. 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 537 thousand at 31.12.2019 (31.12.2018: BGN 493 thousand).

2.32.7.4. Provisions for obligations under litigations and lawsuits

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

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

The accrued provisions for litigation claims, filed against the Group, amount to BNG 245 thousand at 31 December 2019 (31.12.2018: none).

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

The financial reporting of property, plant and equipment includes the use of estimates of their expected useful life and residual values, which are based on judgements of the Group's Management. Information on the useful life of assets is disclosed in *Notes №2.9, 2.10 and 2.11*.

No changes in the defined useful life and residual values of property, plant and equipment have been made in 2019.

2.32.9. Actuarial valuations

Calculations of certified actuaries have been employed in determining the present value of the long-term retirement benefits obligations. These calculations are based on assumptions regarding the mortality, the pace of employees' turnover, the future wages and salaries, and a discounting factor. These assumptions are regarded by the Management as reasonable and appropriate for the Group (*Note № 1.19.1*).

2.32.10. Deferred tax assets

The assessment of whether future taxable income will be available against which to utilise deferred tax assets is based on the last approved estimated budget, adjusted for significant non-taxable income and expense, and specific limitations on the transfer of unused tax credits or losses. Deferred tax assets are recognised wholly if a reliable estimate of taxable income implies the probable use of a deferred tax asset, particularly in cases when the asset can be used without time restrictions. The Management decides on a case-by-case basis whether to recognise deferred tax assets that are subject to certain legal or economic 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 231 thousand at 31.12.2019 (31.12.2018: BGN 617 thousand) 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 (*Notes № 1.8 and 1.20*).

2.32.11. Impairment of goodwill

The Group's Management has conducted the necessary procedures for performing the mandatory impairment test of the goodwill in the acquisition of a subsidiary, recognised in the 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 is also performed.

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

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

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

2.32.12. Leases

Determining whether a contract contains lease or lease elements

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

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

- The right to practically obtain all economic rewards of the use of that asset;
- The right to determine and manage the use and exploitation of the identified base asset.

With regards to the recognised leases – The Management has concluded that the Group is entitled, within the scope of its right of use as defined in the contract, to take the respective decisions over how and for what purpose can the assets be used, and it is in a position to determine the working time and the persons, who have access to the assets (*Note № 1.16*).

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

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

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

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

After the commencement date of the lease, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects whether it is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

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

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

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

- for operating leases of movable property – based on the interest rates under the concluded finance leases of the entity at 01.01.2019.

- for operating leases of real estate – based on the interest rate under the concluded investment loan agreements of the entity at 01.01.2019.

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

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

2.32.13. Events after the reporting period

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

Two types of events are distinguished:

- Events that evident conditions, existing at the end of the reporting period (adjusting events); and
- Events that evident conditions 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 to the items in the financial statements

1. Statement of Financial Position

1.1. Property, plant and equipment

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2017	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
Transfer 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
Effects of changes	-	1 443	-	-	352	1	-	1 796
Revalued balance as at 01.01.2019	17 257	14 195	6 842	63 628	30 050	4 722	2 662	139 356
Additions	3 830	681	539	4 025	828	153	1 172	11 228
Disposals	-	-	(364)	(3 194)	(392)	(163)	(798)	(4 911)
Additions under business combinations	51	31	5	72	52	-	14	225
Disposals under business combinations	-	-	-	-	(4)	-	-	(4)
Effects of foreign currency translations	16	43	20	(3)	23	18	-	117
Transfer of assets	(9)	(264)	-	-	-	-	-	(273)
Balance as at 31.12.2019	21 145	14 686	7 042	64 528	30 557	4 730	3 050	145 738
Depreciation								
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
Transfer 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
Additions	-	484	651	2 316	1 526	474	-	5 451
Disposals	-	-	(42)	(220)	(257)	(82)	-	(601)
Additions under business combinations	-	15	2	63	53	-	-	133
Disposals under business combinations	-	-	-	-	(3)	-	-	(3)
Effects of foreign currency translations	-	10	9	9	1	13	-	42
Balance as at 31.12.2019	-	2 491	3 964	36 474	21 547	3 650	-	68 126
Net book value								
Net book value as at 31.12.2018	17 257	10 770	3 498	29 322	9 471	1 476	2 662	74 456
Net book value as at 31.12.2019	21 145	12 033	3 078	28 054	9 010	1 080	3 212	77 612

- The presented values of property, plant and equipment at 31.12.2019 and 31.12.2018 include land and buildings, owned by the subsidiary “Trace Serbia” AD (JSC), for which the entity has title documents. In accordance with the Act on Legalisation of the Sites of the Republic of Serbia, dated 2015, these real estates are subject to legitimization / legalisation. Pursuant to this Act, sites that have been built without a use permit are granted such a permit after the completion of the procedure for obtaining one. This use permit is submitted to the Real Estate Cadastre. Pursuant to the Land Conversion Act, effective as of July 2015, and the official instructions of the state administration in early 2016, the entity has submitted requests for conversion of the owned by it land. According to these procedures, “Trace Serbia” AD (JSC) has legalised part of its sites in the period 2015-2019 and has filled applications for the remaining sites. These applications are currently being processed.
- Right-of-use assets are disclosed in *Note № 1.16 Leases*
- The presented values of non-current tangible assets at 31.12.2019 include fully depreciated buildings, plant, machinery and equipment, transport vehicles and other assets with book values: BGN 37 thousand, BGN 565 thousand, BGN 7 729 thousand, BGN 7 194 thousand and BGN 2 073 thousand, respectively that are used in activities of the Group.
- The presented values of non-current tangible assets at 31.12.2019 include land, buildings, plant, machinery and equipment, transport vehicles, others and cost to acquire non-current tangible assets with book values: BGN 4 508 thousand, BGN 5 897 thousand, BGN 1 292 thousand, BGN 17 035 thousand, BGN 4 165 thousand, BGN 5 thousand and BGN 1 721 thousand, respectively that have mortgages and pledges in favour of commercial banks under loan agreements and issued bank guarantees.
- The capitalised costs at year-end include:
 - Costs of non-commissioned properties, amounting to BNG 2 206 thousand
 - Costs of ERP software under construction and others;

1.2. Investment property

	Land	Buildings	Other assets	Total
<i>Book value</i>				
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
Additions	49	284	-	333
Disposals	(37)	(279)	-	(316)
Transfers of assets	9	264	-	273
Balance as at 31.12.2019	4 346	2 860	-	7 206
<i>Depreciation</i>				
Balance as at 31.12.2017	-	21	-	21
Additions	-	45	-	45
Balance as at 31.12.2018	-	66	-	66
Additions	-	252	-	252
Disposals	-	(118)	-	(118)

Effects of foreign currency translations	-	-	-	-
Balance as at 31.12.2019	-	200	-	200
<i>Net book value</i>				
Net book value as at 31.12.2018	4 325	2 525	-	6 850
Net book value as at 31.12.2019	4 346	2 660	-	7 006

- Investment property refers to agricultural land, landed properties, buildings and the adjoining them land, specifically detached parts of buildings for independent use, intended for long-term rental to related entities and third parties.
- The presented values of investment property at 31.12.2019 include land and buildings with carrying amount of BGN 2 068 thousand and BGN 2 857 thousand, respectively, which have mortgages and pledges in favour of commercial banks under loan agreements and issued bank guarantees.

1.3. Intangible assets

	Rights	Software	Others assets	Total
<i>Book value</i>				
Balance as at 31.12.2017	2 242	259	147	2 648
Additions	-	21	-	21
Disposals	-	(33)	(10)	(43)
Effects of foreign currency translations	-	-	-	-
Balance as at 31.12.2018	2 242	247	137	2 626
Additions	-	356	-	356
Disposals	-	(9)	(31)	(40)
Effects of foreign currency translations	2	(3)	-	(1)
Balance as at 31.12.2019	2 244	591	106	2 941
<i>Amortisation</i>				
Balance as at 31.12.2017	836	209	79	1 124
Additions	106	28	13	147
Disposals	-	(33)	(10)	(43)
Effects of foreign currency translations	-	-	-	-
Balance as at 31.12.2018	942	204	82	1 228
Additions	106	27	12	145
Disposals	-	(9)	(31)	(40)
Effects of foreign currency translations	1	1	-	2
Balance as at 31.12.2019	1 050	222	63	1 335
<i>Net book value</i>				
Net book value as at 31.12.2018	1 300	43	55	1 398
Net book value as at 31.12.2019	1 194	369	43	1 606

1.4. Non-current financial assets

Non-current financial assets	31.12.2019	31.12.2018
Financial assets, measured at amortised cost	8	11
Financial assets, measured at fair value through OCI	11	11
Total	19	22

1.4.1. Loans and receivables – non-current

Type	31.12.2019	31.12.2018
Loans	8	11
Total	8	11

1.4.1.1. Loans – non-current

Type	31.12.2019	31.12.2018
Loan receivables from unrelated parties (net)		
Loan receivables from unrelated parties	10	12
Impairment of loan receivables from unrelated parties	(2)	(1)
Total	8	11

1.4.2. Financial assets, measured at fair value through OCI

Type	31.12.2019	31.12.2018
Non-controlling stake in the capital of other entities	11	11
Total	11	11

Non-controlling stake in the capital of other entities

Type	31.12.2019		31.12.2018	
	Volume	Amount	Volume	Amount
GCF-SK-13-TRACE RAILINFRA CONS. JSC, in liquidation proceedings	20%	10	20%	10
SRPSKA VODA (TRANS. SERBIAN WATER), BELGRADE, in liquidation proceedings		1		1
Total		11		11

- These assets are presented at cost in the Statement of Financial Position as at 31.12.2019 and 31.12.2018.
- The initiation of liquidation proceedings for “GCF-SK-13-TRACE RAILINFRA CONSORTIUM” JSC was entered 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.

1.5. Investments, carried under the equity method

Investments, carried under the equity method	31.12.2019	31.12.2018
Investments in associates	1	1 748
Investments in joint ventures	24	24

Total	25	1 772
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1.5.1. Investments in associates

Investments	31.12.2019		31.12.2018	
	Volume	Amount	Volume	Amount
Technostroy-Inzhenering 99 JSC	-	-	33%	1 747
Redko Trace International OOD (LTD)	49%	83	49%	83
Redko Trace International OOD (LTD) – impairment	-	(83)	-	(83)
Voden Proekt (transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	34%	1	34%	1
G T TransBG LTD (Trace Trans LTD)	36,75%	-	-	-
Total		1		1 748

- The Group measures investments in associates under the equity method.
- “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 and it is not of strategic importance for the Group.
- On 16.10.2019, the Group lost control over the subsidiary “G T Trans BG” LTD (previously named “Trace Trans” LTD) by selling 63,25% of its interest in it. As a result, the entity is now classified as an “associate”. “G T Trans” LTD is registered in the Republic of Bulgaria with principal activity transport activities, repairs and maintenance of transport vehicles, rental of transport vehicles and complex transport services.

The changes in investments in associates is presented hereafter:

Indicators	VODEN PROEKT (TRANSL. WATER PROJECT) Stara Zagora – a Company under the Law on Obligations and Contracts	TECHNOSTROY – INZHENERING 99 JSC	G T TRANS BG LTD	REDKO TRACE INTERNATIONAL LTD
Balance on 1 January	1	1 747	-	-
Share in the current period’s profit / (loss)	-	(733)	-	-
Sale of shares	-	(1 014)	-	-
Balance as at 31 December	1	-	-	-

Summarised financial information on associates as at 31.12.2019

Indicators	-	REDKO TRACE INTERNATIONAL LTD
Current assets	-	11
Non-current assets	-	11
Current liabilities	-	8
Revenue	-	-
Profit / (loss) from continuing operations	-	-
Total comprehensive income	-	-

Summarised financial information on associates as at 31.12.2018

Indicators	TECHNOSTROY – IZNENERING 99 JSC	REDKO TRACE INTERNATIONAL LTD
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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	-

1.5.2. Investments in joint ventures

Investments in joint ventures	31.12.2019	31.12.2018
Investments in joint ventures	24	24
Total	24	24

Investments in joint ventures under the equity method

Investments	31.12.2019		31.12.2018	
	Volume	Amount	Volume	Amount
Trace – M Invest, Germany	50%	24	50%	24
Total		24		24

- The Group measures investments in joint ventures under the equity method.
- The entity “Trace – M Invest” was registered on 08.09.2017 with principal place of business in Germany. The principal activity of the entity relates to infrastructure and high-rise construction. The joint venture does not engage in any activities at year-end and it is not of strategic importance for the Group.

1.6. Non-current trade receivables

Type	31.12.2019	31.12.2018
Receivables from related parties outside the Group (net)	-	5 093
Contract receivables from contracts with customers	-	5 093
Contract receivables from contracts with customers (net)	1 140	3 876
Contract receivables from contracts with customers	1 140	4 203
Impairments of contract receivables from contracts with customers	-	(327)
Total	1 140	8 969

- 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 543 thousand (2018: BGN 5 093 thousand and BGN 3 278 thousand), are included under the presented at year-end contract receivables from contracts with customers – related parties and contract receivables from contracts with customers.
- The change in the adjustment for impairment of contract receivables from contracts with customers is disclosed in *Note №0*.

1.7. Other non-current receivables and assets

Type	31.12.2019	31.12.2018
Guarantees issued and deposits placed	248	269
Advance payments	-	38
Receivables from CCB AD (insolvent)	5 349	5 682

Impairment of receivables from CCB AD (insolvent)	(5 349)	(5 682)
Other receivables	-	98
Total	248	405

- Non-current guarantees issued are cash collaterals on performance bonds, issued by banks for projects and sites with validity until 2036.
- Advance payments include insurance of projects and sites, with validity until 2029, and performance bonds, issued by banks for projects and sites with validity until 2037.
- Based on the available facts and circumstances with regards to CCB (insolvent) and based on the lawyer’s assessment of the collectability of the receivable from the bank, the receivables from CCB AD (insolvent) has been fully impaired.
- The change in the adjustment for impairment of contract receivables from contracts with customers is disclosed in *Note №0*

1.8. Deferred tax assets

Temporary difference	31 December 2018		Gained in the acquisition of a subsidiary		Change in deferred tax in 2019				31 December 2019	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Deferred tax assets										
Impairment	15 766	1 575	144	14	1 552	155	-	-	17 462	1 744
Leave benefits	780	74	-	-	723	72	(762)	(76)	741	70
Loss	6 173	617	-	-	19	3	(3 876)	(389)	2 316	231
Income of individuals	4 710	472	-	-	554	56	(4 641)	(464)	623	64
Provisions	9 072	905	-	-	9 741	975	(5 810)	(581)	13 003	1 299
Long-term employee benefits	275	26	-	-	80	8	(15)	(1)	340	33
Intra-group profits	269	35	-	-	40	4	(30)	(3)	279	36
Right-of-use assets	-	-	-	-	3 327	334	(3 135)	(315)	192	19
Expired payables	317	32	-	-	142	14	(57)	(6)	402	40
Total assets:	37 362	3 736	144	14	15 595	1 562	(17 743)	(1 776)	35 358	3 536

- The probability that differences will have a reversal in the future and the ability of the Group to generate sufficient tax profit are taken into account when recognising deferred tax assets.
- Deferred tax assets in the amount of BGN 115 thousand, relating to a taxable loss that was realised in the present year by the Group in Bulgaria, has not been recognised at 31.12.2019.

1.9. 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 (merged into Trace Serbia, Serbia on 25.09.2019) 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 Statement of Financial Position. As a result of the analysis, conducted by the Management of the Group, impairment of the accumulated in prior years goodwill, in the amount of BGN 447 thousand, was recognised.

1.10. Inventories

Type	31.12.2019	31.12.2018
Materials (net), including:	7 723	6 788
Direct materials	4 853	4 846
Spare parts	1 379	925
Fuel, oil and lubricants	902	788
Ancillary materials	110	177
Other materials	46	52
Road signs	433	-
Output (net)	1 017	1 165
Output	1 017	1 165
Goods (net)	34	11
Goods	34	11
Total	8 774	7 964

1.11. Current trade receivables

Type	31.12.2019	31.12.2018
Receivables from related parties outside the group (net)	10 573	19 542
Contract receivables from contracts with customers	10 582	17 657
Impairment of contract receivables from contracts with customers	(157)	(24)
Contract assets from contracts with customers	131	1 654
Advance payments receivables	-	231
Operating lease receivables	3	-
Impairment of operating lease receivables	(3)	-
Other trade receivables	17	24
Contract receivables from contracts with customers (net)	86 277	35 030
Contract receivables from contracts with customers	92 096	37 768
Impairment of contract receivables from contracts with customers	(5 819)	(2 738)
Contract assets from contracts with customers (net)	15 158	13 806
Contract assets from contract with customers	15 158	13 806
Advance payments receivables (net)	4 200	3 243
Advance payments receivables	4 806	3 871
Impairment of advance payments receivables	(606)	(628)
Operating lease receivables (net)	58	9
Operating lease receivables	58	9
Other trade receivables (net)	975	525
Other trade receivables	1 283	589
Impairment of other trade receivables	(308)	(64)
Total	117 241	72 155

▪ Retention bonds under construction contracts, amounting to BGN 5 346 thousand and BGN 14 633 thousand, respectively, are included in the disclosed contract receivables from contracts with customers – related

parties and contract receivables from contracts with customers at year-end (2018: BGN 5 831 thousand and BGN 4 599 thousand).

- 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.
- Contract assets from contracts with customers, refer to contract assets from related and third parties and include the right to consideration for a satisfied performance obligation completed to date (measured progress towards complete satisfaction). Such have been incurred for performed and / or partially performed services that have not yet been approved by the customer at year-end and thus for which the entities within the Group do not have unconditional rights for payment.

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

	Amount	Relative share
Up to 60 days	78 003	69%
61 days – 120 days	21 166	19%
121 days – 180 days	1 407	1%
181 days – 360 days	3 800	3%
Over 360 days	8 665	8%
Total	113 041	100%

- A significant portion of the overdue receivables arise from budgetary funds managers. The Group’s policy is to accrue, invoice and collect additional default interest on some of the overdue receivables, which to fully compensate the delay in payments and incurred costs / losses. Such default interest are accrued, invoiced and collected both through special agreements for the respective debtor and through lawsuits.
- In 2019, the Group applies the simplified approach of IFRS 9 for measuring the expected credit losses on trade receivables, recognising thus the expected credit losses for the entire term of the instrument for all trade receivables (*Note №2.16.1.4*). By using this basis, the loss allowance at 31 December 2019 and 31 December 2018 is determined as follows:

Changes of loss allowance

Type	31.12.2018	Change in 2019			31.12.2019
		Increase	Decrease	Transfer / others	
Impairment of contract receivables from contracts with customers	(3 089)	(1 463)	215	(1 639)	(5 976)
Impairment of advance payments receivables	(628)	(3)	26	(1)	(606)
Impairment of operating lease receivables	-	(3)	-	-	(3)
Impairment of other trade receivables	(64)	(268)	-	24	(308)
Impairment of other receivables and assets	(98)	-	-	(57)	(155)
Impairment of litigation receivables	(2 884)	(128)	-	1 637	(1 375)
Impairment of financial assets and leases	(537)	(1)	215	-	(323)
Impairment of cash and cash equivalents	(30)	(29)	33	1	(25)
Impairment of receivables from CCB	(5 682)	(98)	431	-	(5 349)
Total	(13 012)	(1 993)	920	(35)	(14 120)

1.12. Other current trade receivables and assets

Type	31.12.2019	31.12.2018
Receivables from related parties outside the group (net)	1	331
Dividend receivables	1	331
Other receivables	72	-
Impairment of other receivables and assets	(72)	-
Litigation receivables (net)	1 030	799
Litigation receivables	1 866	3 683
Impairment of litigation receivables	(1 375)	(2 884)
Social insurance receivables	1	37
Social insurance	1	37
Other current receivables	1 322	1 599
Guarantees issued and deposits placed	254	756
Advance payments	739	592
Insurance receivables	14	20
Receivables in respect of deficits and retirement	-	6
Tax receivables for tax in a subsequent tax period	52	174
Other receivables	346	149
Impairment of other receivables	(83)	(98)
Recoverable taxes	2 577	4 159
Value Added Tax	2 534	3 729
Corporate Income Tax	40	430
Other taxes	3	-
Total	4 392	6 925

- Advance payments include insurance of projects and sites, with validity until 2029, and performance bonds, issued by banks for projects and sites with validity until 2037.
- The change in the adjustment for impairment of contract receivables under contracts with customers is disclosed in *Note №0*

1.13. Current financial assets

Current financial assets	31.12.2019	31.12.2018
Financial assets, measured at amortised cost	1 492	113
Total	1 492	113

1.13.1. Financial assets, measured at amortised cost

Type	31.12.2019	31.12.2018
Loans	1 335	113
Bearer security	157	-
Total	1 492	113

- On 23.07.2019, the Group acquired bearer security with nominal of EUR 100 thousand and fixed interest rate of 2,5% per annum. Payments of interest on the bearer security are due currently every year and payments of the principal – as of 2023. The seller has the option to repurchase the bearer security until 12.06.2020.

1.13.1.1. Loans – current

Type	31.12.2019	31.12.2018
Loan receivables from related parties outside the group (net)	1 310	-
Loan receivables from related parties outside the group	1 384	204
Interest receivables, accrued under loans to related parties outside the group	52	74
Impairment of loan receivables from related parties outside the group	(126)	(278)
Loan receivables from unrelated parties (net)	25	113
Loan receivables from unrelated parties	124	223
Interest receivables, accrued under loans to unrelated parties	13	148
Impairment of loan receivables from unrelated parties	(112)	(258)
Total	1 335	113

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

Borrower	Contracted loan amount	Interest rate %	Maturity	Securities / Guarantees
Todorov AD	BGN 100 thousand	20%	31.12.2016	Promissory note
An individual – MAA	BGN 17 thousand	7,5%	30.07.2020	Promissory note
FC Vereya NGO	BGN 17 thousand	10%	31.12.2019	None
FC Vereya NGO	BGN 10 thousand	7%	30.06.2017	Promissory note
FK Dinamo Vranja	BGN 25 thousand	11%	08.10.2016	Promissory note
Road Safety Bulgarian Branch Association	BGN 10 thousand	AIR+2%	31.07.2021	None

Balances of loans to unrelated parties at 31.12.2019

Borrower	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
Todorov AD	81	-	-	-
Todorov AD – impairment	(81)	-	-	-
An individual – MAA	2	-	-	-
FC Vereya NGO	7	-	-	-
FC Vereya NGO	17	7	-	-
FC Vereya NGO – impairment	(24)	(7)	-	-
FK Dinamo Vranja	17	6	-	-
Road Safety Bulgarian Branch Association	-	-	10	-
Road Safety Bulgarian Branch Association – impairment	-	-	(2)	-
Total	19	6	8	-

▪ The change in the adjustment for impairment of contract receivables under contracts with customers is disclosed in *Note №0*

1.14. Cash and cash equivalents

Type	31.12.2019	31.12.2018
Cash in hand	53	56
Denominated in Bulgarian Lev (BNG)	45	50
Denominated in foreign currencies	8	6
Cash at bank (in current accounts)	32 080	35 887
Denominated in Bulgarian Lev (BNG)	25 179	27 022
Denominated in foreign currencies	6 901	8 865
Cash equivalents	107	170
Receivables from employees	107	169
Other cash equivalents	-	1
Restricted cash amounts	632	210
Current deposits	113	114
Impairment of cash	(25)	(30)
Total	32 960	36 407

▪ 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 25 thousand at the end of the reporting period.

▪ Restricted amounts include BGN 441 thousand that are garnished with regards to an enforcement case and BGN 191 thousand under a specially created account in connection to a concession received.

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

Type	31.12.2019	31.12.2018
Cash and cash equivalents in the Consolidated Statement of Financial Position	32 960	36 407
Impairment of cash	25	30
Cash and cash equivalents in the Consolidated Statement of Cash Flows	32 985	36 437

1.15. Equity

1.15.1. Share capital

Type of shares	31.12.2019			31.12.2018		
	Number of shares	Value	Nominal	Number of shares	Value	Nominal
<i>Ordinary</i>						
Redeemed and paid	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Redeemed treasury shares	(3 977)	(15 955)	4,02	(5 870)	(22 510)	3,83
Total:	24 196 023	24 184 005		24 194 130	24 177 490	

Shareholder	31.12.2019				31.12.2018			
	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%	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%	7 100	7 100	7 100	0.03%
Other shareholders	4 559 027	4 559 027	4 559 027	18.84%	4 563 004	4 563 004	4 563 004	18.86%
Trace Group Hold PLC – treasury shares at cost	3 977	3 977	3 977	0.02%	5 870	5 870	5 870	0.02%
Total	24 200 000	24 200 000	24 200 000	X	24 200 000	24 200 000	24 200 000	X
Trace Group Hold PLC – treasury shares at cost	(3 977)	(15 955)	(15 955)		(5 870)	(22 510)	(22 510)	
Total:	24 196 023	24 184 005	24 184 005	100%	24 194 130	24 177 490	24 177 490	100%

■ At the end of the current period, Trace Group Hold PLC and its subsidiaries hold 3 977 redeemed treasury shares, amounting to BGN 16 thousand.

1.15.2. Share premium

Share premium, amounting to BGN 21 739 thousand at year-end, is formed from the capital, issued by the Parent in 2007 (BGN 21 763 thousand) and from the issue and repurchase of treasury shares within the period and until 31.12.2019 (BGN 24 thousand).

1.15.3. Translation reserves

Translation reserve from the translation of foreign activities into the presentation currency, amounting to BGN 794 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.

1.15.4. Reserves

	General reserves	Other reserves	Total reserves
Reserves as at 31.12.2017	2 420	58 066	60 486
Increased by:	-	8 903	8 903
Profit distribution	-	8 903	8 903
Reserves as at 31.12.2018	2 420	66 969	69 389
Decreased by:	-	(13 501)	(13 501)
Covering losses	-	(13 389)	(13 389)
Others	-	(112)	(112)
Reserves as at 31.12.2019	2 420	53 468	55 888

■ Statutory reserves, amounting to BGN 2 420 thousand (31.12.2018: BGN 2 420 thousand), are formed from profit distribution of the parent and fully include the amounts for the “General reserves” Fund.

- Other reserves, amounting BGN 53 468 thousand (31.12.2018: BGN 66 969 thousand), are formed from profit distribution of the entities within the Group and fully include the amounts for the “General reserves” Fund.

1.15.5. Financial result

Financial result	Value
Profit as at 31.12.2017	3 298
Effects of transition to (initial adoption of) IFRS 9 and IFRS 15	(1 085)
Profit as at 31.12.2017	2 213
Increased by:	5 972
Profit for the financial reporting 2018	5 905
Others	67
Decreased by:	(10 432)
Allocation of profit to reserves	(8 903)
Dividend distribution	(1 592)
Profit as at 31.12.2018	(2 247)
Changes in accounting policies, errors and others	-
Revalued reserve as at 31.12.2018	(2 247)
Increased by:	20 457
Profit for the financial reporting 2019	18 422
Profit and reserves, used to cover losses	2 012
Others	23
Decreased by:	-
Dividend distribution	-
Allocation of profit to reserves	-
Profit as at 31.12.2019	18 210
Loss as at 31.12.2017	(11 377)
Increased by:	-
Decreased by:	-
Loss as at 31.12.2018	(11 377)
Increased by:	-
Decreased by:	-
Profit and reserves, used to cover losses	11 377
Loss as at 31.12.2019	-
Financial result as at 31.12.2017	(8 079)
Financial result as at 31.12.2018	(13 624)
Financial result as at 31.12.2019	18 210

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

- The undistributed profit at 31.12.2019 amounts to BGN 18 210 thousand (31.12.2018: BGN (13 624) thousand) and it includes and the recognised accumulated actuarial loss of BGN (212) thousand, recognised in

the subsequent valuations of the defined retirement benefit plans pursuant to the amendment in IAS 19 – Pension and other income of employees.

Net earnings per share	2019	2018
Weighted average number of shares	24 128 022	24 129 781
Net profit for the year, referring to the owners of the equity of the parent	18 303	5 933
Net earnings per share (Bulgarian Lev)	0,76	0,25

1.16. Leases

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

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

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

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

1.16.1. The Group as a lessee

Right-of-use assets (operating lease) and finance lease are included in the Property, plant and equipment as at 31.12.2019, as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2018	-	-	-	3 878	2 529	-	-	6 407
Effects of application of IFRS 16	-	1 443	-	-	337	16	-	1 796
Revalued balance as at 01.01.2019	-	1 443	-	3 878	2 866	16	-	8 203
Additions	-	4	-	989	474	-	-	1 467
Disposals	-	-	-	(679)	(162)	(16)	-	(857)
Balance as at 31.12.2019	-	1 447	-	4 188	3 178	-	-	8 813
Depreciation								
Balance as at 31.12.2018	-	-	-	419	660	-	-	1 079
Additions	-	331	-	241	458	-	-	1 030
Disposals	-	-	-	(142)	(108)	-	-	(250)
Balance as at 31.12.2019	-	331	-	518	1 010	-	-	1 859
Net book value								
Net book value as at 31.12.2018	-	-	-	3 459	1 869	-	-	5 328
Net book value as at 31.12.2019	-	1 116	-	3 670	2 168	-	-	6 954

1.16.2. Right-of-use assets

Right-of-use assets (operating lease) are included in the Property, plant and equipment as at 31.12.2019, as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2019	-	1 447	-	-	365	-	-	1 812
Depreciation								
Balance as at 31.12.2019	-	331	-	-	80	-	-	411
Book value								
Balance as at 31.12.2019	-	1 116	-	-	285	-	-	1 401

1.16.3. Lease obligation

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

	31.12.2019
Up to one year	1 442
Over one year	1 885
Future finance costs under leases	(108)
Present value of lease obligation	3 219

The minimum lease payments under lease obligations without purchase options (operating leases) are payable as follows:

	31.12.2019
Up to one year	283
Over one year	1 229
Future finance costs under leases	(131)
Present value of lease obligation	1 381

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

1.16.4. Amounts included in the Statement of Profit or Loss

The Statement of Profit or Loss includes the following amounts, related with leases:

Type of expense	31.12.2019
Depreciation cost of right-of-use assets	1 030
Interest and fees on lease liabilities	140
Short-term lease costs	605
Expenses, related with low-value leased assets	98
Total	1 873

1.16.5. Other information

On 01.01.2019, the Group reviewed and analysed all leases in light of the requirements of the new IFRS 16.

The Group has obligations under leases, amounting to BGN 1 796 thousand, as at 01.01.2019. These are only the capitalised rents that the Group has recognised as right-of-use assets and as lease obligations, respectively.

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

	31.12.2019
Short-term leases	419
Low-value assets leases	84

The considerations, payable under these agreements shall be presented in the Statement of Profit or Loss as “rentals”, on a currently over the years.

The total cash outflow for leases amounts to BGN 3 697 thousand in 2019.

1.16.6. The Group as a lessor

Operating lease

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

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2018	7	23	129	817	64	1	-	1 041
Additions	-	-	-	398	91	-	-	489
Disposals	-	-	-	(849)	(39)	-	-	(888)
Balance as at 31.12.2019	7	23	129	366	116	1	-	642
Depreciation								
Balance as at 31.12.2018	-	10	44	349	44	1	-	448
Additions	-	-	6	26	94	-	-	126
Disposals	-	-	-	(184)	(30)	-	-	(214)
Balance as at 31.12.2019	-	10	50	191	108	1	-	360

<i>Net book value</i>								
<i>Net book value as at 31.12.2018</i>	7	13	85	414	20	-	-	539
<i>Net book value as at 31.12.2019</i>	7	13	79	175	8	-	-	282

The operating lease amounts, included in the Statement of Profit or Loss, are as follows:

Type of expense	31.12.2019
Revenue from fixed lease payments under operating leases	537
<i>Including revenue from right-of-use assets (as per IFRS 16)</i>	28

1.17. Non-current financial liabilities

Non-current financial liabilities	31.12.2019	31.12.2018
Lease payables	2 939	2 271
Financial liabilities, measured at amortised cost	3 914	5 338
Total	6 853	7 609

1.17.1. Lease payables – non-current

Type	31.12.2019	31.12.2018
Lease payables to related parties outside the group	799	-
Lease payables to unrelated parties	2 140	2 271
Total	2 939	2 271

▪ Future minimum lease payments, payable within 1 year and those due to between 1 and 5 years, are disclosed in detail in *Note № 1.16*.

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

Type	31.12.2019	31.12.2018
Loan payables	3 914	5 338
Total	3 914	5 338

1.17.2.1. Loans – non-current

Type	31.12.2019	31.12.2018
Loan payables to financial institutions	3 914	5 338
Total	3 914	5 338

▪ The terms of the loans, obtained from financial institutions, are disclosed in detail in *Note № 1.22.2.1*

1.18. Non-current trade payables

Type	31.12.2019	31.12.2018
Payables to related parties outside the group	-	2 456
Supply payables	-	2 456
Supply payables	5 308	7 577
Total	5 308	10 033

- Retention bonds from subcontractors under construction contracts, amounting to BGN 5 306 thousand (2018: BGN 2 456 thousand and BGN 6 051 thousand) are presented as non-current supply payables to related and unrelated parties

1.19. Non-current provisions

Type	31.12.2019	31.12.2018
Provisions for long-term employee benefits	570	677
Provisions for obligations under construction contracts	626	-
Total	1 196	677

- Provisions for obligations under construction contracts are disclosed in detail in *Note № 1.26*.

1.19.1. Provisions for long-term employee benefits

Non-current employee benefit payables include the present value of the payable, due by the entities within the Group – operating mainly in Bulgaria and Serbia – for retirement benefits at the date of the Statement of Financial Position. In accordance with the Labour Code, enacting in Bulgaria, each employee is entitled to a retirement benefit of two gross salaries, and if he / she has worked with the same employer for the last 10 years of his / her service the retirement benefit shall amount to six gross salaries as at the retirement date.

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

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

Type	31.12.2019	31.12.2018
Present value of the payable at 01 January	677	627
Payable, recognised in the Balance Sheet as at 01 January	677	627
Interest expense	2	2
Current service cost	87	93
Effect of planned and actual redundancies upon merger	-	11
Payments, conducted within the period	(174)	(64)
Actuarial profit, recognised within the period and other changes	(22)	8
Present value of the payable as at 31 December	570	677
Unrecognised actuarial profit / loss at 31 December	-	-
Payable, recognised in the Balance Sheet at 31 December	570	677

The core assumptions, employed in determining the retirement benefit payables are stated hereafter:

- A norm based on the annual interest rate in the amount of 0,68% (2018: 1,25%) is used to determine the discounting factor. The assumption is based on data about the earnings of long-term government securities, with a 10-year maturity as average for the last two years, based on the information from the European Central Bank on Long-term Interest Rate for Convergence Purposes;
- The assumption for the future level of salaries and wages is based on the expected inflation of salaries and wages within the entity and amounts to 5% annual increase compared to the prior reporting period (2018: 5%);
- Mortality – based on the mortality table of NSI for the total mortality of the Bulgarian population for the period 2016 – 2018 (2018: 2015-2017).
- Early retirement due to illness / disability – the assumption that the mortality and disability develop on the same pattern over time, that they have similar nature and are interrelated is made in determining the probability

of disability. The stated hereabove mortality table, with an adjustment of 50% in the mortality probability, is used to determine disability obligations.

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

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

The table below presents an elasticity analysis to the significant assumptions at 31.12.2019, computed based on a method that extrapolates the effect on retirement benefit payables in a reasonable change in the main assumptions at the end of the reporting period.

Significant assumptions	Change	Effect	Effect %
Discounting rate	0,50%	-1	-3,59%
Discounting rate	-0,50%	1	3,80%
Personnel turnover, annually	-1	5	16,14%
Personnel turnover, annually	1	-4	-14,56%
Remuneration	1,00%	2	4,97%
Remuneration	-1,00%	-2	-4,97%
Change in the mortality probability	-10,00%	-1	-3,01%
Change in the mortality probability	10,00%	1	2,72%

The expected payments for retirement benefit payables, are stated hereafter:

Term	Payable	Payment	Number
1	-	-	-
2	-	-	-
3	12	23	3
4	-	-	-
5	-	-	-

1.20. Deferred tax liabilities

Temporary difference	31 December 2018		Exchange rate / foreign exchange		Modification of deferred tax in 2019				31 December 2019	
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Deferred tax liabilities										
Amortisation	9 753	976	-	6	2 199	222	(869)	(121)	11 083	1 083
Intra-group profits	266	27	-	-	-	-	-	-	266	27
Total liabilities:	10 019	1 003	-	6	2 199	222	(869)	(121)	11 349	1 110

1.21. Other non-current payables and liabilities

Type	31.12.2019	31.12.2018
------	------------	------------

Deposit and guarantee payables	72	129
Concession payables	834	999
Total	906	1 128

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

1.22. Current financial liabilities

Type	31.12.2019	31.12.2018
Lease payables	1 661	1 315
Financial liabilities, measured at amortised cost	1 426	1 627
Total	3 087	2 942

1.22.1. Lease payables – current

Type	31.12.2019	31.12.2018
Lease payables to related parties outside the group	251	-
Lease payables to unrelated parties	1 410	1 315
Total	1 661	1 315

1.22.2. Financial liabilities, measured at amortised cost

Type	31.12.2019	31.12.2018
(Obtained) Loan payables	1 426	1 627
Total	1 426	1 627

1.22.2.1. Loans – current

Type	31.12.2019	31.12.2018
Loan payables to financial institutions	1 424	1 569
Interest payables on loans from financial institutions	2	8
Loan payables to unrelated parties	-	50
Total	1 426	1 627

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
Eurobank AD Bulgaria	BGN 245 thousand	3 m.RIR+3%	30.06.2021	Mortgage on real estate, pledge of receivables
UniCredit AD Bulbank	BGN 13 000 thousand	1m.ADI+2.95%	02.02.2020	Mortgage on real estate, pledge of non-current tangible assets and receivables
Expressbank AD	EUR 440 thousand	1mec Euribor+2.9%	30.08.2020	Mortgage on real estate, pledge of non-current tangible assets
Expressbank AD	EUR 443 thousand	1mec Euribor+2.9%	30.06.2020	Mortgage on real estate

Expressbank AD	EUR 401 thousand	1mec Euribor+2.25%	28.02.2021	Pledge of non-current tangible assets
UBB AD	BGN 900 thousand	1m.RIR+3.15%	20.10.2023	Mortgage on real estate, pledge of receivables
UBB AD	BNG 3 000 thousand	1m.RIR+2% for BGN / 1m.Euribor+2.5% for EUR	30.09.2020	Mortgage on real estate, pledge of non-current tangible assets and receivables, co-debtor related party
DSK Bank	BGN 5 000 thousand	1m.Euribor+2.869% for BGN	25.06.2025	Mortgage on real estate

Balances of loans obtained as at 31.12.2019, excluding related parties

Bank / Creditor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
Expressbank AD	463	-	43	-
UBB AD	138	1	394	-
Eurobank Bulgaria AD	49	-	25	-
DSK Bank AD	774	1	3 452	-
Total	1 424	2	3 914	-

- The Group renegotiates every year the terms and conditions, including maturity dates, of some initially contracted credit lines. Extended credit lines are presented as non-current and current bank loans as of the date of renegotiation.
- Bank loan agreements contain clauses with requirements for maintaining certain financial ratios. The Group's Management, in communication with the respective creditor – bank, monitors the implementation of these financial ratios on a current basis.
- The entity has concluded a multi-purpose overdraft credit line to finance its activities and manage its liquidity risk, namely:
 - Credit line 1, with a maximum credit amount (overdraft) of up to BGN 13 000 thousand at an interest rate of 1 m.ADI+2.95% and maturity 02.02.2020. No funds have been utilised under it as at 31.12.2019. The contract is secured by mortgages on real estate, pledge of non-current tangible assets and receivables. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees (counter-guarantees) letters of credit with a maximum amount of up to BGN 65 000 thousand. Commitments under the credit line and against cash amount to BGN 28 711 thousand as at 31.12.2019. Their maturity is on 03.09.2037. The commitment is disclosed in detail in *Note №4.6*.
 - Credit line 2, with a maximum credit amount (overdraft) up to BGN 3 000 thousand at an interest rate of 1 m.RIR+2% for BGN / 1 m.Euribor+2.5 for EUR and maturity 30.09.2020. No funds have been utilised under it as at 31.12.2019. The contract is secured by mortgages on real estate, pledge of non-current tangible assets and receivables. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees with a maximum amount of up to BGN 17 000 thousand. Commitments under the credit line amount to BGN 4 925 thousand as at 31.12.2019. Their maturity is on 15.05.2023. The commitment is disclosed in detail in *Note №4.6*.
 - Credit line 3, with a maximum credit amount (overdraft) up to BGN 978 thousand (EUR 500 thousand) at an interest rate of 2.5% and maturity 12.02.2020. No funds have been utilised under it as at 31.12.2019. The contract is secured by mortgages on real estate and movable property, corporate guarantee. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees (counter-guarantees) letters of credit with a maximum amount of up to BGN 65 000 thousand. Commitments under the credit line and against cash amount to BGN 11 735 thousand (EUR 6 000 thousand) as at 31.12.2019. Their maturity is on 20.12.2021. The commitment is disclosed in detail in *Note №4.6*.

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 for which shall be, classified as “cash flows from financing activities” in the Statement of Cash Flows of the Group.

Liabilities, arising from financing activities	31.12.2018	Cash flow from financing activities		Changes of non-monetary nature – non-cash			31.12.2019
		Proceeds	Payments	Obtained (increases)	Effect of changes in foreign exchange rates	Other changes	
Long-term bank loans	5 338	-	-	-	-	(1 424)	3 914
Short-term bank loans	1 577	6	(4 361)	-	-	4 204	1 426
Lease liabilities	3 586	-	(2 398)	-	-	3 412	4 600
Short-term trade loans unrelated parties	50	-	-	-	-	(50)	-
Total liabilities from financing activities:	10 551	6	(6 759)	-	-	4 999	9 940

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

1.23. Current trade payables

Type	31.12.2019	31.12.2018
Payables to related parties outside the group	8 762	16 943
Supply payables	7 808	15 242
Contract liabilities from contracts with customers	861	1 553
Advances received payables	-	92
Other trade payables	57	56
Supply payables	78 888	51 214
Contract liabilities from contracts with customers	8 190	7 763
Advances received payables	1 565	513
Other trade payables	122	440
Total	97 491	76 873

▪ Retention bonds under construction contracts, amounting to BGN 363 thousand and BGN 15 672 thousand, respectively (2018: BGN 2 150 thousand and BGN 6 051 thousand) are included in the presented payables to related parties and supply payables at year-end.

1.24. Tax payables

Type	31.12.2019	31.12.2018
Value Added Tax	2 734	2 299
Corporate tax	2 184	209
Corporate tax – interest	-	2
Personal Income Tax	316	325

Withholding tax	33	23
Tax on expenses	19	14
Other taxes	90	64
Total	5 376	2 936

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

Entity	Full tax audit	VAT audit	Social insurance legislation reviews
Trace Group Hold PLC	31.12.2012	None	None
Trace Sofia LTD	None	None	None
Trace – Road Construction JSC	31.12.2009	30.04.2010	31.12.2009
Trace Yambol JSC	31.12.2014	31.12.2014	31.12.2014
Infra Commerce EOOD (LTD)	31.12.2015	None	None
USM JSC	31.12.2018	01.03.2016	None
Metro Druzha LTD	None	None	None
Trace Plovdiv LTD – in liquidation proceedings	None	26.08.2019	31.12.2019
Trace Properties LTD	None	None	None
Trace Ukraine LTD	None	None	None
Trace Svilengrad LTD	None	None	None
Trace International LTD	None	None	None
Trace Serbia (Serbia)	31.12.2017	None	31.12.2017
Trace Al Junaibi (Oman)	None	None	None

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

1.25. Employee benefit payables

Type	31.12.2019	31.12.2018
Employee benefit payables	2 047	2 117
Including payables of unused compensated annual leaves	629	662
Social insurance payables	602	612
Including payables of unused compensated annual leaves	135	140
Payables to the key management personnel – remunerations	279	1 398
Payables to the key management personnel – social insurance	3	18
Payables under non-labour relations – remunerations	7	206
Total	2 938	4 351

1.26. Current provisions

Type	31.12.2019	31.12.2018
Provisions for legal obligations, including:	9 430	6 772
Provisions for obligations under litigations and lawsuits	245	-
Provisions for obligations under construction contracts	362	1 415
Provisions for obligations under building and construction works	7 873	4 629

Provisions for reclamation obligations	537	493
Provisions for other obligations	413	235
Total	9 430	6 772

The modification in each type of provisions in the current period is portrayed in the following table:

Type of provisions	31.12.2018	Provisions, recognised within the period	Provisions, utilised within the period	Provisions, recovered / written off within the period	Other changes, including foreign exchange	31.12.2019
Provisions for obligations under building and construction works	4 629	5 246	(2 024)	(17)	39	7 873
Provisions for other payables	235	387	(213)	-	4	413
Provisions for obligations under construction contracts	1 415	701	(60)	(1 068)	-	988
Provisions for obligations under litigations and lawsuits	-	245	-	-	-	245
Provisions for reclamation obligations	493	44	-	-	1	537
Total:	6 772	6 624	(2 298)	(1 086)	44	10 056

▪ The provisions, accrued under construction contracts, relate to assumed commitments (warranties) and expected costs to replace possible defaults. The accrued provisions for reclamation relate to assumed obligations for reclamation of land in the extraction of underground natural resources and exploitation of mineral raw materials after completion of the activities. The accrued provisions for obligations under building and construction works relate to expenses to complete construction contracts, obligations to pay goods and services obtained that have not been paid yet, invoiced or are subject to formal agreement with the supplier, including amounts, due to employees and others.

1.27. Other current payables and liabilities

Type	31.12.2019	31.12.2018
Payables to related parties outside the group	1 931	3 988
Dividend payables	1 285	3 276
Deposit and guarantee payables	636	702
Including guarantees of the SB (Supervisory Board), MB (Managing Board), BD (Board of Directors)	634	702
Other payables and liabilities	10	10
Deposit and guarantee payables	322	427
Concession payables	143	88
Dividend payables	160	117
Insurance payables	55	79
Other payables and liabilities	386	931
Total	2 997	5 630

▪ Bank guarantee payables, insurance payables and other costs under construction contracts, completed in 2018 and 2019, are included in the “other payables”.

2. Statement of Profit or Loss

2.1. Revenue

2.1.1. Revenue from contracts with customers

Type of revenue	2019	2018
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Revenue from construction contracts, including:	285 760	324 526
Revenue, recognised within the period	285 694	324 450
<i>Including and by decreasing the opening balances of contract liabilities</i>	<i>3 067</i>	<i>29 061</i>
Under already satisfied performance obligations	66	76
Revenue from sales of output (production), including:	17 078	10 564
Sales of asphalt mixtures	12 816	8 918
Sales of aggregates	3 876	1 551
Sales of road marking paints	297	-
Sales of road construction output	18	22
Sales of metal constructions	-	66
Sales of concrete and lime solutions and SBE	-	7
Sales of others	71	-
Revenue from sales of goods, including:	9 283	10 522
Sales of fuel and oil	3 611	3 253
Sales of road construction goods	1 556	1 077
Sales of goods for reinforced concrete structures	1 341	449
Sales of goods for railway construction	953	1 551
Sales of goods for winter maintenance	810	717
Sales of machinery and equipment	723	1 317
Sales of aggregates	108	-
Sales of concrete and other goods	18	738
Sales of other construction materials	10	425
Other goods	153	995
Revenue from sales of services, including:	691	960
Services with mechanisation	231	129
Work completed with materials, supplied by the client	131	404
Consulting services	124	60
Transport services	77	235
Laboratory services	44	37
Design services	4	17
Other services	80	78
Total	312 812	346 572

2.1.2. Other revenue

Type of revenue	2019	2018
Reversed provisions under building and construction contracts	939	1 056
Payables written-off	760	1 026
Operating lease income	509	494
Reversed impairment of receivables	448	138
Unutilised provisions written-off	367	1 745
Penalties	83	2
Insurance claims received	75	47
Revenue from subleased of right-of-use assets	28	-

Sales of industrial waste	11	16
Writs and compensations awarded	5	10
Revenue from provisioned absences and benefits	-	58
Reversed provisions under other payables / obligations	-	49
Surplus inventories	-	19
Other revenue (net)	406	537
Revenue from sales of materials	161	(31)
Revenue from sales of materials	1 651	1 472
Carrying amount of materials sold	(1 490)	(1 503)
Gains / (Losses) on disposals of non-current assets	46	137
Gains on disposals of non-current assets	371	247
Carrying amount of assets disposed	(325)	(110)
Gains / (Losses) on reversed lease transactions	-	-
Gains on disposals of non-current assets	89	-
Carrying amount of assets disposed	(89)	-
Total	3 838	5 303

2.1.3. Finance income

Type of income	2019	2018
Income from participating interests	-	5
Interest income, including:	282	74
Under trade loans	10	7
Under trade receivables	267	54
Others	5	13
From transactions with financial instruments	428	1
Foreign exchange gains / (losses)	321	625
Other finance income	11	6
Total	1 042	711

▪ “Transactions with financial instruments” include and the gains / (losses) on the disposal of a subsidiary and an associate, as well as the acquisition of a subsidiary that are disclosed in detail in *Notes № 4.8, **Error! Reference source not found.** and 4.10.*

2.2. Expenses

2.2.1. Cost of materials

Type of expense	2019	2018
Direct materials	47 042	51 602
Fuel and lubricants	5 312	5 635
Spare parts and consumables	1 459	1 470
Electricity	822	773
Road signs	437	147
Waste	417	-
Tires	374	541
Ancillary materials	255	209
Uniforms, protective equipment and medications	124	138
Stationery	102	146

Other overheads	70	66
Instruments and consumables	64	88
Water	46	39
Marketing materials	45	53
Vehicle consumables (Materials for repairs of non-current tangible assets)	32	115
Office equipment consumables	29	31
Natural gas	16	11
Heating	11	10
Tender documents	1	2
Other materials	124	326
Total	56 782	61 402

2.2.2. Cost of external services

Type of expense	2019	2018
Subcontractors	147 029	185 492
Transport services	7 228	2 660
Operating leases / Rents	6 141	14 113
Contract services	3 879	7 007
Security	1 714	1 523
Consulting and other contracts	1 545	7 394
Insurance	1 500	1 440
Design	1 244	1 666
Repairs and servicing of assets	1 178	1 296
Taxes and fees	1 136	1 002
Laboratory tests	995	1 046
Blasting works	987	593
Judicial services and legal services	788	479
Telecommunication and communication services	307	391
Advertising, ads	217	94
Audit	216	238
Concession fees	159	151
Subscriptions	138	130
Custom services	110	137
Training and seminars	69	53
Geodetic services	54	17
Storage fee	52	41
Membership fee	47	61
Maintenance of accreditation, licences	31	43
Cost of other external services	762	653
Total	177 526	227 720

▪ The accrued, within the year, amounts for services provided by registered auditors in the Group, are as follows:

- The cost of statutory audit of the separate and consolidated annual financial statements for the year amounts to BGN 61 thousand.
- The cost of statutory audit of the annual financial statements of the entities within the Group for the year amounts to BGN 95 thousand.

- Other services in the amount to BGN 32 thousand.

2.2.3. Depreciation and amortisation costs

Type of expense	2019	2018
Depreciation and amortisation of own assets	4 818	5 066
Non-current tangible assets for (used in) the principal activity	3 919	4 021
Non-current intangible assets for (used in) the principal activity	114	117
Non-current tangible assets for (used in) administration	502	853
Non-current intangible assets for (used in) administration	31	30
Investment property	252	45
Depreciation and amortisation of right-of-use assets	1 030	-
Non-current tangible assets for (used in) the principal activity	687	-
Non-current tangible assets for (used in) administration	343	-
Total	5 848	5 066

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

Expenses, incurred for:	2019	2018
Salaries and wages, including salaries and wages of:	26 582	24 554
Production personnel	17 314	16 298
Administrative personnel	9 268	8 256
Social insurance contributions, including contributions paid in respect of:	4 264	4 546
Production personnel	3 367	3 456
Administrative personnel	897	1 090
Including expenses of the key management personnel	4 868	3 799
Including expenses related to unused leaves	(12)	233
Total	30 846	29 100

2.2.5. Impairment losses

Type of expense	2019	2018
Loss on impairment of cash	29	9
Loss on impairment of goodwill	-	447
Loss on impairment of inventories	33	-
Loss on impairment of receivables	1 963	2 541
Loss on impairment of financial assets	1	1 050
Total	2 026	4 047

2.2.6. Other costs

Type of expense	2019	2018
Provisions under contracts for building and construction works	5 992	376
Donations and grants	1 824	1 093
Receivables written-off	810	568
Entertainment expenses	599	364
Provisions for payables	514	417
Business trips	459	549

Social costs, presented in kind	364	351
Withholding tax expense	279	460
Provisions for litigation proceedings	245	-
Expenses under Article 209 of CITA	166	91
Expense with no supporting documentation	142	197
Labour medicine	85	61
Penalties and fines	81	92
Cost of deficits and retirement	68	88
Provisions for reclamation	38	-
Interest expense and fees on state receivables	19	24
Alternative tax cost	14	-
Other costs	324	347
Total	12 023	5 078

- The donations to the “Trace for People” Foundation amount to BGN 1 762 thousand for the period.
- Provisions for construction contracts / contracts for building and construction works include accrued expected forthcoming costs under construction contracts, including under building and construction work payables in the amount of BGN 5 246 thousand. The main portion of these amounts is an estimate of upcoming costs under construction contracts, which are to be incurred for completion of works and elimination of defects.

2.2.7. Allowances

Types of expenses	2019	2018
Carrying amount of assets disposed (net)	8 654	10 681
Carrying amount of assets disposed	8 654	10 681
Changes in the output inventories (net)	157	108
Changes in the output inventories	157	108
Cost of capitalised assets	-	(4)
Other allowances	-	59
Total	8 811	10 844

2.2.8. Finance costs

Types of expense	2019	2018
Interest expense, including interest expense incurred:	473	572
Under loans from financial institutions	166	271
Under leases	140	82
Under trade payables	128	218
Others	39	1
Expenses, related to bank guarantees	521	1 188
Losses from transactions in financial instruments	-	1
Foreign exchange losses	235	257
Other finance costs	280	647
Total	1 509	2 665

2.2.9. Share in associates and joint ventures

	2019	2018
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Profit / (Loss) from associates, net	(733)	2
Profit / (Loss) from joint ventures, net	-	-
Total	(733)	2

- The joint venture “Trace – M Invest” (50%) has not engaged in any activities during the period.

Profit from joint ventures, net, include:

Associate	2019	2018
Group’s share in the current year’s profit / (loss) of joint ventures	(733)	2
Total	(733)	2

Associate	2019	2018
Technostroy-Inzhenering 99 JSC (until its disposal)	(733)	7
Redko Trace International OOD (LTD)	-	(5)
Total	(733)	2

2.2.10. Tax expenses

Type of expense	2019	2018
Corporate income tax	2 970	408
Others	315	325
Total	3 285	733

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

Consolidated Statement of Profit or Loss (profit and loss for the year)	2019
Taxable profit / (loss) for the year of the entities within the Group	18 979
Taxable profit / (loss) for the year	18 979
Current income tax expense for the year – 10%, 15%	(2 972)
<i>Deferred income tax:</i>	<i>(313)</i>
Occurrence and reversal of temporary difference	296
Prior period’s tax expense and other changes	(609)
Total income tax expense, recognised in the Consolidated Statement of Profit or Loss	(3 285)

Reconciliation of income tax expense, determined compared with the consolidated accounting result	2019
<i>Accounting profit for the year</i>	<i>22 833</i>
Current income tax expense for the year – 10%, 15%	(3 186)
<i>From amounts, unrecognised in tax statements</i>	<i>(99)</i>
Associated with increases	(1 110)
Associated with decreases	1 715
Prior period’s tax expense and other changes	(591)

Current year's taxable profit, in respect of which deferred tax assets have not been recognised	(113)
Total income tax expense, recognised in the Consolidated Statement of Profit or Loss	(3 285)

3. Statement of Comprehensive Income

Components	2019	2018
Other comprehensive income	(85)	(185)
Items that are not subject to subsequent reclassification in profit or loss, including:	23	55
Actuarial gains / (losses)	23	55
Items that are not subject to subsequent reclassification in profit or loss, including:	(108)	(240)
Translation of foreign activities	(108)	(240)
Other comprehensive income	(85)	(185)

4. Other disclosures

4.1. Construction contracts

The cumulative revenue under construction agreements for 2019 and the allocation – over time – of the remaining price under significant, incomplete construction contracts as at 31.12.2019, 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	6 643	1 292	1 292	-	2019	2020
Contract 2	83 274	11 859	11 859	-	2020	-
Contract 3	605	769	769	-	2019	2020
Contract 4	4 510	7 355	5 000	2 355	2018	2021
Contract 5	2 920	2 059	2 059	-	2019	2020
Contract 6	1 235	726	726	-	2019	2020
Contract 7	2 331	298	298	-	2019	2020
Contract 8	149 057	11 735	11 735	-	2015	2020
Contract 9	41 961	1 247	1 247	-	2015	2020
Contract 10	6 617	4 215	4 215	-	2019	2020
Contract 11	355	1 522	1 522	-	2020	-
Contract 12	253	741	741	-	2019	2020
Contract 13	359	502	502	-	2019	2020
Contract 14	392	3 464	3 464	-	2020	-
Total construction contracts	300 512	47 784	45 429	2 355	-	-

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 *until 18.04.2019*

Patno Poddarzhane (transl. Road Maintenance) Elhovo LTD – indirectly via Technostroy-Inzhenering 99 JSC *until 18.04.2019*

Zenit Story Inzhenering EOOD (LTD) – indirectly via Technostroy-Inzhenering 99 JSC *until 18.04.2019*

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

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

G T Trans BG LTD (previously named Trace Trans LTD) *as of 22.11.2019*

Joint ventures

Trace-M Invest, Germany

Other related parties:

Entities, related through the principal shareholder

Galini – N LTD, Galini LTD, Himcolor JSC *until 10.04.2019*, Inzhproekt LTD, Systemhaus Fau LTD *until 12.12.2019*, Dikol-2 ET (SP), G.Mihaylov, Infrainvest (LTD) *until 31.01.2019*

Entities in which the Group has joint or significant control

Voden Park (transl. Water Park) Stara Zagora – a Company under the Law on Obligations and Contracts, Expo Tech Park – a Company under the Law on Obligations and Contracts, Irinopolis – a Company under the Law on Obligations and Contracts, RPM Kardzhali 2014 – a Company under the Law on Obligations and Contracts, PIM-T – a Company under the Law on Obligations and Contracts, Metro Stroitelstvo (transl. Metro Construction) – a Company under the Law on Obligations and Contracts – *until 14.11.2019*, Patno Poddarzhane (transl. Road Maintenance) Bourgas 2014 – a Company under the Law on Obligations and Contracts, GCF SK-13 Trace Railinfra Cons. JSC (in liquidation proceedings), GCF SK-13 Trace Railinfra Consortium, 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, Traffic Management Sofia – a Company under the Law on Obligations and Contracts, Sredets 2018 – a Company under the Law on Obligations and Contracts and others

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

Key Management personnel of the entity:

Nikolay Mihaylov – Chairman of the Supervisory Board

Manol Denev – Member of the Supervisory Board

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	2019	2018
Associates and joint ventures	Services, assets	49 490	77 284
Entities and persons, related via the principal shareholder	Services	66	65 890
Key Management personnel	Services, assets	8	12
Total		49 564	143 055

Purchases

Supplier	Type of transaction	2019	2018
Principal shareholder	Services	3 713	6 437
Associates and joint ventures	Services, materials	20	342
Entities and persons, related via the principal shareholder	Services, materials	1 405	62 087
Key Management personnel	Services, others	-	-
Total		5 138	68 866

Receivables

Customer	31.12.2019	31.12.2018
Associates and joint ventures	10 130	13 338
Entities and persons, related via the principal shareholder	438	11 623
Key Management personnel	6	5
Total	10 574	24 966

Payables

Supplier	31.12.2019	31.12.2018
Principal shareholder	6 663	8 581
Associates and joint ventures	1 678	1 601
Entities and persons, related via the principal shareholder	1 527	11 994
Key Management personnel	789	758
Total	10 657	22 934

Loans granted

Debtor	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
G T Trans BG LTD	BGN 1 301 thousand	4%	21.04.2020	None

Redko Trace International OOD (LTD)	BGN 235 thousand	10,5%	31.12.2015	Promissory note
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Balances of loans granted (principal and interest)

Debtor	Current / Short-term portion at amortised cost	
	Principal	Interest
Galin Mihaylov	-	25
Galin Mihaylov – impairment	-	(25)
Redko Trace International OOD (LTD)	83	18
Redko Trace International OOD (LTD) – impairment	(83)	(18)
G T Trans BG LTD	1 301	9
Total	1 301	9

Interest income, accrued on loans granted

Debtor	Receivable at 31.12.2018	Accrued in 2019	Received in 2019	Receivable at 31.12.2019
Galin Mihaylov	28	-	3	25
Galin Mihaylov – impairment	(28)	-	(3)	(25)
Redko Trace International OOD (LTD)	28	-	(28)	-
Redko Trace International OOD (LTD)	18	-	-	18
Redko Trace International OOD (LTD)- impairment	(46)	-	28	(18)
G T Trans BG LTD	-	9	-	9
Total	-	9	-	9

▪ Loans, granted to related parties, are intended to assist in funding activities under common strategic objectives and serve as working capital. Some of them are secured by pledges of securities (shares), pledges of receivables and / or promissory notes.

Key Management’s remuneration

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

Type	Amounts, accrued for: Remunerations and social insurance contributions within the period
Board of Directors	468
Managing Board	551
Supervisory Board	2 019
Managers / Executive Directors	1 830
Total:	4 868

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	31.12.2019	31.12.2018
Total debt capital, including:	105 687	88 779
Liabilities – related parties	9 719	19 251
Liabilities – unrelated parties	95 968	69 528
Decreased by:	(32 960)	(36 407)
Cash and cash equivalents		
Net debt capital	72 727	52 372
Total equity	119 359	101 218
Total capital	192 086	153 590
Leverage ratio	0,38	0,34

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 potential negative effects that could impact the financial results. Financial risks are identified, estimated and monitored on a current basis through various control mechanisms in order to determine adequate service prices for the services rendered by the Group and to adequately assess how the available liquid resources are maintained, without placing undue concentration on a given risk.

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

Credit risk

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

The financial assets of the group are concentrated in three groups: cash, receivables from customers and financial assets – loans granted.

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

31.12.2019	Overdue	With time to maturity	With re-negotiated maturity that has yet not expired	
	Impaired	Impaired	Not impaired	Total
			Not impaired	
Non-current assets	-	8	1 388	-
Non-current financial assets	-	10	-	-

Non-current financial assets – impairment	-	(2)	-	-	(2)
Non-current trade and other receivables from related parties	-	-	1 388	-	1 388
Non-current trade and other receivables	5 349	-	1 388	-	5 349
Non-current trade and other receivables – impairment	(5 349)	-	-	-	(5 349)
Current assets	514	-	115 042	-	115 556
Current financial assets from related parties	126	-	1 310	-	1 436
Current financial assets from related parties – impairment	(126)	-	-	-	(126)
Current financial assets	135	-	159	-	294
Current financial assets – impairment	(112)	-	-	-	(112)
Current trade and other receivables from related parties	232	-	10 574	-	10 806
Current trade and other receivables from related parties – impairment	(232)	-	-	-	(232)
Current trade and other receivables	8 076	-	102 999	-	111 075
Current trade and other receivables – impairment	(7 585)	-	-	-	(7 585)
Total financial assets	514	8	116 430	-	116 952

Liquidity risk

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

31.12.2019	Immediate	1 – 3 months	4 – 12 months	1 – 5 years	Over 5 years	With no maturity	Total
Non-current assets	-	-	-	1 396	-	-	6 745
Non-current financial assets	-	-	-	8	-	-	8
Non-current trade and other receivables from related parties	-	-	-	1 388	-	-	1 388
Non-current trade and other receivables	-	-	-	-	-	5 349	5 349
Non-current liabilities	-	-	-	10 900	728	391	13 067
Non-current lease payables to related parties	-	-	-	799	-	-	799
Non-current financial liabilities	-	-	-	3 914	-	-	3 914
Non-current lease payables	-	-	-	2 140	-	-	2 140
Non-current trade and other payables	-	-	1 048	4 047	728	391	6 214
Net liquid imbalance – non-current	-	-	(1 048)	(9 504)	(728)	4 958	(6 322)
Cumulative liquid imbalance – non-current	-	-	(1 048)	(10 552)	(11 280)	(6 322)	(6 322)
Current assets	32 351	31 273	77 216	6 774	270	9 201	157 085
Current financial assets from related parties	-	-	1 310	-	-	126	1 436
Current financial assets	23	-	159	-	-	135	317
Current trade and other receivables from related parties	-	-	10 574	-	-	232	10 806
Current trade and other receivables	-	31 273	65 173	6 774	270	8 076	111 566
Cash and cash equivalents	32 328	-	-	-	-	632	32 960
Current liabilities	768	14 557	77 634	-	-	-	92 959
Current lease payables to related parties	-	-	251	-	-	-	251
Current financial liabilities	-	418	1 008	-	-	-	1 426

Current lease payables	-	245	1 165	-	-	-	1 410
Current trade and other payables from related parties	-	-	9 796	-	-	-	9 796
Current trade and other payables	768	13 894	65 414	-	-	-	80 076
Net liquid imbalance – current	31 583	16 716	(418)	6 774	270	9 201	64 126
Cumulative liquid imbalance – current	31 583	48 299	47 881	54 655	54 925	64 126	64 126
Total financial assets	32 351	31 273	77 216	8 170	270	14 550	163 830
Total financial liabilities	768	14 557	78 682	10 900	728	391	106 026
Total Net liquid imbalance	31 583	16 716	(1 466)	(2 730)	(458)	14 159	57 804
Total Cumulative liquid imbalance	31 583	48 299	46 833	44 103	43 645	57 804	57 804

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 payables and loans obtained or granted form a significant portion of the structure of the Group’s assets and liabilities.

31.12.2019	Interest-free	With floating interest %	With fixed interest %	Total
Non-current assets	1 388	-	8	1 396
Non-current financial assets	-	-	8	8
Non-current trade and other receivables	1 388	-	-	1 388
Non-current liabilities	6 214	6 536	895	13 645
Non-current lease payables to related parties	-	-	895	895
Non-current financial liabilities	-	4 139	-	4 139
Non-current lease payables	-	2 397	-	2 397
Non-current trade and other payables	6 214	-	-	6 214
Long-term risk exposure	(4 826)	(6 536)	(887)	(12 249)
Current assets	114 856	32 168	1 509	148 533
Current financial assets from related parties	-	-	1 327	1 327
Current financial assets	-	-	182	182
Current trade and other receivables from related parties	10 574	-	-	10 574
Current trade and other receivables	103 490	-	-	103 490
Cash and cash equivalents	792	32 168	-	32 960
Current liabilities	89 872	2 931	259	93 062
Current lease payables to related parties	-	-	259	259
Current financial liabilities	-	1 479	-	1 479
Current lease payables	-	1 452	-	1 452
Current trade and other payables to related parties	9 796	-	-	9 796
Current trade and other payables	80 076	-	-	80 076
Short-term risk exposure	24 984	29 237	1 250	55 471
Total financial assets	116 244	32 168	1 517	149 929
Total financial liabilities	96 086	9 467	1 154	106 707
Total exposure to interest risk	20 158	22 701	363	43 222

Analysis of interest rate elasticity

Effect on profit / (loss), net of taxes	31.12.2019
In an increase of interest rates by 0.5%	103
In a decrease of interest rates by 0.5%	(103)

Currency risk

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

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

31.12.2019	Denominat ed in RSD	Denominat ed in EUR	Denominat ed in CZK	Denominat ed in BGN	Other currenci es	Total
Non-current assets	792	-	-	604	-	1 396
Non-current financial assets	-	-	-	8	-	8
Non-current trade and other receivables	792	-	-	596	-	1 388
Non-current liabilities	3 531	44	-	9 492	-	13 067
Non-current lease payables to related parties	-	-	-	799	-	799
Non-current financial liabilities	-	44	-	3 870	-	3 914
Non-current lease payables	78	-	-	2 062	-	2 140
Non-current trade and other payables	3 453	-	-	2 761	-	6 214
Long-term risk exposure	(2 739)	(44)	-	(8 888)	-	(11 671)
Current assets	41 540	3 285	6	103 679	6	148 516
Current financial assets from related parties	-	-	-	1 310	-	1 310
Current financial assets	-	157	-	25	-	182
Current trade and other receivables from related parties	-	-	-	10 574	-	10 574
Current trade and other receivables	37 779	-	-	65 709	2	103 490
Cash and cash equivalents	3 761	3 128	6	26 061	4	32 960
Current liabilities	20 197	261	873	71 628	-	92 959
Current lease payables to related parties	-	-	-	251	-	251
Current financial liabilities	-	261	-	1 165	-	1 426
Current lease payable	12	-	-	1 398	-	1 410
Current trade and other payables to related parties	2 297	-	17	7 482	-	9 796
Current trade and other payables	17 888	-	856	61 332	-	80 076
Short-term risk exposure	21 343	3 024	(867)	32 051	6	55 557
Total financial assets	42 332	3 285	6	104 283	6	149 912
Total financial liabilities	23 728	305	873	81 120	-	106 026
Total exposure to currency risk	18 604	2 980	(867)	23 163	6	43 886

The table hereafter presents the currency elasticity at 10% increase / decrease in the current exchange rates of the Bulgarian Lev to currencies, different than the Bulgarian Lev and the Euro, based on the structure of the foreign exchange assets and liabilities at 31 December and the assumption that the influence of the other variables is not taken into account. The effect is measured and presented as impact on the financial result before taxation and on equity.

Analysis of the currency elasticity to the RSD

Effect on profit / loss, net of taxes	31.12.2019
In an increase of the exchange rate by 10%	1 674
In an decrease of the exchange rate by 10%	(1 674)

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%	(78)
In an decrease of the exchange rate by 10%	78

4.5. Fair value

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

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

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

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

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

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

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:

Bank guarantees

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

Contingent assets					
Issuer	Value (BGN '000)	In favour of:	Purpose	Maturity	Security
UBB AD	4 925	Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; Bulgarian Owner's Associations	Securing performance obligations under contracts	15.05.2023	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK BANK EAD	15 238	Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; TD of NRA	Securing performance obligations under contracts and VAT obligations	29.05.2026	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
EXPRESSBANK AD	13 920	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	Securing performance obligations under contracts and participation in tenders	17.02.2036	Non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BULBANK AD	28 711	Bulgarian Ministry; Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and State Enterprises; Serbian State Enterprises; Czech State Enterprise; Serbian Ministry	Securing performance obligations under contracts	03.09.2037	Real estate, non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BANK	7 073	Serbian State Enterprises; Serbian Ministries; Serbian Municipalities	Agreement for issue of bank guarantees and letters of intention	20.12.2021	Corporate guarantee, real estate, movables
Total:	69 867				

Contingent assets		
Type	Guarantee issued, pledge of a counterparty	Insured amount in thousands of BGN
Insurance guarantees	JSIC OZK-Insurance AD	8 811

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

Contingent assets					
Issuer	Amount	In favour of:	Purpose	Maturity	Security
DSK EAD	300	NRA	Security under Article 176 of the VAT Law – trader in fuels	1 year	Under an framework agreement to issue bank guarantees
Total:	300				

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

Lawsuits

The Management, based on the facts and circumstances available at the end of the period and the estimations, presented by lawyers and jurists, has recognised impairment of lawsuit obligations in the amount of BGN 1 375 thousand at year-end.

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

The Group (per entities) is a plaintiff or defendant under the following lawsuits at 31.12.2019:

“Trace Group Hold” PLC

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 3 020 thousand as at 31.12.2019.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 0 thousand at 31.12.2019.

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 change. The claim amount is not defined as at 31.12.2019. Possible counterclaim.

“Trace Sofia” LTD

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 1 630 thousand at 31.12.2019.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 872 thousand at 31.12.2019.

“Trace – Road Construction” JSC

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 4 512 thousand at 31.12.2019.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 4 181 thousand at 31.12.2019.

“Trace Yambol” JSC

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 1 160 thousand at 31.12.2019.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 0 thousand at 31.12.2019.

“Infra Commerce” LTD

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of 819 thousand at 31.12.2019.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 0 thousand at 31.12.2019.

“USM” JSC

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of 52 thousand at 31.12.2019.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 0 thousand at 31.12.2019.

The Management has assessed, together with internal legal experts and external lawyers, that the probability and risks of a negative outcome is still below 50% for some of the lawsuits filed against the entity and therefore for most of those no provisions for lawsuit obligations have been recognised in the Statement of Financial Position as at 31.12.2019.

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 them (i.e. the activities) only on a geographical basis.

Operating segments	Bulgaria	Serbia	Czech Republic	Oman	Total	Consolidation	Group
As at 31 December 2019							
Revenue from contracts with customers	224 346	101 746	-	-	326 092	(13 280)	312 812

Revenue from construction contracts	204 207	94 833	-	-	299 040	(13 280)	285 760
<i>Including from other segments</i>	<i>13 280</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>13 280</i>	<i>(13 280)</i>	<i>-</i>
Revenue from sales of outputs	12 114	4 964	-	-	17 078	-	17 078
<i>Including from other segments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Revenue from sales of goods	7 393	1 890	-	-	9 283	-	9 283
<i>Including from other segments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Revenue from sales of services	632	59	-	-	691	-	691
<i>Including from other segments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Other revenue	3 086	627	125	-	3 838	-	3 838
<i>Including from other segments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Finance income	738	171	133	-	1 042	-	1 042
Including interesting income	267	15	-	-	282	-	282
Costs, including	(213 105)	(72 397)	(130)	-	(285 632)	581	(285 051)
Cost of materials	(45 540)	(11 242)	-	-	(56 782)	-	(56 782)
Cost of external services	(138 070)	(40 003)	(34)	-	(178 107)	581	(177 526)
Depreciation / Amortisation costs	(1 870)	(3 975)	(3)	-	(5 848)	-	(5 848)
Employee benefits (salaries and wages)	(21 809)	(9 037)	-	-	(30 846)	-	(30 846)
Impairment losses	1 256	(3 282)	-	-	(2 026)	-	(2 026)
Other costs	(7 072)	(4 858)	(93)	-	(12 023)	-	(12 023)
Allowances	(16 597)	(1 851)	-	-	(18 448)	9 637	(8 811)
Finance costs	(1 020)	(489)	-	-	(1 509)	-	(1 509)
Including interest expense	(459)	(14)	-	-	(473)	-	(473)
Share in associates	(733)	-	-	-	(733)	-	(733)
Tax expenses	(581)	(2 704)	-	-	(3 285)	-	(3 285)
Profit / Loss	(3 866)	25 103	128	-	21 365	(3 062)	18 303
Segment assets	186 319	82 805	6	566	269 696	(13 645)	256 051
Segment liabilities	83 041	56 277	14 241	-	153 559	(16 867)	136 692
Investments under the equity method	25	-	-	-	25	-	25
Deferred tax assets	3 536	-	-	-	3 536	-	3 536

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
<i>Including from other segments</i>	<i>13 628</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>13 628</i>	<i>(13 628)</i>	<i>-</i>
Revenue from sales of outputs	8 470	2 094	-	-	10 564	-	10 564
<i>Including from other segments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Revenue from sales of goods	9 933	589	-	-	10 522	-	10 522
<i>Including from other segments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Revenue from sales of services	878	82	-	-	960	-	960
<i>Including from other segments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Other revenue	2 547	2 430	326	-	5 303	-	5 303

<i>Including from other segments</i>	-	-	-	-	-	-	-
Finance income	207	153	351	-	711	-	711
Including interesting income	67	7	-	-	74	-	74
Costs, 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 cost	(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 expense	(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
Investments under the equity method	1 748	-	-	-	1 748	-	1 748
Non-current assets acquired	-	-	-	-	-	-	-
Deferred tax assets	3 736	-	-	-	3 736	-	3 736

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

The primary customers of the Group, generating revenue (from transactions) of over 10% of the total revenue are:

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

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

4.8. Disposal of associates

The Group has fully disposed is interest in the associate Technostroy – Inzhenering 99 JSC on 18.04.2019.

The financial result (gain / loss) of the disposal of joint venture is as follows:

	BGN '000
Fair value of the consideration received	1 100
Decreased by:	
Disposed share of net assets (33%)	(1 014)

Other changes	-
Gain / (Loss) on the disposal of the associate	86

4.9. Disposal of subsidiaries

On 22.10.2019, the Group has recognised sale of 63,25% of the capital of Trace Trans LTD (G T Trans BG LTD). The retained interest in the amount of 36,75% it has classified as associate.

The financial result (gain / loss) of the disposal is as follows:

	BGN '000
Cash received	3
Decreased by:	
Net assets written-off	263
Gain on the disposal of subsidiary	266

	BGN '000
Net cash flows from the disposal of subsidiary	
Cash received	3
Decreased by:	
Cash of the disposed subsidiary	(11)
Net cash flows from the disposal of subsidiary	(8)

The net assets of the disposed entity have been recognised as follows:

	22.10.2019
Trade and other receivables	2 506
Cash and cash equivalents	11
Property, plant and equipment	1
Deferred tax assets	26
Trade and other payables	(2 806)
Other payables and liabilities	(1)
Net assets	(263)

4.10. Acquisition of subsidiaries

On 10.04.2019, the Group has acquired 100% of the shares in the capital of Himcolor JSC through its subsidiary Infra Commerce EOOD (LTD). The acquiree was merged in Infra Commerce EOOD (LTD) on 03.08.2019.

The principal activity of the acquired subsidiary is disclosed in the General information on the Group.

The cost of the investment – namely the acquisition of the subsidiary – and the result / (goodwill) at the date of the gain of control by the parent are the following:

	BGN '000
Payments in the current period	(386)
Total acquisition cost	
Fair value of the acquired net assets	462
Acquisition result / (Goodwill)	76

The cash outflows in the gain of control are as follows:

	BGN '000
Paid in cash	(386)
Cash and cash equivalents in the acquiree	137
Cash outflows in the gain of control, net	(249)

The fair value / carrying amounts of the assets acquired and the liabilities assumed are disclosed hereafter:

	10.04.2019
Trade and other receivables	411
Other current assets	209
Inventories	218
Property, plant and equipment	93
Deferred tax assets	31
Trade payables	(197)
Other current payables	(303)
Fair value of the identifiable net assets	462
Profit from a good buy	(76)
Total acquisition cost (excluding commitments)	386
Less: Cash and cash resources acquired by subsidiaries	(137)
Cash outflow in gain of control, net	249

4.11. Transactions with non-controlling interest (NCI)

Subsidiaries with non-controlling interest

“Trace International” LTD is a subsidiary with a 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 for the NCI	30.00%
	Total for NCI, BGN '000
Book value of the NCI as at 31.12.2018	335
Profit / Loss, attributable to the NCI for the period	(119)
Dividends paid, attributable to the NCI	(55)
Other changes	(29)

4.12. Effects of the initial adoption of IFRS 16

The Group has been applying IFRS 16 – Leases as of 1 January 2019 and for the transition to the standard the group has chosen the modified retrospective approach, whereby the comparative information for 2018 remains unchanged. The Group has chosen to apply the practical expedient of not reassessing whether a contract is a lease or contains a lease component as at 1 January 2019 and it has agreed to apply IFRS 16 only to those contracts that have been previously identified as leases, in accordance with IAS 17 and IFRIC 4, on the date of initial adoption. For leases that have been recognised as “finance leases” under IAS 17 – the carrying amount of the right-of-use asset and the lease liability at the date of initial adoption is the carrying amount of the leased asset and lease liability, measured immediately before the date in accordance with IAS 17. At the date of the initial adoption, the entity has recognised lease obligations in accordance with IFRS 16 equal to the present value of all outstanding lease payments, discounted at the interest rate specified in the lease or at the incremental borrowing rate of the lessee.

IFRS 16 – Leases, adopted by the EU on 31 October 2017, effective for annual periods beginning on or after 1 January 2019, provides a detailed model for identifying leases and their treatment in the financial statements for both lessors and lessees. IFRS 16 replaces IAS 17 – Leases and the Related Interpretations: IFRIC 4 – Determining Whether a Contract Contains a Lease, SIC – Operating Leases – Incentives and SIC 27 – Assessing the Content of Transactions in the Legal Form of a Lease.

IFRS 16 – Leases removes the distinction between operating and finance leases from the lessee and requires the recognition of rights to use and obligations under all leases. The requirements for lessors are essentially unchanged. The purpose of the standard is to facilitate the comparability of financial statements and to provide information to consumers about the risks associated with leases.

The weighted average incremental borrowing rate applied in the initial recognition of lease obligations is 3% at 01.01.2019.

The Group has applied the following relief exemptions on the initial adoption of IFRS 16 “Leasing”:

- Leases of low value assets and leases with maturity of up to 12 months are excluded from the scope;
- The value of the right-of-use assets are equated to the lease obligations, after adjustment for prepaid / accrued lease payments, recognised in the Statement of Financial Position immediately before the date of initial application;
- Applying IFRS 16 to portfolios of leases with similar characteristics, where the effect on the financial statements does not differ significantly from its application to individual leases within that portfolio;
- Assessing leases to the extent that they are encumbered in accordance with IAS 37 – Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to conducting an impairment review of the asset entitled to use in accordance with IAS 36 – Impairment of Assets;
- The initial direct costs are excluded in recognising assets with a right of use;
- The company has benefited from the experience and information gained in determining the term of the lease agreements.

The cumulative effect of the initial adoption of IFRS 16 for each separate item in the Statement of Financial Position at 1 January 2019 is disclosed hereafter:

	BGN '000
Right-of-use assets	1 796
Total assets	1 796
Lease payables	1 796
Total liabilities	1 796
Total allowance in equity	-
Undistributed profit	-

4.13. Events after the reporting period

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

- The sale of 100% of the shares in the capital of the limited liability sole proprietorship “Trace International” LTD, held by “Trace Group Hold” PLC, was entered in the Commercial Register on 14.01.2020.
- A foreclosure on properties, owned by the Group, for securing a liability of a subsidiary under a revision act of the Territorial Directorate (TD) Large Taxpayers and Insurers (LTI) of the National Revenue Agency (NRA) in the amount of BGN 654 thousand was entered in the Registration Agency on 21.01.2020
- “Trace Group Hold” PLC, parent, has provided a corporate guarantee to a subsidiary in favour of ArcelorMittal Poland, S.A. as security for the delivery of materials, amounting to EUR 500 000, with maturity 01.03.2021.
- Annex № 14 to contract for assuming credit commitments under an overdraft credit line was signed by and between “Trace Group Hold” PLC and “UniCredit Bulbank” AD on 31.03.2020. The annex refers to the extension of the term of the credit line until 02.02.2021 and the additional securing of the credit line with real estate and cash with regards to the issuance of specific guarantees.
- “Trace Group Hold” PLC acquired 269 shares of the capital of “Trace – Road Construction” JSC on 31.03.2020. Pursuant to the acquisition, the ownership of “Trace Group Hold” PLC in the capital of the subsidiary is increased to 100%. Documents have been submitted for the registration in CRNPLE.
- The limited liability company “Trace Company” (“Trace Company” S.L.R.) with identification number IDNO 1020600013973 was registered in the Registry of Registers of the Republic of Moldova on 01.04.2020. The capital of the entity is 20 000 (twenty thousand) Moldovan Lei and is 100% (one hundred percent) owned by “Trace Group Hold” PLC. The principal activity of “Trace Company” S.L.R. is construction, current repairs and maintenance of highways, roads, streets, urban and municipal communications and the infrastructure around them, maintenance of roads, road accessories and facilities; construction of underground and aboveground railways, construction of tunnels; construction of railway and road facilities; design-engineering and trade activity; performing all types of services with construction and other equipment, cargo and other activities.
- The acquisition of 269 shares of the capital of “Trace – Road Construction” JSC was entered in the Commercial Registry on 20.05.2020. Pursuant to the acquisition, “Trace Group Hold” PLC became the sole owner of the capital of “Trace – Road Construction” JSC.

➤ A change in the representative of “Trace Ukraine” LTD was entered in the Commercial Register on 26.05.2020. Manol Denev was appointed as Manager of the entity, replacing Teodor Odrinski.

In the end of 2019, an epidemic of coronavirus COVID-19 was first located in China and then spread around the world. The World Health Organization declared the new coronavirus epidemic as “pandemic” on 11 March 2020. The spread of the virus throughout the entire globe is affecting a number of economic sectors, in so far as global industrial regions and entire countries are quarantined all around the world. At the beginning of March 2020, a pandemic of the infectious disease caused by coronavirus (COVID - 19) was established in the Republic of Bulgaria, with the first case of coronavirus being confirmed on 8 March 2020. Pursuant to the government’s request, the National Assembly declared a state of emergency on 13 March 2020 and the Law on Measures and Actions during the State of Emergency entered into force on 24 March 2020 and continued to effect until 14.05.2020. Strict anti-epidemic measures and restrictions were introduced to limit social contacts and the spread of the virus. This led to disruption of the normal economic activity of almost all economic entities in Bulgaria – extension and interruption of administrative deadlines, extension of administrative acts, suspension of procedural deadlines and the statutes of limitations, changes in the labour legislation on new working hours, suspension of work activities and use of annual leaves, and others. The pandemic causes a significant reduction in economic activity in Bulgaria and raises significant uncertainty about future processes in the macroeconomy in 2020 and in the years to follow.

The Management assesses this event as a non-adjusting event within the meaning of IFRS, adopted by the EU. The Management is monitoring, on a current basis, for the occurrence of risks and, respectively for negative consequences of the pandemic, making current assessments of the possible effects on the assets, liabilities and activities of the entity, as well as initial general response plans and decisions.

Traditionally, March and April are not active months for the construction sector; construction activities are usually expected to start in the second half of the year and at this stage there is no significant reduction in engagements. Nevertheless, the situation is dynamic and could subsequently change significantly as a result of the security measures imposed in the fight against the coronavirus. At the same time, most of the current projects within the Group are implemented on the territory of the Republic of Serbia. Due to the temporary closure of state borders, the movement of people, equipment and vehicles between the two neighbouring countries was completely restricted. At the same time, the Group has stopped working on projects that should have been financed with own or borrowed funds, but which do not commit the Group with terms and commitments to contractors. Within these new working conditions, the management of construction projects and sites becomes even more complicated as companies try to comply with new and drastic safety and health measures.

In view of the introduced anti-epidemic measures and restrictions in the pandemic that causes a significant reduction in economic activity and creates significant uncertainty about future business processes, the Group’s Management believes that there is a real risk of declining sales. At this stage of the emergency measures, it defines as an extremely pessimistic scenario a decrease of up to 30% in its revenues, compared to the revenues generated in 2019.

Nonetheless, the Management expects to maintain the sales levels, realised in 2019, with lower efficiency of project work.

Hence, the Management's assessment is that there are currently no specific factors that would call into question the applicability of the going concern principle in preparing the consolidated annual financial statements.

This information is disclosed and in execution of the recommendations of the Financial Supervision Commission, dated 13.03.2020.

There are no other significant events that have occurred after reporting date and before the date on which the consolidated financial statements were authorised for issue, which require adjustments or disclosures in the financial statements for the financial reporting year, ending on 31 December 2019.

“TRACE GROUP HOLD” PLC
CONSOLIDATED MANAGEMENT REPORT
For the financial reporting 2019

Contents:

I. General information on the Group

II. Principal activity review

1. Principal activity
2. Investment portfolio
3. Operating results

III. Financial and non-financial indicators analysis

1. Financial indicators and ratios
2. Dividends
3. Corporate Social Responsibility
4. Non-financial information
5. Corporate Governance Statement

IV. Main risks

V. Significant events after the reporting period

VI. Business development

VII. Research and Development

VIII. Information, disclosed in accordance with the provisions of the Commercial Act – Art. 187 e and Art. 247

1. Treasury shares. Share redemption
2. Information on the members of the entity's Management Bodies

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)

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

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 Group. It comprises information under Article 39 of the Accountancy Act and Art. 100 (n), paragraph 7 of the Public Offering of Securities Act (POSA), as well as Art. 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 has been established in the Republic of Bulgaria according to the Bulgarian legislation as a joint stock company and has been registered in the district court of Stara Zagora, under company file №255/2005. The entity is a public limited company since 2007, as per the meaning of Art. 110 of the Public Offering of Securities Act (POSA).

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 2019:

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 24 197 078 are voting shares and 2 922 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 31.12.2019	At the date 31.12.2018	At the date 31.12.2019	At the date 31.12.2018
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	2 922	4 815	0,01	0,02
Other Physical and Legal entities	5 813 247	5 811 354	24,02	24,01

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 31.12.2019 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 31.12.2019 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 31.12.2019 is Dipl. Eng. Boyan Delchev.

Members of the Audit Committee up to 31.12.2019 are:

Hristo Savchev
Prof. Hristina Nikolova, PhD
Diana Rangelova

The Entity has registered branch companies in Serbia, Czech Republic, North 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 31.12.2019 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 surrounding infrastructure;
- TRACE – ROAD CONSTRUCTION JSC, SOFIA, BULGARIA – 99.86% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road structures, current repairs and winter maintenance;
- TRACE SERBIA JSC, NIS, SERBIA - 100.00% owned by Trace Group Hold PLC
Principal activity: Construction and reconstruction of roads and road structures, 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 structures;
- 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;
- 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 – in a process of liquidation

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

- METRO DRUZHBA LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
Principal activity: Tunnel and bridge 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.

II. Principal activity review

1. Principal activity divisions executed by entities in the Group of Trace

The entities in Trace Group are engaged in all types of activities related to engineering and infrastructure – construction, rehabilitation, maintenance, design and all additional activities. The portfolio of Trace activities includes investment, international trade and logistics as well.

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;**

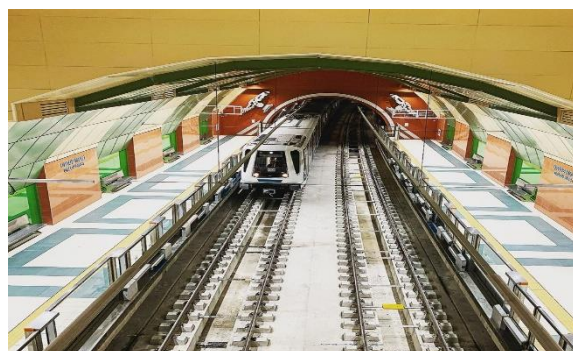
TRACE takes part in the implementation of the major projects in the Bulgarian republican infrastructure, among which are completion of “Trakia” and “Hemus” highways. The group participates in the construction of the Serbian part of Corridor 10 Highway.

The entities in TRACE organization structure carry out projects for reconstruction and repair works on road network and on urban infrastructure as well. They implement current repair works and winter maintenance of 20% of the roads in the country and 3 000 km of the road network on the territory of the Republic of Serbia. The group has resources for construction and maintenance of traffic organization system, vertical and horizontal marking, and possesses 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 have already been put into operation and the adjacent underground railway road as well. Trace currently 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 group 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 by applying advanced 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 for 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 applied - 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 improves the quality of people's lives.

In the environmental sector “Trace Group Hold” PLC focuses its efforts on implementation of waste management and soil protection projects - municipal waste disposal installations, construction of regional landfills for municipal waste, construction of pre-treatment facilities, including composting, sorting and waste separation. The company has the capacity to work on adaptation to climate change, prevention and risk management.

“Trace Group Hold” has 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. Trace 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, materials 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, armature, railway consumables and materials, construction machinery, etc.

- ✓ **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 plants, 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. In Bulgaria Trace offices are located in the economically significant regions of the country. Abroad the company is represented by entities and branches in the Republic of Serbia, Czech Republic, North Macedonia and Ukraine. 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 foundation “Trace for people” is a driver of the company's social policy.

“Trace Group Hold” PLC is a member of:

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

2. Operating results

Net sales revenue structure:

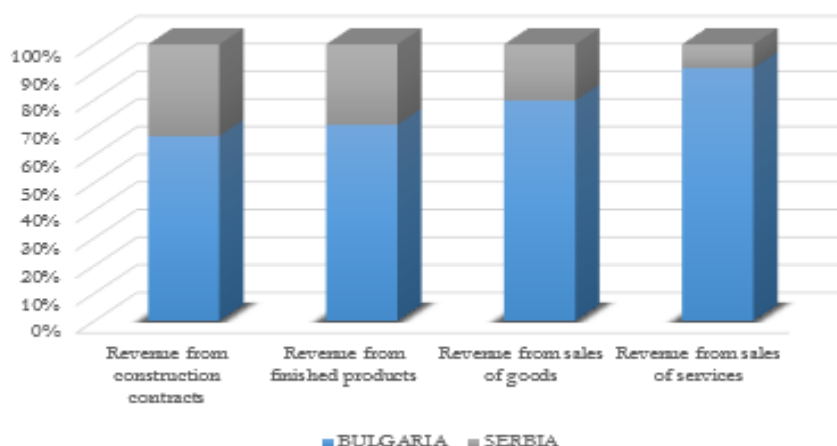
The consolidated net sales revenue amount to BGN 316 650 thousand in 2019 /without financial/ and record 10,01% decrease compared with the net sales revenues in 2018 (2018: BGN 351 875 thousand). They include Income from contracts with clients amounting to BGN 312 812 thousand and Other income – BGN 3 838 thousand.

The types of revenue, their relative share and their change, compared with the financial reporting 2018, are presented in the table hereafter.

Type of income	2019 BGN'000	Relative share for 2019	2018 BGN'000	Relative share for 2018	Change %
Income from construction contracts	285 760	90,24%	324 526	92,23%	▼ (11,95)%
Income from sales of finished products	17 078	5,39%	10 564	3,00%	▲ 61,66 %
Income from sales of goods	9 283	2,93%	10 522	2,99%	▼ (11,78)%
Income from rendering of services	691	0,22%	960	0,27%	▼ (28,02)%
Other income	3 838	1,21%	5 303	1,51%	▼ (27,63)%
Total	316 650	100,00%	351 875	100,00%	▼ (10,01)%

The Income from Clients contracts amount to BGN 312 812 thousand and decrease with 9,47% compared with the prior reporting period (2018: BGN 346 572 thousand). They include income from construction contracts, income from sales of products, income from sales of goods and income from rendering of services.

Revenue from contracts with clients in 2019



The decrease in the consolidated income from Clients contracts in the current reporting period, compared with the prior reporting period, arises mainly from the decreased revenues, generated by “Bulgaria” segment. In 2019 BGN 211 066 thousand revenues have been reported in our country, and in 2018 - BGN 270 619 thousand. The revenues in the Republic of Serbia amount to BGN 101 746 thousand and increase with 29,3% compared to the previous year (2018: BGN 75 953 thousand).

The main share in the structure of the consolidated income under contracts with clients is retained by income under construction contracts (90.24%), which amount to BGN 285 760 thousand. Their value decreases by 11,95% or BGN 38 766 thousand compared with the previous reporting period (2018: BGN 324 526 thousand). For the period, 66,81% of them or BGN 190 927 thousand have been generated in Bulgaria and the rest 33,19% amounting to BGN 94 833 thousand – by the subsidiaries in the Republic of Serbia.

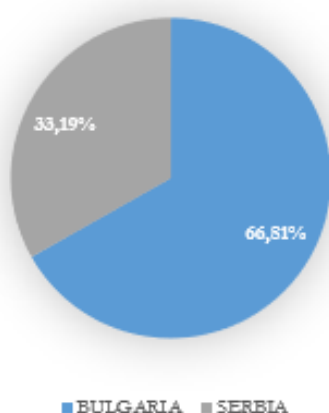
The core projects that formed the 2019 revenue from construction works in the Republic of Bulgaria are:

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 stations; 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 underground metro stations and a tunnel section;
3. 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 underground metro station;
4. New construction, overhaul repair, rehabilitation, reconstruction, current repair of the street network, municipal roads, national roads / under an agreement with the Republican Road Infrastructure Fund /, current repair and new construction of asphalt pavements on the territory of Municipality of Stara Zagora;
5. Ongoing repair works at the street network and road structures within First zone of Sofia Municipality, Lozentes District;
6. Appointment of a contractor for maintenance (preventive, current, winter and repair-restoration works in case of emergency situations) of the republican roads on the territory of the South Central region, managed by Road Infrastructure Agency, according to art. 19, paragraph 1, item 1 of the Roads Act - Lot №4 - Smolyan District road administration;
7. Rehabilitation of the railway sections Skutare – Orizovo and Straldzha – Tserkovski, part of “Rehabilitation of the railway infrastructure on the railway line Plovdiv – Bourgas – Phase 2” project, Lot 1: “Rehabilitation of the railway section Skutare – Orizovo”;
8. Reconstruction of overpass over railway line and “Slavyanski” Blvd., Stara Zagora;
9. Preparation and coordination of a working investment project and execution 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, including 5 additional projects;
10. Execution and maintenance (preventive, current, winter and repair-restoration works in case of emergency situations) of republican roads on the territory of the north-western region, managed by Road Infrastructure Agency according to art. Art. 19, paragraph 1, item 1 of the Roads Act for Lot №4 Lovech District road administration.

The main projects, forming the generated revenue under building and construction works in Serbia for 2019 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.E80.EBRD.B.ICB;
3. Maintenance (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.
4. Construction of E 80 Highway, Pirot (Iztok) (transl. East) – Dimitrovgrad (remainig works), ICB No: CORRX.E80.EBRD.A2-RW.ICB;

Income from construction contracts in 2019



The consolidated revenue from sales of production amount to BGN 17 078 thousand in 2019 and record an increase with 61,66% compared with the same in 2018 (2018– BGN 10 564 thousand). These revenues represent 35,39% of the income from Clients contracts and their relative share increases compared with the prior reporting period with 2,39 % (2018 – 3,00%). Viewed geographically, 70,93% from them, or BGN 12 114 thousand have been realized in Bulgaria and the rest 29,07% - in the Republic of Serbia.

The realised in 2019 production was mainly generated from the sale of asphalt mixtures – BGN 12 816 thousand, which record an increase of 43,71% or BGN 3 898 thousand compared with the same in 2018 (2018 – BGN 8 918 thousand). Part of the asphalt mixtures (83,72%) were sold in the Republic of Bulgaria, because the main production facilities of the group are located in Bulgaria.

The revenue from sales of inert materials amounts to BGN 3 876 thousand and record a decrease of BGN 2 325 thousand compared with the same in 2018 (2018 – BGN 1 551) thousand. Distributed geographically, 74,23%, of the inert materials were sold in the Republic of Bulgaria, while 25,77% 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. The category of this type of income includes income from the sale of road marking paints in the amount of BGN 297 thousand and BGN 71 thousand for sales of other materials.

Revenue from sales of goods amount to BGN 9 283 thousand and decrease by 11,87% compared with the prior reporting period (2018: BGN 10 522 thousand). They include revenue from sales of fuel and oil amounting to BGN 3 611 BGN, revenue from sales of machines and equipment amounting to BGN 1 341 thousand, revenue from sales of goods in connection to road construction amounting to BGN 1 556 thousand. A significant part of this type of revenue is generated from the sale of materials and equipment for construction contracts performed

by the group, because commercial activity is largely related to the implementation of the main construction contracts.

Revenue from sales of rendering services during the year amount to BGN 691 thousand and record decrease with 27,63% compared to the prior reporting period (2018 – BGN 960 thousand). They cover revenue from services related to mechanization – BGN 231 thousand, revenue from transport services – BGN 77 thousand, revenue from consulting services - BGN 124 thousand and services with materials of the client.

Other income structure

Other sales income amount to BGN 3 838 thousand and record decrease with 27,63% in comparison with the previous reporting period (2018 – BGN 5 303 thousand). They include income from operating lease of own assets in the amount of BGN 509 thousand, income from reimbursed provisions from construction contracts in the amount of BGN 939 thousand, income from recovered impairment of receivables in the amount of BGN 448 thousand, income from written-off unused provisions in the amount of BGN 367 thousand, etc. Distributed by segments, 80,41% of the other incomes have been realized in Bulgaria, 16,34% - in the Republic of Serbia, and the remaining 3,26% have been generated from the Czech Republic.

Finance income structure

Type of income	2019 BGN'000	Relative share for 2019	2018 BGN'000	Relative share for 2018	Change %
From transactions from financial instruments	428	41,07%	1	0,14%	▲ 42 700,00 %
Interest income, including interest income earned	282	27,06%	74	10,41%	▲ 281,08 %
• under commercial loans	10		7		
• under trade receivables	267		54		
• others	5		13		
Foreign exchange gains	321	30,81%	625	87,90%	▼ (48,64)%
Other financial income	11	1,06%	11	1,55%	▲ -
Total	1 042	100,00%	711	100,00%	▲ 46,55 %

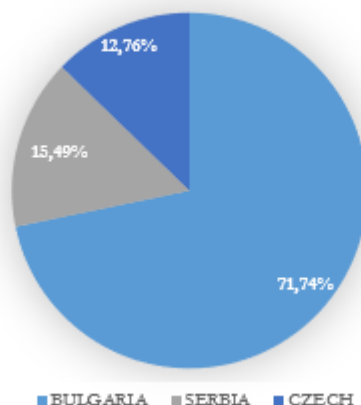
The consolidated finance income for 2019 amount to BGN 1 042 thousand and have increased with 46,55 % in comparison with the prior reporting period (2018: BGN 711 thousand).

In the finance income group are presented operations with financial instruments amounting to BGN 428 thousand, which show a positive effect from the release of a subsidiary and an associate (respectively Trace Trans LTD and Technostroy Engineering - 99 JSC), as well as the acquisition of a subsidiary (Himcolor JSC) - detailed information about these operations is presented in the Notes to the consolidated financial statements. The finance income also includes positive exchange rate differences amounting to BGN 321 thousand and other finance income in the amount of BGN 11 thousand. Interest income amount to BGN 282 thousand and increase significantly in comparison with prior reporting period (2018 – BGN 74 thousand). The reason for this is the increase in the value of interest on trade receivables reported by the group in Bulgaria.

The geographical distribution structure of the group's finance income is as follows: 71,74% generated in Bulgaria, 15,49% generated in the Republic of Serbia and 12,76% generated in the Czech Republic.

The below graph presents the finance income per geographical segments:

Financial income for 2019

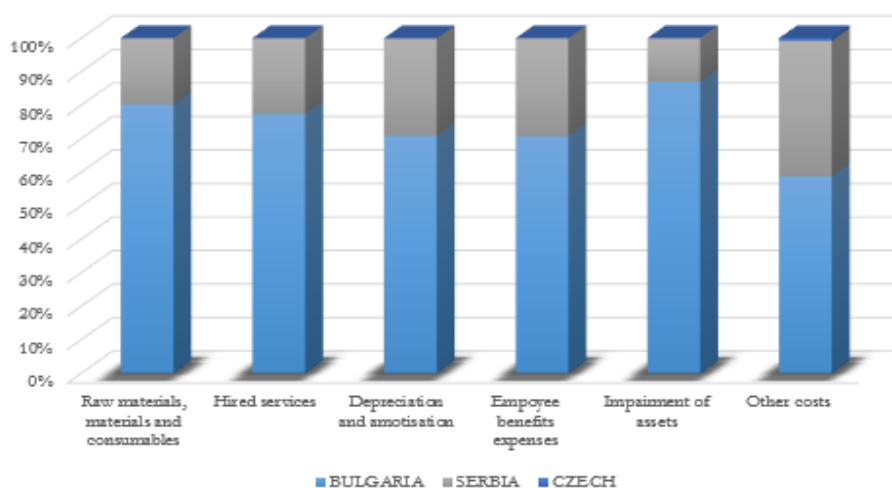


Expenses by economic elements strucutre

The consolidated expenses by economic elements amount to BGN 285 051 thousand and record a 14,25% decrease compared with the prior reporting period (2018: BGN 332 413 thousand). Their change is interconnected with the volume of construction works that the group has executed within the year.

Type of expenses	2019 BGN'000	Relative share for 2019	2018 BGN'000	Relative share for 2018	Change %
Expenses per economic elements	285 051		332 413		
Raw materials, materials and consumables	56 782	19,92%	61 402	18,47%	▼ (7,52)%
Hired services	177 526	62,28%	227 720	68,51%	▼ (22,04)%
Depreciation and amortisation	5 848	2,05%	5 066	1,52%	▲ 15,44 %
Employee benefits expenses	30 846	10,82%	29 100	8,75%	▲ 6,00 %
Impairment of assets	2 026	0,71%	4 047	1,22%	▼ (49,94)%
Other costs	12 023	4,22%	5 078	1,53%	▲ 136,77 %
Total	285 051	100,00%	332 413	100,00%	▼ (14,25)%

Expenses per economic elements 2019

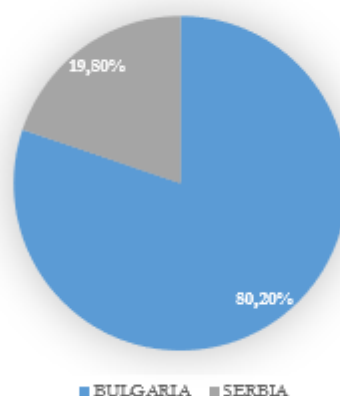


Expenses, incurred by the group for raw materials, materials and consumables amount to BGN 56 782 thousand and decrease with 7,52% compared with the prior reporting period (2018: BGN 61 402 thousand). In essence, these are the expenses, incurred for direct raw materials and overheads, consumed in the production process, expenses for fuels and lubricants, tires, spare parts, electricity, office materials and consumables, water. etc. Their relative share to the total expenses by elements is 19,92 %, geographically distributed as follows: 80,20% in Bulgaria and 19,80% in the Republic of Serbia.

The most significant portion of the group's cost is for the raw materials amounting to BGN 47 042 thousand, which decreases with 8,84% in comparison with the prior reporting period in 2018. Expenses, incurred for fuel and lubricants amount to BGN 5 312 thousand and have a relative share in the group of 9,36%. They record decrease in comparison with the prior reporting period with 5,73% or BGN 323 thousand (2018 – BGN 5 635 thousand). The availability of own means of transport and machines presupposes expenses for their maintenance, such as expenses for spare parts (BGN 1 459 thousand), expenses for tires (BGN 374 thousand), etc.

The cost of electricity amounts to BGN 822 thousand and has increased by 6,34% compared with the prior reporting period (2018: BGN 877352 thousand). No significant changes are observed in the absolute value of the remaining cost of materials in comparison with the prior reporting period. The purchase of the main materials and raw materials in the group is carried out through the subsidiary of the group - Infra Commerce LTD and its branch company in the Republic of Serbia.

Raw materials, materials and consumables 2019



The consolidated expenses for hired services amount to BGN 177 526 thousand and decrease compared to the same period with 62,28% (2018 – BGN 227 720 thousand). They represent 62,28% of the expenses per economic elements. The largest relative share in them are the expenses for subcontractors under construction contracts - BGN 121 444 thousand, representing 82,82%, which marked a decrease of 20,74% compared to the previous year.

Operating lease expenses (rents) has significant share of the hired services expenses – 3,46%, as well as transport expenses, which represent 4,07% of the hired services expenses.

The expenses for transport services realized in the current period amount to BGN 7 228 thousand and increase with BGN 4 568 thousand (2018 – BGN 2 660 thousand), from which 98,05% were generated in Republic of Serbia. The equipment of the entities in the group with specialized mechanization and vehicles and their optimal load capacity requires periodical maintenance and repair of these assets as the costs for maintenance and repair amount to BGN 1 178 thousand (2018 – BGN 1 296 thousand). Contract services amount to BGN 3 879 thousand and consulting services amount to BGN 1 545 thousand.

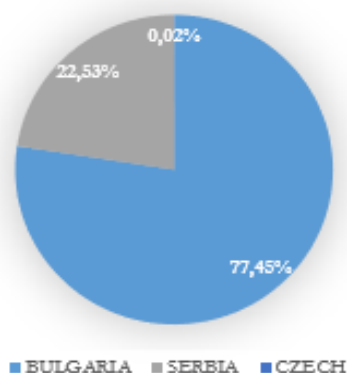
Design costs amount to BGN 1 244 thousand and decrease with 25,33% compared to the previous reporting period (2018 – BGN 1 666 thousand). Consulting and other types of contracts amount to BGN 1 545 thousand and decrease with 79,10% (2018 – BGN 7 394 thousand). Part of them are mainly realised by the branches and Serbian subsidiaries.

Insurance costs amount to BGN 1 500 thousand and increase in comparison to the previous reporting period with 4,17% (2018 – BGN 1 440 thousand), as 79,13% of them were generated in Bulgaria and the remaining 28,87% in the Republic of Serbia. Part of the reasons for the increase of this type of costs is the acquisition of new assets in the current reporting period by the group as well as conclusion of insurances for the execution of construction contracts. Laboratory testing cost amount to BGN 995 thousand and decrease in comparison to previous reporting period with 4,88% (2018 – BGN 1 046 thousand). Security expenses amount to BGN 1 714 thousand and increase with 12,54% in comparison with the previous reporting period (2018 – BGN 1 523 thousand), as 69,49% of them have been generated in Bulgaria and 30,51% in the Republic of Serbia. Costs, incurred for blasting activities, amount to BGN 987 thousand and increase with 66,44 % in comparison to the previous reporting period, mainly in the Republic of Serbia (65,25% from the amounts in 2019). Taxes and fees expenses amount to BGN 1 136 thousand, legal services - BGN 788 thousand, telecommunication services - BGN 307 thousand.

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 2019.

The expansion of the construction activities is accompanied with engagement of significant resources of hired services, this trend shall continue within the next reporting period. Analysed per geographical segments hired services expenses in the Republic of Bulgaria amount to 77,45% and in the Republic of Serbia – 22,53%.

Hired services 2019

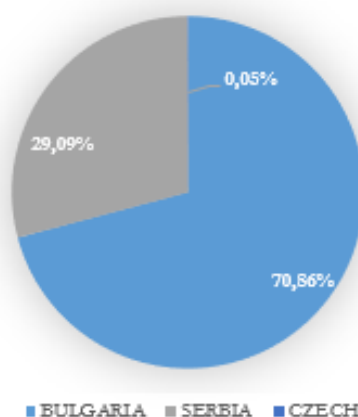


Depreciation expenses amount to BGN 5 848 thousand and increase compared to the previous year with 15,44% (2018 - BGN 5 066 thousand). The category includes expenses for depreciation of own assets BGN 4 818 thousand and expense for depreciation of assets with right of use according to IFRS 16 Leasing, amounting to BGN 1 030 thousand. During the year the group acquired and put into operation non-current intangible assets at a total value of BGN 11 228 thousand, of which, machinery and equipment amount to BGN 4 025 thousand, land - BGN 3 830 thousand, assets in process - BGN 1 172 thousand, transport vehicles - BGN 828 thousand, etc. The carrying amount of the assets with right of use as a result of application of IFRS 16 Leasing is BGN 6 954 thousand, of which BGN 5 553 thousand cover the financial leasing and BGN 1 401 thousand cover operational leasing. The Group continues its investment policy for concentrating its main corporate assets, which are leased to

subsidiaries on necessity and loading principle. One of the main tasks for the Management is the effective management of the assets and their optimal loading in the group structure.

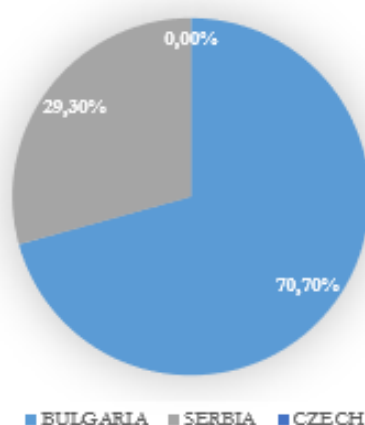
The distribution of consolidated depreciation expenses by geographical area is as follows:

Depreciation and amortisation 2019



Remuneration costs paid to the personnel amount to BGN 30 846 thousand or 10,82% of the expenses per economic elements. Compared to the previous year, they increase with 6,00% (2018 - BGN 29 100 thousand). Distributed by geographical segments, expenses for salaries in the country are 70,70% and 29,30% - in the Republic of Serbia.

Employee benefits expenses 2019



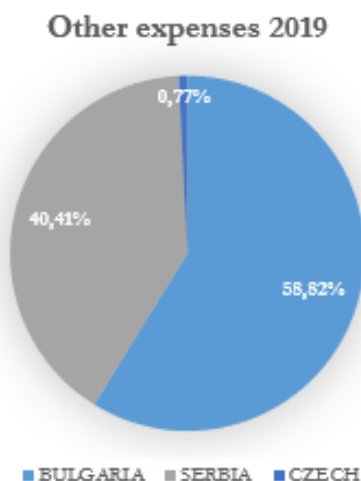
Expenses for impairment of assets amount to BGN 2 026 thousand and decrease by 49,94% compared to the comparable period (2018 - BGN 4, 47 thousand). Most of these are expenses from impairment of receivables BGN 1 963 thousand, impairment of inventories - BGN 33 thousand and impairment of cash - BGN 29 thousand.

Other operating expenses represent 4,22% of the expenses generated by economic elements and amount to BGN 12 023 thousand. Distributed by segments, 58,82% of them were reported in the Republic of Bulgaria, 40,41% - in the Republic of Serbia and 0,77% in the Czech Republic.

The increase in their values during the year is due to accrued as at 31.12.2019. expenses for provisions in the amount of BGN 5 992 thousand, mainly in the Republic of Serbia (66,20%). In essence, they represent accrued amounts for expected forthcoming expenses for completion of construction projects, as well as expenses related to the warranty period of construction contracts. Provisions for other liabilities connected to contractual commitments amount to BGN 514 thousand and increase by 23,26% compared to the comparable period (2018 - BGN 417 thousand). The written-off receivables amount to BGN 810 thousand and are 42,61% more compared to the previous reporting period (2018 - BGN 568 thousand).

Expenses for business trips amount to BGN 459 thousand and decrease by 16,39% (2018 - BGN 549 thousand). Expenses for representation purpose amount to BGN 599 thousand, provisions for liabilities amount to BGN 514 thousand (2018 - BGN 417 thousand), social expenses provided in kind amount to BGN 364 thousand, expenses for absence and waste - BGN 68 thousand. Expenses for withholding tax and alternative taxes amount to BGN 279 thousand and BGN 14 thousand respectively.

The Group has donated BGN 1 824 thousand in 2019 mostly to “Trace for people” Foundation.



Finance cost structure

The consolidated finance costs amount to BGN 1 509 thousand and increase by 43,38% compared with the financial reporting 2018 (BGN 2 665 thousand).

Type of expenses	2019 BGN'000	Relative share of 2019	2018 BGN'000	Relative share of 2018	Change %
Interest expenses, including:	473	31,35%	572	21,46%	▼ (17,31)%
• loans granted by financial institutions	166		271		
• leases	140		82		
• trade liabilities	128		218		
• others	39		1		
Expenses from transactions with financial instru	-	0,00%	1	0,04%	▼ (100,00)%
Foreign exchange losses	235	15,57%	257	9,64%	▼ (8,56)%
Expenses, related with bank guarantees	521	34,53%	1 188	44,58%	▼ (56,14)%
Other finance costs	280	18,56%	647	24,28%	▼ (56,72)%
Total	1 509	100,00%	2 665	100,00%	▼ (43,38)%

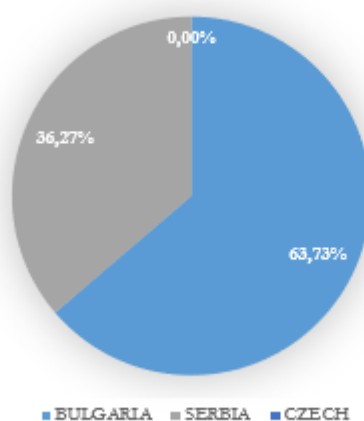
The most significant component of the finance costs and in relative share (34,53%) are the costs related to bank guarantees that amount to BGN 521 thousand. Bank guarantees are issued with regards to concluded contracts for building and construction works in order to secure the provided advance payments and to guarantee the quality of the executed construction works to the Employers. This kind of cost decrease by 56,14% compared to the previous period (2018 - BGN 1 188 thousand), on the one hand due to completion of some construction contracts, and on the other - due to use of insurance to ensure the implementation of construction contracts before Contracting authorities (Employers).

Interest expenses amount to BGN 473 thousand and decrease in comparison to the prior reporting period by 17,31% (2018 – BGN 572 thousand). The main reason for this is the decrease in interest expenses on loans from banks (2018 - BGN 166 thousand) by 38,75% and on trade payables (2018 - BGN 128 thousand) by 41,28% compared to the previous year. The expenses for interests connected to leasing contracts amount to BGN 140 thousand and increase by 70,73% (2018 - BGN 82 thousand). A significant share in the structure of financial costs is retained by the expenses from negative exchange rate differences, which amount to BGN 235 thousand, despite their decrease of 8,56% (2018 - BGN 257 thousand). The other financial costs amount to BGN 280 thousand and decrease significantly compared to the previous reporting period (2018 - BGN 647 thousand). Distributed by geographical segments, 60,37% of the financial costs are generated in Bulgaria and 39,63% - in the Republic of Serbia.

Personnel

1 147 employees were employed by the Group as at 31.12.2019, compared with 1 163 employees, engaged in 2018. Geographically distributed – 63,73% of the personnel is employed in the Republic of Bulgaria and 36,27% in the Republic of Serbia:

Total personnel employed 2019



Financial result

To summarise the data, disclosed in the presented consolidated financial information, the realised in total within 2019 revenue amount to BGN 317 692 thousand, while the expenses in total, without tax cost, amount to BGN 295 371 thousand. The financial result before tax amounts to a gross profit of BGN 21 588 thousand. The accrued tax expense amount to BGN 3 285 thousand, of which BGN 2 970 thousand is the current corporate tax. The net profit is BGN 18, 303 thousand. So formed financial result for 2019 is rather incidental, as a result of successfully completed long-term construction contracts in the Republic of Serbia and compensates for reported losses in the group from previous years.

III. Financial and non-financial indicators analysis

1. Financial indicators and ratios

The financial position of the group for the financial reporting 2019 is reflected in the following economic indicators:

№	Indicators	2019	2018	Difference	
		Value	Value	Value	%
1	Non-current assets (total)	91 192	97 608	(6 416)	-7%
2	Current assets, including	164 859	123 564	41 295	33%
3	Assets held for sale	-	-	-	-
4	Inventory	8 774	7 964	810	10%
5	Current receivables	121 633	79 080	42 553	54%
6	Current financial assets	1 492	113	1 379	1220%
7	Cash and cash equivalents	32 960	36 407	(3 447)	-9%
8	Total assets	256 051	221 172	34 879	16%
9	Equity	119 227	100 883	18 344	18%
10	Financial result	18 422	5 905	12 517	212%
11	Non-current liabilities	15 373	20 450	(5 077)	-25%
12	Current liabilities	121 319	99 504	21 815	22%
13	Total liabilities	136 692	119 954	16 738	14%
14	Total revenue	317 692	352 586	(34 894)	-10%
15	Sales revenue	312 812	346 572	(33 760)	-10%
16	Total expenses	295 371	345 922	(50 551)	-15%

№	Ratios	2019	2018	Difference	
		Value	Value	Value	%
Profitability:					
1	Return on equity	0.15	0.06	0.10	164%
2	Return on assets	0.07	0.03	0.05	169%
3	Return on liabilities	0.13	0.05	0.09	174%
4	Net profit margin	0.06	0.02	0.04	246%
Efficiency:					
5	Of costs	1.08	1.02	0.06	6%
6	Of income	0.93	0.98	(0.05)	-5%
Liquidity:					
7	Current ratio	1.36	1.24	0.12	9%

8	Quick ratio	1.29	1.16	0.12	11%
9	Acid test	0.28	0.37	(0.08)	-23%
10	Absolute liquidity	0.27	0.37	(0.09)	-26%
Financial leverage:					
11	Financial leverage	0.87	0.84	0.03	4%
12	Debt	1.15	1.19	(0.04)	-4%

Profitability (return) coefficients 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 group. Their levels are directly dependent on the values of the realized profits of the group. Since in 2019 net profit increase significantly compared to 2018 (2019 - BGN 18 303 thousand; 2018 - BGN 5 933 thousand), all profitability indicators increase compared to the previous reporting period. Thus, return on equity is 0,15, return on assets is 0,07, return on liabilities is 0,13, net profit margin is 0.06. This indicator is usually subject of a special investor interest.

Efficiency ratios are quantitative characteristics of the interrelation of the group's revenues and expenditure. The factor, which mainly influences their alteration, is the change in the revenue and expense structure. Based on the data from 2019 the cost efficiency ratio increases with 0,06 points compared to 2018, and income efficiency ratio decrease with 0,05 points. Thus, for the realization of BGN 1,08 income correspond to BGN 0,93 costs.

Liquidity ratios reflect the group's ability to convert available assets into liquid assets, as well as its ability to service its debts in a timely manner with available assets. The total current ratio is 1,36 and increases compared to the previous reporting period by 0,12 points (2018 – 1,24). It is calculated as a ratio between current assets and current liabilities and in case of values above one, the degree of risk of the company falling into a state of inability to meet its liabilities is too small. The ratios of acid and absolute liquidity are 0,28 and 0,27 and decrease by 23% and 26% respectively compared to 2018 (2018: coefficients 0,08 and 0,09). These ratios present the dependence between current liabilities, financial liabilities and cash. As at 31.12.2019 the carrying amount of available cash in the group is BGN 32 960 thousand and the amount of current liabilities is BGN 121 319 thousand.

The financial leverage coefficient is the ratio between equity and total liabilities. In 2019 the value of equity increases with 17,82% (BGN 119 359 thousand) and the total value of liabilities increases with 21,92% (BGN 121,319 thousand) compared to 2018. The financial leverage indicator amounts to 0,87 and increase with 0,03 points compared to the previous year (2018 -0,84).

Debt ratios show the amount of liabilities, recorded against BGN 1 of equity. The debt ratio is 1,15 in 2019 and increase by 0,03 points in comparison to the prior reporting period.

2. Dividends

The corporate Management of “Trace Group Hold” plc maintains an optimal dividend policy in order to satisfy interests of the shareholders and to reinvest the residual profit for achieving future growth in the development of the entity and increase the price of shares. The aspiration of the top management is dividends decisions to be balanced, in accordance with the available resources, economic situation and shareholders expectations. The main mission of the dividend policy is to preserve the vitality and development potential of the entity.

“Trace Group Hold” PLC decision to pay dividend is determined by what profit part could be distributed as a dividend without violating investment opportunities set in the entity's business program for next year.

3. Corporate and social responsibility

Corporate and social responsibility for Trace is a corporate model of behavior where the business is based on shared values. The most important among them is the attitude towards employees working in the entity and partners of Trace, but also the support to various social and cultural campaigns, participation in solving diverse social problems and last but not least environmental protection.

Evidence of the trust, quality of the projects' implementation and benefits that “Trace Group Hold” PLC generates for the local communities and for a wide range of our public, are the awards that the company have received in 2019:

- Confederation of the Employers and Industrialists in Bulgaria (CEIBG) Award for “Corporate and social responsible company – municipality partner”, which was presented for a first time in Stara Zagora District;
- “Most Generous Donor” Award in Bulgaria. During an official ceremony in the Presidency of the Republic of Bulgaria, the Bulgarian Donors Forum presented for the fourteenth time the awards for the largest corporate donors in Bulgaria;
- Gold award for transport infrastructure for 2019 by Bulgarian Construction Chamber;
- First prize for urban transport infrastructure in the category "Projects related to urban development" for the implementation of "Reconstruction of overpass over railway line and “Slavyanski” Blvd., Stara Zagora". The award was given in the framework of the most prestigious national competition for construction and architecture "Building of the Year" 2019.



“Trace Group Hold” PLC senior management integrates in the strategic goals and day-to-day management ethical principles and business standards that guarantee protection and respect of internationally recognized human rights within the company's activities, sustainable development and implementation of long-term projects. To achieve all stated Trace management strives to coordinate the interests of all stakeholders. Trace's success in Serbia is a test of the company's corporate governance and corporate culture.

Basic principles in corporate and social responsibility:

a. Responsibility to employees and workers in order to achieve quality and sustainability, as well as raising standards for social development

- **Maintaining adequate remuneration to employees and workers by timely payment of salaries, taxes and insurances;**

For Trace's managers remunerations are a long-term investment for company's social capital development. For 2019 Holding company reports an additional remuneration component for employees and workers who through their work have contributed to be achieved a positive annual financial result; successful completion of projects; reaching results on specific tasks.

- **Providing healthy and safe working conditions;**
- **Staff development and motivation**

Digital transformation – Trace performs digitalization in all areas of its business - design, construction, reporting, accounting, planning, supply. The implementation of the system, which has been specially established for the company, leads to a fundamental change in the way the organization operates, incl. distribution of tasks, their implementation and monitoring. In parallel, team trainings are taking place simultaneously.

“Trace Group Hold” introduced a Cloud-based platform for business process management in order to improve work efficiency.

The integration of new digital technologies in Trace began when entity's equipment, asphalt mixing plants, aggregate plants and cars were connected to Internet. Mobile connection modules, as well as various sensors allow process automation, monitoring, maintenance and detection of potential problems. This software solution allows gathering real-time information for the location, load capacity, fuel consumption and work performed by each of the equipment. It also helps monitoring the construction process and achieving efficiency. Real-time data collection improves operational efficiency and allows for in-depth analysis and taking complex management decisions.

Trace's ERP software allows interconnection of all units and systems in the entity - from production to accounting and financial operations; facilitates reporting by making it easier, faster and more efficient.

Workplace Psychologist - The Supervisory Board has launched a Workplace Psychologist program for training and development, which includes in-depth, individual work with both leaders and managers, as well as with employees. We need to create good internal practices, because as experience teaches the motto "everyone man for himself" has not brought anything constructive to any organization, including ours. The Supervisory Board purpose is to promote positivism and well-being for everyone, to improve motivation, commitment, teamwork, creativity, to identify the strengths of each team member.

- **Non-financial incentives for human capital development:**

“Builder of the Year” Award - for the first time in 2019 at the official ceremony of "Builder of the Year" all the nominees and the projects that have been implemented were presented. For 2019, the winner was chosen among five nominees.

“Keeping the Honor of the Builder Profession” Honorary sign - on the professional builder's holiday, celebrated every year on October 26, the most deserving engineers, builders, financiers, lawyers were awarded, and all colleagues who participated in the construction of Sofia metro project received the book "Sofia: From the first tram to the last metro stop" by Stanislav Kolev as a gift.

- **Advanced training through participation in seminars, courses, projects, scientific forums**

Employees from different departments of the entity take part in such events, which is an opportunity to reveal their potential and qualifications. The most valuable thing is that they receive an assessment for their work from their colleagues, but also from experts who are outside the company. They receive objective information and answer about the level in their professional development. Participation in seminars concerning legislative, accounting, tax and other improvements are extremely useful for determining different roles of each employee in the teamwork.

• **Internships**

Trace organizes meetings with graduates from the University of Architecture, Civil Engineering and Geodesy (UACEG) and other universities ("Best Diploma Thesis" Award for graduates – engineer specialties at UACEG)

Trace gives students the opportunity to conduct hands-on activities and internships classes in the holding company as the best students receive the opportunity to start working in the company.

Trace supports graduates from Bulgarian and foreign universities to prepare their diploma theses. In 2019 Trace supported three students. One of them, a student at HZ University of Applied Sciences, from Netherlands, had the task to address a large construction company and to conduct a survey with questions concerning professional and career development of the civil engineer.

b. Responsibility to the partners - employers, suppliers

Compliance with the rules for constructive business ethics

Ensuring security in payments to suppliers

Projects implementation qualitatively and on time

c. Responsibility to shareholders

Timely and accurate provision of information on all significant issues concerning the development of Trace Group Hold - finance, results, projects, management and control.

d. Responsibility in charitable activities through “Trace for People” Foundation

Maintaining fruitful interaction with the public and local authorities, as well as with non-governmental organizations, business associations, educational and expert institutions, etc.



• **Trace action in the initiative “New Forest” in Sofia.** Trace's employees and workers, along with their families, donated time and effort to a noble cause. On April 21, 2019, Trace's volunteers planted 1 000 acacia trees in the New Forest of Sofia.

• **"Stara Zagora - the greenest city in Bulgaria"** - Volunteers from the entity's subsidiary "Trace - Road Construction" joined the cause of Stara Zagora on November 9, 2019 and planted oak saplings.



• Copy of the Miraculous Icon of the Mother of God Troeruchitsa (Icon of the Blessed Virgin with Three Hands)

The copy of the Miraculous Icon was made in the Hilandar Monastery on Mount Athos by order of “Trace for People” Foundation and “Zhivotna pomosht” Association, donated on June 1, 2019 to the Diocese of vranja, Republic of Serbia. So far, there have been only four exact copies of the icon in the world, and they are all known for a number of miracles. With God's blessing we succeeded to contribute the creation of the fifth copy of the Miraculous Icon of the Mother of God Troeruchitsa.

• Support to the Bulgarian theatrical art - ASKEER Awards 2019

“Trace for People” Foundation supported the 29th edition of the awards ceremony for achievements in the theatrical art. Traditionally, on the Bulgarian Education and Culture, and Slavonic Literature Day, the “Askeer Academy” Foundation handed 11 awards in various categories.

All initiatives and campaigns that “Trace Group Hold” PLC supported in 2019 through its foundation “Trace for People” are available in the public report of the foundation.

e. Environmental protection

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

The entity 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, covers: Implementation of projects in Bulgaria, participation in international tenders in the country and abroad. Construction, maintenance, reconstruction, rehabilitation and assignment of projects in the field of: transport infrastructure /roads, highways, airports and railway infrastructure/, public works infrastructure, hydrotechnical construction and landscaping, energy infrastructure, building construction and adjacent infrastructure, electronic communications networks and facilities. Consultancy and engineering activities. Acquisition and management of entity shares and shares in the capital of companies from Bulgaria and abroad.

“Trace Group Hold” PLC applies international environmental management standards. Group’s sustainable development, competitiveness and economic prosperity are closely related to the global efforts for environmental protection.

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

- Electricity and heat energy efficient usage;
- Waste minimization;
- 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;
- Implementation of ERP system for management and process digitalization;

“Trace Group Hold” PLC corporate management assesses the importance of preserving the ecological balance in nature and pays special attention to the impact of the subsidiaries' operations. The holding company monitors the measures to reduce harmful environmental impacts that companies undertake in carrying out their activities. All production equipment /crushing plants, asphalt mixing plants, stone flour installations, etc./ are provided with filter systems to capture harmful emissions during operation process. They comply with the requirements of environmental monitoring authorities.

Asphalt mixtures are produced by applying dry production method, without using water. Asphalt mixing plants have a highly efficient filtration system that ensures dust extraction from the exhaust gases, which are dry

cleaned through an industrial filter. All smoke is absorbed by a powerful aspirator system and goes through a dry dust filter, and the purified exhaust air is emitted into the atmosphere.

All specialized machines and trucks have European and world standards for environmental protection. The company invests in modern equipment and aims at introducing innovative productions in order to protect ecological balance.

During the implementation of each infrastructure project it is developed a concept for environmental protection, where are stated all the activities to be followed for minimizing pollution and harmful effects on the environment. Through this concept it is possible to identify, evaluate and manage the important aspects of the environment and to prevent environmental pollution when a public tender is under implementation. The concept of environmental protection shall take into account the main activities in the implementation of the project and sites at the stage of their design, construction and operation, namely:

- Approved scheme for spatial planning in case of changing land usage
- Preparation and verification of the design documentation
- Obtaining building permit
- Projects realization
- Putting the projects into operation
- Conditions determined by issued decisions on environmental assessment and / or environmental impact assessment

There are procedures in accordance with the environmental legislation at national and European level to ensure the prevention of significant negative impact 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 purposes for preservation of protected areas.

The strategy for development of “Trace Group Hold” PLC includes participation in long-term environmentally friendly projects in the field of environmental protection /”New Forest” in Sofia, Stara Zagora- the greenest city in Bulgaria/, as well as internal company projects for improving work efficiency /ERP system, Cloud-platform for business process management/.

The economic dimensions of Trace socially responsible behavior, built over 20 years, are in the company's resilience in times of crisis, its reputation, competitive advantage, and attracting investors

4. 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.

5. Corporate Governance Statement - attached as a separate document to the report

IV. Major risks

The following risks are specific for the activity of the Group and its branch:

- Risk of stopping financing sources for infrastructure projects from the European Union and international financial institutions;
- Risk of suspension or systematic delay of funding sources at central and local level in different countries;
- The activity of “Trace Group Hold” PLC is exposed to risk of unexpected changes in the price of basic raw materials;
- Risk of accidents and occupational accidents, including breakdowns;
- Risk of natural disasters, damage or theft of materials and assets;
- The Group is exposed to operational risk inherent in its activities, including risks of non-performance, delay, subcontractor’s low performance or over execution that Group relies on to perform its activities; risks of non-performance of professional duties by personnel;
- Risk of impossibility or limitations in the provision of attracted resources, including a significant increase in the cost of financing and changes in interest rates;
- Technical risks related to delays in technical documentation, inaccuracies in designs and incorrect implementation.

In the ordinary course of business, the company may be exposed to various financial risks, the most important of which are: credit risk, liquidity risk, interest risk and currency risk. Overall risk management is focused on minimizing potential negative effects that could affect financial results. Financial risks are currently identified, measured and monitored using different control mechanisms in order to determine adequate prices for the services provided by the group 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 group 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 group 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 group are concentrated in three groups: cash and receivables from customers, financial assets - loans granted.
- The group 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 group's policy is to only deal with counterparties with a good credit rating.

The cash in the group and 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 at 31.12.2019 cash on current accounts in banks have been impaired - in Bulgaria and abroad amounting to BGN 25 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 group 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, by supporting 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 group 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.

The aim of the Management is to monitor the occurrence of risks on an ongoing basis and to provide maximum protection by building a functioning administrative and management system for control and analysis.

V. Significant events after the reporting period

On 20.03.2020 “Trace Group Hold” PLC as a leading partner in “Plovdiv Project” JV has signed a contract for Modernization of the railway road, catenary, signalling and telecommunication systems in Plovdiv station and for the construction of a communication and transmission system under the railway area of Plovdiv station. This is a part of “Development of Plovdiv railway junction” project. The value of the contract is 93 314 120, 58 BGN without VAT. “National Railway Infrastructure Company” is the Employer.

On 27.02.2020 “Trace Group Hold” PLC as a leading partner in a JV constituted by "Trace Group Hold" PLC and "Trace Serbia" JSC, has signed a contract for the execution of three lots, part of project: Rehabilitation of Existing Sections of State Roads connecting to the Corridor X Nis – Dimitrovgrad (Highway E80): LOT 1: Rehabilitation of Existing Sections of State Roads class IIB No. 427, class IIA No. 223 and class IIA No. 224; ID 8110911.LOT1; LOT 2: Rehabilitation of Existing Sections of State Roads class IB No. 39 and class IIA No. 221; ID 8110911.LOT2; LOT 3: Rehabilitation of Existing Sections of State Roads class IIA No. 223 and class IIB No. 429; ID 8110911.LOT3. Total length of the sections included in the project is 76,5 km. Employer is the Serbian state company "Corridors of Serbia", Belgrade. The value of the contracts covering the three lots is 20 million euro in total. Deadline for project implementation is 540 days.

On 21.02.2020 a contract for "Renovation of the design parameters in Yastrebovo station from km 21 + 534 to km 22 + 502 with a length of 968 m on IX railway line" have been signed. Project's value is BGN 6 790 108 without VAT. “National Railway Infrastructure Company” is the Employer.

“Trace Group Hold” PLC sold to a non-affiliated entity 100% of its own shares from the capital of “Trace International” LTD. The circumstances in connection to the sale of “Trace International” LTD entered in the Commercial Register on 14.01.2020.

On 01.04.2020, “Trace Company” LTD with identification number IDNO 1020600013973 was registered in the Registry of the Republic of Moldova. The capital of the company is 20 000 (twenty thousand) Moldovan lei and is 100% (one hundred percent) owned by “Trace Group Hold” PLC. The Headquarters and registered office of “Trace Company” LTD are located in the Republic of Moldova, Chisinau Municipality – office 3, Prunchul 1/1 Street, Vatra. Company’s manager is Mr. Andrian Majero. He has extensive experience in consulting and development of investment projects in the field of road infrastructure, renewable energy, transport, regional development and many more types of projects. For the last few years, he has been Regional Representative of Euronova Energies SA and Geneva Swiss in Romania and Moldova. He graduated from the Technical University in Moldova with a degree in “Technology of Mechanical Engineering”. “Trace Company” LTD scope of activity covers: construction, ongoing repair and maintenance of highways, roads, streets, city and municipal communications and any infrastructure structures surrounding them, maintenance of roads, road accessories and road structures; construction of underground railway lines and railway roads, construction of tunnels; construction of railway and road facilities; design, engineering and commercial activities; performing all kinds of services with construction equipment, cargo and other activities.

On 31.03.2020 Annex № 14 to a contract for undertaking credit commitments under the line for overdraft loan № 110/02.09.2015 was signed between “Trace Group Hold” PLC and Unicredit Bulbank AD. The annex concerns the extension of the credit line term until February 2, 2021, as well as the provision of the line with real estate and cash in connection with the issuance of specific guarantees in the Republic of Serbia.

„Trace Group Hold” PLC provided a corporate guarantee to “Infra Commerce” LTD in favour of ArcelorMittal Poland, S.A. to secure a delivery for materials with value up to EUR 500 000 with deadline to 01.03.2021.

As of 31.03.2020 “Trace Group Hold” PLC has acquired 269 shares from the capital of “Trace-Road Construction” JSC, which increases its ownership in the capital of the subsidiary to 100%. The circumstances of the company's account in the Bulgarian Commercial Register and the Register of Non-Profit Legal Entities are to be entered.

On 20.05.2020 in Registry Agency of the Commercial Register "Trace Road Construction" JSC transformation into a sole joint-stock entity was registered. The sole owner of the entity capital is “Trace Group Hold” PLC. The capital of “Trace Road Construction” JSC amounts to BGN 8 845 605, distributed in 196 569 ordinary registered voting shares with a nominal value of BGN 45 each.

Information about the implementation of ESMA's recommendations to capital market participants published on 11 March 2020

On March 13, 2020 at a request of the Bulgarian government National Assembly declared a state of emergency, and on March 24, 2020 Law on Measures and Actions during the State of Emergency entered into force. Strict anti-epidemic measures and restrictions have been introduced in the country aimed at limiting social contacts and limiting the spread of the virus. This leads to disruption of the normal economic activity of almost all economic entities in Bulgaria - extension and interruption of administrative deadlines, extension of administrative acts deadlines, suspension of procedural deadlines and statutes of limitations, changes in labour legislation relating to new modes of working hours, suspension of work and use of annual leaves, etc. The pandemic causes a significant reduction in economic activity in the country and raises significant uncertainty about future business processes.

A 90-day state of emergency was also declared in Serbia on March 15th.

The holding company determined home office for its employees as a mode of work and the work process were reorganized for all departments and subsidiaries. In Bulgaria were established conditions for work from home by using work communication links outside the office. The exchange of information was carried out exclusively in electronic form - through e-mails and other applications for information exchange, effective use of available planning and reporting systems (ERP), notifications and confirmations by telephone, e-mail and other

alternative ways (viber, skype, etc.) when necessary. Employees and workers had the right to visit their workplaces under a strict permit regime.

Restrictive measures on the territory of the Republic of Serbia also led to difficulties in the activities of the Serbian companies in the group. During weekends were imposed curfew and restrictions for going outside home, which resulted in a reduced working day. All public transport was stopped and were imposed restrictions on the movement of cars.

We have taken all possible steps to protect employees and workers from infection by preparing work schedules that involve less crowding of groups in one workplace. We have organized the construction process in places with all health requirements to ensure safety.

At the same time, we stopped working on projects that had to be financed with own or borrowed funds, but which do not commit us to deadlines and commitments to contractors. We are trying to keep the final signing of contracts for a time when the environment would be more predictable.

Internationally, at this time we have suspended our participation in new tender procedures due to the unclear economic conditions and suspended already announced procedures, which generates unproductive costs.

Despite the situation, entities in the group have the necessary capacity to fulfill their current contracts. The Management of the holding company makes great efforts to continue successful implementation of the concluded contracts, without seriously impairing their effectiveness. However, in view of the restrictions imposed, have been introduced extended deadlines or construction activities have been effectively suspended.

In the emergency situation, arised difficulties related to the effective closure of borders and delays in the delivery of basic materials, especially those produced abroad. Reduced fuel sales have led to an increase in the price of derived products used in construction, of which the most significant for our business is the price of bitumen, which has been rising daily in recent days. Inevitably, the pace of work in some of the projects we perform has been slowing down, and the start-up of others, for which we have signed contracts, has been postponed indefinitely.

Regarding working process, we have taken steps for actual restructuring and optimization of the activity in the subsidiaries as well. When it is possible, we started "home office" mode. Some of the personnel worked part-time. All employees and workers made reports about their activities during those part-time hours within the working days, which allowed us to react faster and more adequate regarding project management and reallocation of resources.

In view of the anti-epidemic measures and restrictions in the pandemic, which causes a significant reduction in economic activity and creates significant uncertainty about future business processes, there is a real risk of reducing sales, generated by entities in the holding company. At this stage of the emergency measures, we define as extremely pessimistic scenarios a decrease of about 30% of the group's revenues compared to those in 2019.

However, the Management relies on maintaining sales levels realized in 2019 in lower efficiency of project construction works.

VI. Business development

In the current context of a coronavirus disease (COVID - 19) worldwide and the imminent economic recession, it is very difficult to predict the projects that would be launched, as well as whether they would continue and to what extent.

Experts forecasts are that construction industry in Europe is expected to decline significantly due to closure of many construction sites, cessation of workers movement and the supply of materials and equipment, which were severely disrupted by the coronavirus pandemic (Covid-19). In these conditions, management of the construction projects becomes even more complicated because companies try to comply with new drastic measures for safety and health. On the other hand, European Commission proposes that part of the extraordinary costs needed to fight against the coronavirus to be borne by the European Regional Development Fund and the

Structural Funds, which would inevitably lead to a decrease in resources for infrastructure and thus reduce the market which we operate in.

Management of the holding company makes great efforts to continue successful implementation of the signed contracts, without seriously impairing their effectiveness. We have taken steps to actually reorganize and optimize our business and activities of our subsidiaries.

We have specified all our future investment intentions, some of which were in an advanced or final stage of negotiation, in order to preserve financial resources and insure against future price declines. We are trying to keep the final signing of contracts for a period when business environment would be more predictable. We have temporarily stopped working on projects that had to be financed with our own or borrowed funds, but not commit us to deadlines and commitments to our contractors.

We hope that in 2020 “Trace Group Hold” PLC would manage to fulfill already signed long-term contracts on the territory of our country and in the Republic of Serbia.

At a national level, our group continues to participate in tender procedures related to implementation of infrastructure projects included in the programming period of the operational programs of the European Union with focus on: underground construction (metro projects), water sector, landfills, railway and road construction; public works and development of the municipalities, financed from the state budget; initiatives with private investors, with interest in infrastructure, logistics and industrial construction, as well as in public-private projects.

On the territory of the Republic of Serbia, our group has strengthened its position in the field of road maintenance, particularly in the maintenance and rehabilitation of infrastructure in railway construction. In this regard we use all of our potential to be assigned with new projects in these areas.

In the international activities we continue to research markets for participation in tender procedures in Romania, Kosovo, Moldova and other countries in Eastern Europe, Russia and Central Asia continues. We realistically assess opportunities, efficiency and risks of entering new markets.

VII. Research and development

The group does not engage in Research and Development.

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

1. Treasury shares. Share Redemption.

On December 5 2019 started the procedure for own shares redemption determined by a decision of the regular General meeting of shareholders dated on June 26, 2019. For the period December 5, 2019 - December 31, 2019, a total of 967 shares were acquired at an average price of 4,00 BGN/number of shares. As at December 31, 2019 “Trace Group Hold” PLC holds a total of 2 922 treasury shares.

In connection to the program for providing shares to employees as an additional remuneration for good results in the performance of their duties, 2 860 treasury shares were awarded to the winner of the “Builder of the Year Award” for 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

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’ 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%		
“Galini” LTD	Sole owner and Manager		
“Galini – N” LTD	Sole owner and Manager		
„Trace - Road Construction“ JSC		Chairman of the Board of Directors	
„Trace Sofia“ JSC		Member of the Board of Directors	
„Trace Plovdiv“ LTD		Manager	
“GT Trans BG” LTD		Manager	
“Trace Group Hold” PLC Kyiv Branch		Manager	
“Trace Group Hold” PLC Prague Branch		Manager	

Management Board

Entity	Dessislava Lubenova	Boyan Delchev	Rositsa Dineva
“Trace Group Hold” PLC	Chairman of the MB	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		
“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 2019 construction services have the largest share in the revenues. In this connection the major clients of Trace Group entities 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, Ministry of Transport, Information Technology and Communications, ET (Sole Trader) “Anton Gavrilov Popov”, Koridori Serbia OOD, IP “Putevi Serbia”, Municipalities on the territory of the Republic of Serbia, OMV Serbia OOD, JP Komunalac Pirot, etc.

The main suppliers in Bulgaria and abroad in 2019 are the following:

Supplier	Type of supply - services, materials
Euro Alliance Tunnels EAD	Rendering of construction services
Euro Alliance Engineering EAD	Supply of construction services
Start Engineering AD	Rendering of construction services
Bulstroy Group EOOD	Rendering of construction services
Avis Engineering EOOD	Rendering of construction services
Vranja 93 OOD	Supply of materiales
Profidel Investment EOOD	Rendering of construction services
Uniken EOOD	Supply of materiales
Tandem Al System EOOD	Rendering of construction services
Promax EOOD	Rendering of construction services
Balkan Dneper EOOD	Supply of concrete products
Bobo 5 and Sinove OOD	Supply of salt
GTA Petroleum OOD	Supply of fuel
HTI Bulgaria EOOD	Supply of concrete products
Insa Oil EOOD	Supply of fuel
Lukyroad EOOD	Supply of fuel
Metalkom Invest EOOD	Supply of fuel
Technopatstroy EOOD	Supply of construction materiales
Medina Med OOD	Supply of tyres
NIS AD NOVI SAD	Supply of bitumen
BITOIL RS NIS	Supply of bitumen
SRBIJAPUT AD BEOGRAD	Supply of bitumen

EUROLOGISTIC DOO BEOGRAD	Supply of bitumen
EUROPOLIS PLUS DOO BEOGRAD	Supply of construction materiales
RAJ FERT DOO VELIKA PLANA	Supply of construction materiales
MORPHEUS DOO BEOGRAD	Supply of construction materiales
SMELTING DOO VLADICIN NAH	Supply of construction materiales
MAHHERC DOO NIS	Supply of construction materiales
ARHIBET DOO NIS	Supply of construction materiales
OMV SRBIJA D.O.O. BEOGRAD	Supply of fuel
Miletic Petrol DOO Paracin	Supply of fuel

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

In 2019 the following construction contracts have been concluded, which are significant to the activities of “Trace Group Hold” PLC:

"New construction, entire repair, rehabilitation, reconstruction, current repair of the street network, municipal roads, national roads / under an agreement with the Republican Road Infrastructure Fund /, current repair and new construction of asphalt pavements and other related activities on the territory of Stara Zagora Municipality". Employer is the Municipality of Stara Zagora. The contract's value BGN 15 million without VAT, and the financing is from the budget of Stara Zagora Municipality. The implementation period is 3 years;

“Maintenance and current repair of the street network and road structures on the territory of Sofia Municipality - Zone I, including Vitosha, Lozenets and Triaditsa districts with an estimated value of BGN 16,666,666.67 without VAT;

"Reconstruction of the design parameters in Senovo station from km 46 + 843 to km 47 + 842 with a length of 999 m on the IX railway line". The value of the contract is BGN 7 800 158,90 without VAT. The contracting authority is the State Enterprise "National Railway Infrastructure Company";

“Reconstruction of Stara Zagora Zoo” at the amount of BGN 3,494,349.94 without VAT; The contractor is “Trace Build” Consortium with partners: “Trace Group Hold” PLC - 80% and “C Build Bulgaria” LTD - 20%. Employer the Municipality of Stara Zagora;

"Modernization and rehabilitation of Nis - Brestovac railway section, Republic of Serbia", having value of EUR 59 850 000. The project is co-financed by the European Union, in accordance with the rules of Regulation (EU) № 231/2014 of the European Parliament and the Council of 11 March 2014 establishing an Instrument for Pre-Accession Assistance (IPA II) and by the Government of the Republic of Serbia. The project will be implemented by Assciation "TRACE BALKANTEL" Consortium with a leading partner "TRACE GROUP HOLD" PLC - 85% and "BALKANTEL" LTD - 15%. The contracting authority is the Ministry of Finance of the Republic of Serbia and the implementation period is 1005 calendar days. Rehabilitation of the railway line from the exit of Nis station to the entrance of Brestovac with a length of 23 km will be carried out.

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 2019, 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 2019.

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 2019 the following changes and transformations have occurred:

“Trace Group Hold” PLC acquired from “Trace International” LTD 100% of the capital of “Vior Velika Morava” LTD. The value of the deal is EUR 171 468.

The capital of „Trace Balkans“ LTD was increased from RSD 100.00 to RSD 32 562 172, 50 as a result of an increase in the nominal value of the shares. After this change the capital of the company is in the amount of 32 562 172, 50 RSD, distributed in one share with a nominal value of 32 562 172, 50 RSD.

“Trace Group Hold” PLC became the sole owner of the capital of “Trace Serbia” JSC after acquiring 1 share from “Trace Balkans” LTD.

The capital of “Infra Commerce” LTD was increased by BGN 395 000 by subscribing to 3 950 new shares with a nominal value of BGN 100 each. The capital of the company amounts to BGN 400 000, divided into 4 000 equal shares with value of BGN 100 each.

“Trace Group Hold” PLC sold its own 8 251 shares, each with a nominal value of BGN 10, from the capital of “Technostroy - Engineering 99” JSC. The price of the deal is BGN 1 100 000.

“Trace International” LTD sold to “Trace Serbia” JSC all of its shares in “Trace Balkans” LTD Belgrade. “Trace Serbia” JSC became the owner of 100% of the company's shares. Purchase and sale price of the shares amount to RSD 3 724 000.

“Vior Velika Morava” JSC merged to “Trace Serbia” JSC. After the transformation, the capital of “Trace Serbia” JSC was increased by increasing the nominal value of one share and it amounts to RSD 985 282 255,5, distributed in 591 527 shares with a nominal value of RSD 1 665 659 each.

“Trace Group Hold” PLC sold 30 000 company shares from the capital of “Trace Trans” LTD, representing 63.25% of its capital, to GCF - Generale Costruzioni Ferroviarie AD /an entity not related to “Trace Group Hold” PLC/.

“Trace SOP” LTD merged to “Metro Druzhba” LTD. “Trace Group Hold” PLC is the sole owner of both entities. All the property of the transforming company "Trace SOP" LTD passed to the receiving company "Metro Druzhba" LTD, which became its universal successor. The activities of transforming company “Trace SOP” LTD were canceled without liquidation. Pursuant to Art. 262u of the Bulgarian commercial law, capital of the receiving company has not been increased and respectively there are no amendments to the Articles of Association of “Metro Druzhba” LTD.

“Trace Balkans” LTD Belgrade merged to “Trace Serbia” JSC Nis. Pursuant to a contract for transformation, all assets of “Trace Balkans” LTD Belgrade were transferred to “Trace Serbia” JSC Nis and its existence was canceled without liquidation.

“Trace Group Hold” PLC sold to a non-related party 100% of its own shares from the capital of “Trace International” LTD, entered in the Commercial Register under UIC 200181816.

“Trace Group Hold” PLC acquired the following real estates from “Trace Yambol” JSC:

- Land property, located on the land of Kalchevo village, Tundzha Municipality, Nacheva Mogila locality, with an area of 69 741 sq.m., together with the buildings in the property, to a sale price of BGN 364 080
- Land property, located in the town of Yambol, 275 “Preslav” Str., having an area of 7200 sq.m., together with the buildings the property, to a sale price of BGN 527 680.

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 thousand/	Interest %	Maturity/De adline for utilization	Utilized limit as of 31.12.2019/ BGN/	Collateral
Bank guarantees	Unicredit Bulbank	65 000	0,7%	02.08.2024	28 5948	Mortgages, pledge on tangible fixed assets, pledge on accounts,

						cash.
revolving	Unicredit Bulbank	13 000	1 month ADI+2,95%	02.04.2020	0	Mortgages, pledge on tangible fixed assets, pledge on
Bank guarantees			0,7%	02.08.2025	0	receivables, pledge on accounts.
Bank guarantees	Bank DSK AD	25 426	1,20%	28.02.2031	15 238	Mortgages, pledge on tangible fixed assets, pledge on receivables, pledge on accounts.
Investment	Bank DSK AD	5 000	1M .Euribor+ 2.869%	25.06.2025	4 226	Mortgages, pledge on receivables, pledge on accounts.
Investment	Eurobank Bulgaria AD	245	3M.RIR+3%	30.06.2021	74	Mortgages, pledge on receivables, pledge on accounts.
Investment	Ekspresbank AD	865	1M Euribor+2.90 %	30.06.2020	87	Mortgage
Investment	Ekspresbank AD	861	1M Euribor+2.90 %	30.08.2020	115	Pledge on tangible fixed assets.
Investment	Ekspresbank AD	784	1M Euribor+2.25 %	28.02.2021	305	Pledge on tangible fixed assets.
Bank guarantees	Ekspresbank AD	21 440	1,20%	30.06.2030	13 750	Pledge on tangible fixed assets., pledge on receivables, pledge on accounts, cash
Bank guarantees	UBB AD	17 000	0,70%	30.09.2025	4 925	Mortgages, pledge on tangible fixed assets, pledge on receivables,

						pledge on accounts.
Revolving	UBB AD	3 000	1M .RIR+2,00%	30.09.2020	0	Mortgages, pledge on tangible fixed assets, pledge on receivables, pledge on accounts.
Investment	UBB AD	900	1M .RIR+3.15%	20.10.2023	632	Mortgage, pledge on receivables, pledge on account.

Loans among related parties

Lender	Borrower	Type of loan	Amount in BGN thousand	Interest %	Repayment term	Unpaid principal as of 31.12.2019 Thousand BGN
“Trace Group Hold” PLC	“Trace Properties” LTD		1 000	4,00%	02.04.2020	401
“Trace Group Hold” PLC	“Trace Sofia” JSC	Commercial	10 000	4,00%	02.04.2020	2 550
“Trace Group Hold” PLC	“Trace – Road Construction” JSC	Commercial	5 000	4,00%	02.04.2020	2 000
“Trace Group Hold” PLC	“Trace – Road Construction” JSC	Commercial	3 000	4,00%	30.09.2020	1 500
“Trace Group Hold” PLC	Redco Trace International	Commercial	235	10,50%	31.12.2015	83
“Trace Group Hold” PLC	“Trace Plovdiv” LTD	Commercial	60	4,00%	31.12.2017	48
“Trace Group Hold” PLC	“Infra Komers” LTD	Commercial	800	4,00%	30.11.2019	800
“Trace Group Hold” PLC	“Infra Komers” LTD	Commercial	1 800	4,00%	02.04.2020	1 004
“Trace Group Hold” PLC	“Trace Serbia” JSC	Commercial	9 779	4,00%	31.10.2020	978
“Trace Group Hold” PLC	“GT Trans BG” LTD		1 301	4,00%	21.04.2020	1 301
“Trace Group Hold” PLC Belgrade Branch	“Trace Group Hold” PLC		4 320	4,00%	31.12.2020	4 320

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 31.12.2019

Lender	Borrower	Amount /thousand BGN/	Unpaid principal /thousand BGN/	Repayment term	Interest %
“Trace Commerce” LTD	Todorov PLC	100	81	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%
“Trace Yambol” JSC	DZZD Evropark 2011	10	6	25.04.2016	10,50%

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

No new shares were emitted in 2019.

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 2019.

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

“Trace Group Hold” PLC ensures the regular collectability of its receivables and settlement of its obligations in the course of its activity.

In order to optimise the group’s resources and to ensure financial independence, the Holding company controls the cash flows in the group structure. When the available resources are not sufficient, the Holding company 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 company 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.

In 2019 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.

The main goal of the merge is to achieve better economic results by:

- Optimising 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 processes centralisation;
- Reducing the administrative staff and optimising the administrative expenses;
- Creating a unified cash and resource management;
- Information about changes in the economic group are indicated in Investment portfolio item.

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 thought 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.

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	2 019	142
Management Board	1 240	71

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.

As at December 31, 2019 the Group has no pending court, administrative or arbitration proceedings meeting the above described criteria.

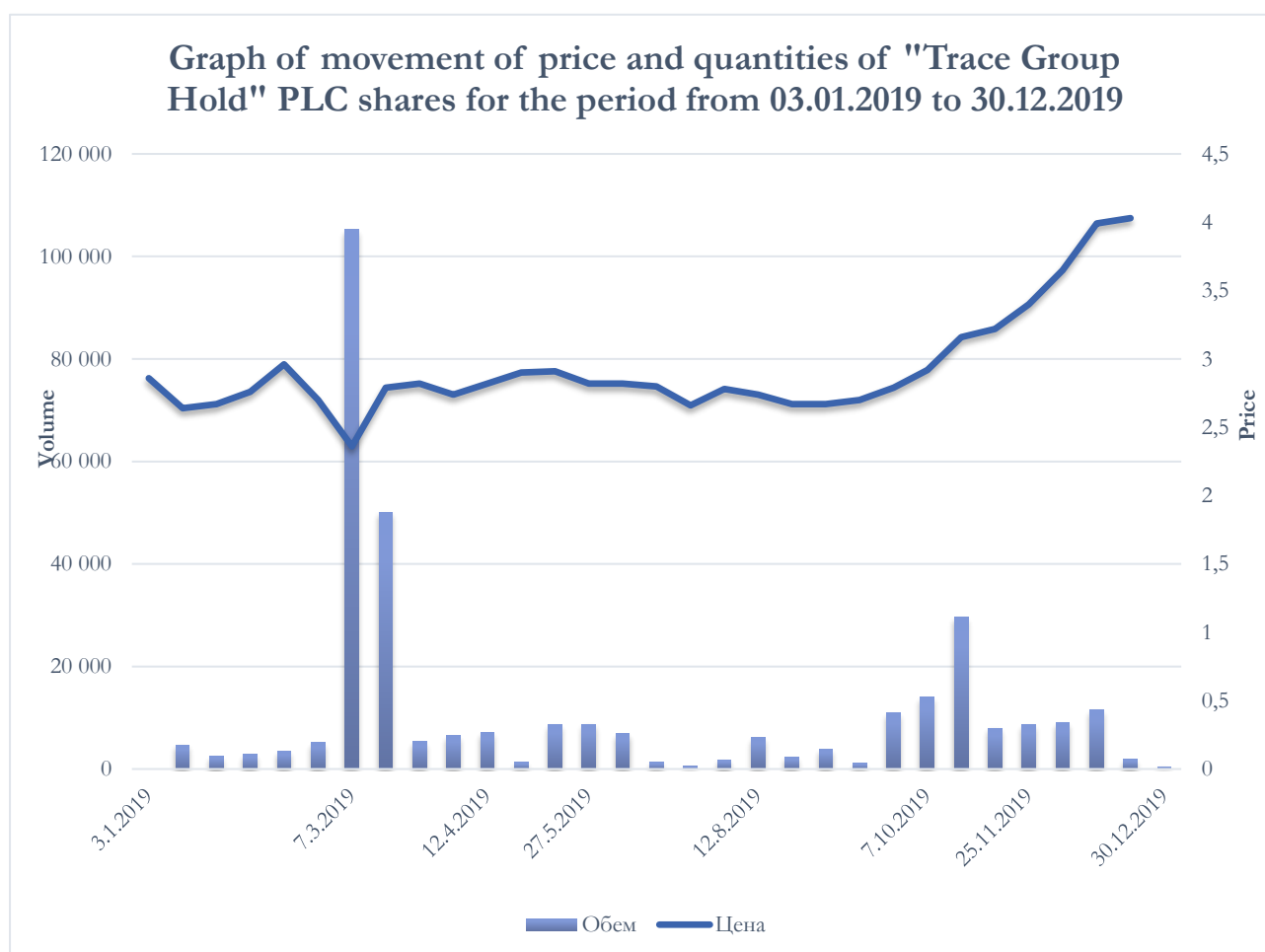
21. Information on the Investor Relations Expert, including the telephone number and mailing address.

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)

- 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 31.12.2019, out of which 24 197 078 are voting shares, while 2 922 shares do not provide voting rights.

In accordance with the Shareholders’ book as at 31.12.2019, 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 31.12.2019	At the date 31.12.2018	At the date 31.12.2019	At the date 31.12.2018
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	2 922	4 815	0,01	0,02
Other Physical and Legal entities	5 813 247	5 811 354	24,02	24,01

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 31.12.2019:

Shareholder as at the date	Name / Shareholder' s name	Owens %	Holds number of shares
31.12.2019	Nikolay Ganchev Mihaylov	66.97	16 205 831
31.12.2019	“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 group, 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 ½ 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 years, 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' 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.

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 31.12.2019, “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.	100%
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	99,48%
USM JSC	Management of construction mechanisation, repairs and maintenance works	99,69%
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%
Metro Druzha LTD	Construction, current repairs and maintenance of roads, urban and municipal networks 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 over commercial and residential construction projects and sites, trade representation and intermediation	100%
Trace Plovdiv LTD – in liquidation	Current repairs and maintenance of roads, urban and municipal networks and the adjacent infrastructure	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. During the last 3 years the auditing company “Zaharinova Nexia” LTD has been appointed as external auditor of the entity.

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.

Cloud-based platform for business process management has been put into operation in order to improve work efficiency. Digitalization has been performed in all areas of Trace's business - design, construction, reporting, accounting, planning, supply. The implementation of the mentioned system leads to a fundamental change in the way the organization works and affects also tasks distribution, their implementation and control.

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. Nikolay Mihaylov, PhD (Econ), Dipl. Eng. is a 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. 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. Diana Rangelova 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.

Non-Financial Statement

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

I. INTRODUCTION

Pursuant to Art. 41 of the Accountancy Act, 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 31.12.2019, “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.

“Trace Road construction” JSC and “Trace Serbia” JSC are entities specialized in the construction of road infrastructure.

✓ **Construction of metro (subway);**

“Trace Group Hold” PLC participates in the execution of 1/3 of “Sofia Metro” project. Seven metro stations are already put into operation and together with adjacent underground railway road. Currently Trace implements projects of Third line of “Sofia Metro” project. Leading companies in the construction of metro projects (subway) are “Trace Sofia” JSC and “Metro Druzhba” LTD.

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

The entity 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;
- New railway road mechanized laying and dismantling of an existing one;
- Earth excavations, rock excavations, embankments with landscaping and re-cultivation of terrains with modern technologies application and using high-productivity machines;
- Repair works, 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.

“Trace Sofia” JSC is the main entity that possesses complex resources - human, machine and technology, for the implementation of all activities in the construction of railway infrastructure area.

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

Significant project of the entity is the reconstruction of "Graf Ignatievo" Airport, where design and construction works were carried out simultaneously for only 3 months. New technologies were applied - 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 projects 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 Trace activities further includes investment, international trade and logistics.

ORGANIZATION CHART

The parent company, “Trace Group Hold” PLC, has a two-level management system and 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 metro projects (subway), 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%
“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.	100%
“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%
“Metro Druzhiba” 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 – in liquidation	Ongoing repair works and maintenance of roads, urban and municipal communications and the adjacent infrastructures.	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, the entity 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;
- 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.

“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

In the current context of a coronavirus disease (COVID - 19) worldwide and the imminent economic recession, it is very difficult to predict the projects that would be launched, as well as whether they would continue and to what extent.

Experts forecasts are that construction industry in Europe is expected to decline significantly due to closure of many construction sites, cessation of workers movement and the supply of materials and equipment, which were severely disrupted by the coronavirus pandemic (Covid-19). In these conditions, management of the construction projects becomes even more complicated because companies try to comply with new drastic measures for safety and health. On the other hand, European Commission proposes that part of the extraordinary costs needed to fight against the coronavirus to be borne by the European Regional Development Fund and the Structural Funds, which would inevitably lead to a decrease in resources for infrastructure and thus reduce the market which we operate in.

Management of the holding company makes great efforts to continue successful implementation of the signed contracts, without seriously impairing their effectiveness. We have taken steps to actually reorganize and optimize our business and activities of our subsidiaries in Trace group. The future investment intentions are to be specified with a view to preserving the financial resources and insuring against a possible drop in prices.

At a national level, our group continues to participate in tender procedures related to implementation of infrastructure projects included in the programming period of the operational programs of the European Union with focus on: underground construction (metro projects), water sector, landfills, railway and road construction; public works and development of the municipalities, financed from the state budget; initiatives with private investors, with interest in infrastructure, logistics and industrial construction, as well as in public-private projects.

On the territory of the Republic of Serbia, the entity has strengthened its position in the field of road maintenance, particularly in the maintenance and rehabilitation of infrastructure in railway construction. In this regard we use all of our potential to be assigned with new projects in these areas.

In the international activities we continue to research markets for participation in tender procedures in Romania, Kosovo, Moldova and other countries in Eastern Europe, Russia and Central Asia continues.

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 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 human rights and fundamental freedoms as set out in the Universal Declaration of Human Rights;
- Protecting generally accepted human values;
- Ensuring the health and safety of their employees;
- Personnel development and motivation;
- 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 information about entity’s activities in the mass media.

Evidence for the trust, quality of project implementation and benefits that “Trace Group Hold” PLC generates for local communities and for a wide public range are the awards that the entity has received in 2019:

- Confederation of the Employers and Industrialists in Bulgaria (CEIBG) Award for “Corporate and socially responsible company – municipality partner”, which was presented for a first time in Stara Zagora District;
- “Most Generous Donor” Award in Bulgaria. During an official ceremony in the Presidency of the Republic of Bulgaria, Bulgarian Donors Forum presented for the fourteenth time the awards for the largest corporate donors in Bulgaria;
- Gold award for transport infrastructure for 2019 by Bulgarian Construction Chamber;
- First prize for urban transport infrastructure in the category "Projects related to urban development" for the implementation of "Reconstruction of overpass over railway line and “Slavyanski” Blvd., Stara Zagora". The award was given in the framework of the most prestigious national competition for construction and architecture "Building of the Year" 2019.

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

The process management system, influencing quality, environment, health and safety at work covers: Implementation of projects in Bulgaria, participation in international tender procedures, organized in Bulgaria and abroad. Construction, maintenance, reconstruction, rehabilitation and assignment of projects from: transport infrastructure /roads, highways, airports and railway infrastructure/, public development works, hydrotechnical construction, environmental landscaping, energy infrastructure, building construction and adjacent infrastructure, electronic communications facilities. Consulting and engineering activities. Acquisition and management of company shares and shares from the capital of entities in Bulgaria and abroad.

“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.

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.

Information from the last 3 years, which shows a trend of stability in the absence of accidents at work, is presented below:

COMPARISON OF INJURIES AND OCCUPATIONAL DISEASES BY YEAR

	2017	2018	2019
Number of accidents at work	5	15	15
Number of injuries (accidents)	4	15	0
Number of occupational diseases	0	0	0

The identified health and safety requirements at work are implemented at all levels in 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.

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

	2017	2018	2019
Total personnel	1415	1064	1147
Of which male	1192	889	948
Of which female	223	175	199
Personnel, appointed at managerial positions	145	113	104
Of which male	120	92	84
Of which female	25	21	20

There are no age or gender pay gaps. Salaries and wages are defined based on the position held 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 intend 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 that supply 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. For the first time in 2019 at the official ceremony of "Builder of the Year" all the nominees and the projects that have been implemented were presented. For 2019, the winner Dipl. Eng. Stoyko Meshkov was chosen among five nominees.

“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. On the professional builder's holiday, celebrated every year on October 26, the most deserving engineers, builders, financiers, lawyers were awarded, and all colleagues who participated in the construction of Sofia metro project received the book "Sofia: From the first tram to the last metro stop” by Stanislav Kolev as a gift.

DONATION

As a public and socially responsible company, over the years, “Trace Group Hold” PLC has actively supported a number of charities and causes in the fields of social activities, ecology, cultural and historical heritage and education, which are in line with the corporate culture of Trace.

“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.

Events and campaigns that “Trace Group Hold” PLC supported in 2019 through “Trace for People” Foundation:

- **Trace action in the initiative “New Forest” in Sofia.** Trace's employees and workers, along with their families, donated time and effort to a noble cause. On April 21, 2019, Trace's volunteers planted 1 000 acacia trees in the New Forest of Sofia.

- **"Stara Zagora - the greenest city in Bulgaria"** - Volunteers from the entity's subsidiary "Trace - Road Construction" joined the cause of Stara Zagora on November 9, 2019 and planted oak saplings.

- **Copy of the Miraculous Icon of the Mother of God Troeruchitsa (Icon of the Blessed Virgin with Three Hands)**

The copy of the Miraculous Icon was made in the Hilandar Monastery on Mount Athos by order of "Trace for People" Foundation and "Zhivotna pomosht" Association, donated on June 1, 2019 to the Diocese of vranja, Republic of Serbia. So far, there have been only four exact copies of the icon in the world, and they are all known for a number of miracles. With God's blessing we succeeded to contribute the creation of the fifth copy of the Miraculous Icon of the Mother of God Troeruchitsa.

- **Support to the Bulgarian theatrical art - ASKEER Awards 2019**

"Trace for People" Foundation supported the 29th edition of the awards ceremony for achievements in the theatrical art. Traditionally, on the Bulgarian Education and Culture, and Slavonic Literature Day, the "Askeer Academy" Foundation handed 11 awards in various categories. The performance "Debelyanov and the Angels" at the Drama Theater - Plovdiv was the ASKEER 2019 favourite.

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;

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 in 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;
- Stimulating the 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.

PERSONNEL DEVELOPMENT AND MOTIVATION

Digital transformation – Trace performs digitalization in all areas of its business - design, construction, reporting, accounting, planning, supply. The implementation of the system, which has been specially established for the company, leads to a fundamental change in the way the organization operates, incl. distribution of tasks, their implementation and monitoring. In parallel, team trainings are taking place simultaneously.

"Trace Group Hold" applied a Cloud-based platform for business process management in order to improve work efficiency.

The integration of new digital technologies in Trace began when entity's equipment, asphalt mixing plants, aggregate plants and cars were connected to Internet. Mobile connection modules, as well as various sensors allow process automation, monitoring, maintenance and detection of potential problems. This software solution allows gathering real-time information for the location, load capacity, fuel consumption and work performed by each of the equipment. It also helps monitoring the construction process and achieving efficiency. Real-time data collection improves operational efficiency and allows for in-depth analysis and taking complex management decisions.

Trace's ERP software allows interconnection of all units and systems in the entity - from production to accounting and financial operations; facilitates reporting by making it easier, faster and more efficient.

Workplace Psychologist - The Supervisory Board has launched a Workplace Psychologist program for training and development, which includes in-depth, individual work with both leaders and managers, as well as with employees. We need to create good internal practices, because as experience teaches the motto "everyone man for himself" has not brought anything constructive to any organization, including ours. The Supervisory Board purpose is to promote positivism and well-being for everyone, to improve motivation, commitment, teamwork, creativity, to identify the strengths of each team member.

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 ("Best thesis paperwork" - award received by graduates of engineering specialties at UACEG;

- Providing opportunities for students and graduates to complete their practicum and internship within the entity's structure;
- Encouraging young professionals to start working within 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;
- Trace supports graduates from Bulgarian and foreign universities to prepare their diploma theses. In 2019 Trace supported three students. One of them, a student at HZ University of Applied Sciences, from Netherlands, had the task to address a large construction company and to conduct a survey with questions concerning professional and career development of the civil engineer.

TRAININGS, SEMINARS, CONFERENCES, FORUMS

In the financial reporting 2019 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;
- 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 „Bulgaria – Balkans, connectivity”.

Employees from different departments of the entity who participate in such events provides an opportunity to present themselves, but the most valuable thing is that they receive an assessment for their work by colleagues and experts who are not part of Trace and receive objective information and answer the question: what is their place in the professional development. Participation in seminars concerning legislative, accounting, tax and other changes in the professional fields is extremely useful for establishing team roles.

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 2019:

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 311 thousand, were paid to the Ministry of Energy of the Republic of Bulgaria in 2019. 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---00-/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 275 thousand have been paid to the Ministry of Mining and Energy of the Republic of Serbia in 2019, in the form of quarterly instalments. The quarterly instalments are calculated based on the extraction realised within the respective quarter.

3. Taxes paid

In 2019, 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 BGN 651 thousand have been paid to the Tax Office of the Republic of Serbia, of which:

- BGN 1 thousand – taxes on entertainment costs, paid in 2019 (BGN 0 thousand for Serbia);
- BGN 82 thousand – advance payments of the corporate tax payable for 2019 (BGN 0 thousand for Bulgaria);
- BGN 16 thousand – paid corporate tax on annual tax returns for 2018 (BGN 0 thousand for Bulgaria);
- BGN 547 thousand – paid withholding tax for 2019 (BGN 0 thousand for Bulgaria);

The entities, engaging in mining activities, have also paid BGN 57 thousand for local taxes and fees to Municipalities in the Republic of Bulgaria and BGN 87 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 2019.