

**SEPARATE ANNUAL FINANCIAL STATEMENTS FOR THE
FINANCIAL REPORTING 2021**

TRACE GROUP HOLD PLC

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	Note	31.12.2021 BGN'000	31.12.2020 BGN'000
ASSETS			
Non-current assets			
Property, plant, machinery and equipment	1.1.	38 412	32 810
Investment property	1.2.	10 892	11 149
Non-current intangible assets	1.3.	86	61
Investments in subsidiaries, associates and joint ventures	1.4.	37 268	42 049
Non-current financial assets and finance leases	1.5.	-	10
Non-current trade receivables	1.6.	1 551	960
Other non-current receivables and assets	1.7.	865	1 099
Deferred tax assets	1.8.	1 656	1 999
Total non-current assets		90 730	90 137
Current assets			
Inventories	1.9.	2 509	1 562
Current trade receivables	1.10.	39 921	80 020
Other current receivables and assets	1.11.	12 284	18 633
Current financial assets and finance leases	1.12.	6 733	7 605
Cash and cash equivalents	1.13.	41 714	26 852
Total current assets		103 161	134 672
Total assets		193 891	224 809

The notes on pages 7 to 94 are an integral part of these financial statements

The separate financial statements, pages 1 to 92, were approved for issue by the Managing Board and signed on 31 March 2022 by:

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TRACE GROUP HOLD PLC

STATEMENT OF FINANCIAL POSITION as at 31.12.2021 - continued

	Note	31.12.2021 BGN'000	31.12.2020 BGN'000
EQUITY AND LIABILITIES			
Equity			
Share capital	1.14.1.	24 179	24 179
Registered capital		24 200	24 200
Repurchased shares		(21)	(21)
Share premium	1.14.2.	21 739	21 739
Translation reserve	1.14.3.	(864)	(448)
Reserves	1.14.4.	72 640	72 640
Financial result	1.14.5.	13 874	16 406
Accumulated profit / (loss)		11 582	(115)
Current year's profit / (loss)		2 292	16 521
Equity		131 568	134 516
Total equity		131 568	134 516
Non-current liabilities			
Non-current financial liabilities and leases	1.15.	3 263	4 652
Non-current trade payables	1.16.	-	6
Non-current provisions	1.17.	1 544	11 063
Other non-current payables and liabilities	1.18.	865	926
Total non-current liabilities		5 672	16 647
Current liabilities			
Current financial liabilities and leases	1.19.	1 869	2 007
Current trade payables	1.20.	40 680	60 546
Tax payables	1.21.	73	2 548
Employee benefit payables	1.22.	1 039	520
Current provisions	1.23.	9 172	7 411
Other current payables and liabilities	1.24.	3 818	614
Total current liabilities		56 651	73 646
Total equity and liabilities		193 891	224 809

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TRACE GROUP HOLD PLC
INCOME STATEMENT for 2021



		2021	2020
	Note	BGN'000	BGN'000
Income			
Revenue from contracts with customers	2.1.1.	67 155	118 737
Revenue from construction contracts		64 773	117 039
Revenue from sales of goods		117	
Revenue from sales of services		2 265	1 698
Other operating income / (loss), net	2.1.2.	11 951	4 239
Finance income	2.1.3.	4 090	6 762
Total income		83 196	129 738
Expenses			
Expenses by nature		(80 179)	(109 098)
Raw materials, materials and consumables	2.2.1.	(10 737)	(972)
Cost of external services	2.2.2.	(51 515)	(86 623)
Depreciation and amortisation	2.2.3.	(2 643)	(2 525)
Employee benefits	2.2.4.	(8 337)	(6 023)
Impairment of assets	2.2.5.	(4 928)	(181)
Other expenses	2.2.6.	(2 019)	(12 774)
Allowances	2.2.7.	1 819	-
Net book value of assets disposed		(117)	
Capitalised costs		1 936	
Finance costs	2.2.8.	(1 415)	(861)
Total expenses, excluding tax expenses		(79 775)	(109 959)
Profit / (Loss) before tax		3 421	19 779
Tax expense	2.2.9.	(1 129)	(3 258)
Current tax expense		(540)	(3 955)
Deferred tax changes		(589)	697
Income / (Loss) from continuing operations		2 292	16 521
Profit / (Loss)		2 292	16 521

The notes on pages 7 to 94 are an integral part of these financial statements

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	Note	2021 BGN'000	2020 BGN'000
Profit / (Loss)		2 292	16 521
Other comprehensive income	2.3.1.	(401)	447
<i>Items that are not subject to subsequent reclassification in profit or loss, including:</i>			
Actuarial gains / (losses)		15	(6)
Reclassification adjustments for items, previously recognised in other comprehensive income, including:		(416)	453
Translation reserve from translation of foreign activities, reclassified in profit or loss		(416)	453
Total comprehensive income		1 891	16 968
including total comprehensive income for the group		1 891	16 968

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TRACE GROUP HOLD PLC
STATEMENT OF CASH FLOWS for 2021



	2021 BGN'000	2020 BGN'000
Cash flows from operating activities		
Proceeds from contractors	118 896	148 971
Payments to contractors	(97 025)	(124 807)
Net cash flows for employee benefits (salaries and wages, and social insurance contributions)	(7 800)	(6 382)
Tax paid (excluding corporate income tax)	(444)	(1 260)
Proceeds from tax reimbursed (excluding corporate income tax)	276	92
Corporate income tax paid	(3 998)	(3 177)
Payments under profit distribution	-	(1 072)
Cash collaterals	-	(2 791)
Payments of cash collaterals and guarantees	(549)	(470)
Net foreign gains / (losses)	12	(6)
Other cash flows from operating activities	422	513
Net cash flows from operating activities	9 790	9 611
Cash flows from investing activities		
Payments under acquisitions of non-current assets	(5 210)	(3 886)
Proceeds from disposals of non-current assets	104	104
Payments under transactions in financial assets	-	(17)
Proceeds from sales of financial assets	401	369
Payments of loans granted	(2 349)	(3 797)
Proceeds from loans granted	2 909	11 631
Proceeds from interest under loans granted	306	216
Payments under cession contracts	-	(6 193)
Proceeds of dividends	9 432	-
Other cash flows from investing activities	-	548
Net Cash flows from investing activities	5 593	(1 025)
Cash flows from financing activities		
Payments for repurchase of shares and other capital instruments	-	(10)
Payments of dividends	(1 203)	-
Proceeds under loans obtained	-	2
Payments under loans obtained	(985)	(1 432)
Payments of interest and fees on loans obtained	(83)	(231)
Cash outflows on leases	(1 365)	(1 777)
Net foreign exchange gains / (losses)	-	1
Net Cash flows from financing activities	(3 636)	(3 447)
Net cash increase / (decrease) in cash and cash equivalents	11 747	5 139
Cash and cash equivalents at 01 January	26 951	21 812
Cash and cash equivalents at 31 December	38 698	26 951

The notes on pages 7 to 94 are an integral part of these financial statements

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STATEMENT OF CHANGES IN EQUITY as at 31.12.2021

	Share capital	Share premium	Translatio n reserve	Revaluatio n reserve	General and other reserves	Accumulat ed profit / (loss)	Total equity
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance at 31.12.2019	24 189	21 739	(901)		58 443	14 231	117 701
Changes in equity for the financial reporting 2020	(10)	-	453	-	14 197	2 175	16 815
<i>Other comprehensive income</i>	-	-	453	-	-	(6)	447
Actuarial gains / (losses)						(6)	(6)
Foreign currency translations			453				453
<i>Profit / (loss) for the period</i>						16 521	16 521
Total comprehensive income for 2020	-	-	453	-	-	16 515	16 968
Treasury shares	(10)						(10)
Profit distribution					14 197	(14 197)	-
Other changes in equity						(143)	(143)
Balance at 31.12.2020	24 179	21 739	(448)	-	72 640	16 406	134 516
Changes in equity for the financial reporting 2021	-	-	(416)	-	-	(2 532)	(2 948)
<i>Other comprehensive income</i>	-	-	(416)	-	-	15	(401)
Actuarial gains / (losses)						15	15
Foreign currency translations			(416)				(416)
<i>Profit / (loss) for the period</i>						2 292	2 292
Total comprehensive income for 2021	-	-	(416)	-	-	2 307	1 891
Dividends						(4 839)	(4 839)
Balance at 31.12.2021	24 179	21 739	(864)	-	72 640	13 874	131 568

The notes on pages 7 to 94 are an integral part of these financial statements

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“TRACE GROUP HOLD” PLC

SEPARATE ANNUAL FINANCIAL STATEMENTS

AS AT 31.12.2021

The financial statements for the year ended 31.12.2021, pages 1 to 95, are approved and signed on behalf of TRACE GROUP HOLD PLC by:

Executive Director:

Boyan Stoyanov Delchev

Compiler:

Antoaneta Stefanova Goryanova – Barakova

**MANAGEMENT ACTIVITY REPORT
FOR THE YEAR ENDED ON 31.12.2021**

The Management Activity Report for the year ended on 31.12.2021, pages 1 to 38, is approved and signed on behalf of “Trace Group Hold” PLC by:

Executive Director: _____

Eng. Boyan Delchev

I. General information, accounting policies, baseline

1. General information on the Entity

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

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

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

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

1.1. Ownership and management of the entity

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

The entity's ownership at 31.12.2021 is distributed as follows:

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

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

Members of the Supervisory Board at 31.12.2021 are:

Nikolay Mihaylov	Chairman
Manol Denev	Member
Mariela Rounteva	Member

Members of the Managing Board at 31.12.2021 are:

Desislava Lyubenova	Chairman
Boyan Delchev	Member
Rositsa Dineva – Georgieva	Member

At 31.12.2021, Trace Group Hold PLC is managed and represented by the Executive Director Eng. Boyan Delchev.

Members of the Audit Committee at 31.12.2021 are:

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

1.2. Other information

Compiler of the financial statements: Antoaneta Stefanova Goryanova – Barakova

Lawyers: Hristina Arihteva

Auditor: Kalin Apostolov, CPA № 657

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

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

Scope of the financial statements: The financial statements are the separate financial statements of the entity, covering the annual period beginning on 01.01.2021 and ending on 31.12.2021.

Comparative information period – prior period: The year beginning on 01.01.2020 and ending on 31.12.2020.

Date of the financial statements: 31.03.2022

Date of authorisation (of the financial statements) for issue: 31.03.2022

The body who has authorised the financial statements for issue: The MB by a decision, entered in a Protocol, dated 31.03.2022.

2. Accounting policies

2.1. Basis of preparation of the financial statements

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

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

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

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

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

There have been no changes in the accounting policies of the Group since the adoption of these Standards and / or Interpretations, applicable for entities, domiciled within the Republic of Bulgaria, and annual reporting periods beginning on or after 1 January 2021, except for some new, or expansion of already established disclosures, without this leading to other changes – in the classification or measurement of separate reporting items and transactions.

The new and / or revised standards and interpretations include:

IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts, IFRS 16 Leases, effective date: 01 January 2021

The project is Phase 2 of the amendments, which relate to overcoming issues that might affect financial reporting during the reform of an interest rate benchmark.

IFRS 4 Insurance Contracts, effective for annual periods beginning on or after 01.01.2021

The amendments permit entities, whose activities are predominantly connected with insurance, to defer the effective date of IFRS 9 Financial Instruments from 01 January 2021 to 01 January 2023; instead, such entities may continue to apply IAS 39 Financial Instruments: Recognition and Measurement. The purpose of the amendment is to harmonise the effective date of IFRS 9 with the new IFRS 17 in order to overcome the temporary accounting consequences of the different effective dates of the two standards.

IFRS 16 Leases, effective date: 01 January 2021

The amendments extend by one year the application period of the practical expedient, facilitating the reporting of rent concessions that have been provided to lessees as a direct consequence of the COVID-19 pandemic and which meet certain conditions.

There have been no changes in the accounting policies of the Group since the adoption of these Standards and / or Interpretations, applicable for entities within the EU, and the Republic of Bulgaria respectively, and annual reporting periods beginning on or after 01 January 2021, except of 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.

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

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

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

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

The amendments update IFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in 2018. They also add an exception of the recognition principle for liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, and add an explicit statement that an acquirer should not recognise contingent assets at the acquisition date. The amendments are applied prospectively.

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

The amendments explicitly clarify that the costs of fulfilling an onerous contract are the costs that relate directly to it, including: a) direct labour costs and direct material costs; and b) allocations of costs that relate directly to the contract activities, such as the allocation of depreciation of property, plant and equipment, used in fulfilling the respective contract. General and administrative costs are excluded, unless they are explicitly chargeable to the counterparty under the contract. The amendments also make a minor adjustment to the clarifications on the recognition of any impairment losses that has occurred on assets before establishing a separate provision for an onerous contract, emphasising that these are assets used in fulfilling the contract and not assets dedicated to that contract, as was required until the effective date of the amendments.

IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 01.01.2023

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, namely IFRS 4. It establishes a new comprehensive accounting model for insurance contracts, covering all relevant accounting aspects.

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

The following improvements were finalised in May 2020:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – permits entities that have measured their assets and liabilities at carrying amounts, recognised in the accounting records of their parent, to also measure any differences in re-calculations using the amounts recognised by the parent. This amendment shall also apply to associates and joint ventures that apply the same exemption under IFRS 1.
- IFRS 9 Financial Instruments – clarifies the fees to be included in the 10% test for derecognition of financial liabilities (to assess whether, in a change of a financial liability, the terms of the new or modified financial liability are substantially different from the terms of the initially recognised financial liability).
- IFRS 16 Leases – amendment to Illustrative Example 13 targeting to remove from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential for confusion regarding the treatment of lease incentives.
- IAS 41 Agriculture – removes the requirement for entities to exclude cash flows for taxation when measuring fair value by applying IAS 41. This amendment seeks to bring it into compliance with the requirement of the Standard for entities to use a pre-tax rate to discount cash flows.

Annual improvements and Standards that have not yet been adopted by the EU at year-end:**IAS 1 Presentation of Financial Statements**, effective date: 01 January 2023

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

IAS 1 Presentation of Financial Statements, effective date: 01 January 2023

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

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

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

IAS 12 Income Taxes, effective date: 01 January 2023

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

IFRS 17 Insurance Contracts (effective date: 01 January 2023)

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

2.2. Going concern

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

The Management is monitoring, on a current basis, the possible business and financial risks, and considers and / or takes appropriate actions depending on the assessment of their significance for the entity'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 prospectively with which the Entity has fully complied.

2.4. Reporting currency

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

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

At 31.12.2021, the fixing of some currencies to the Bulgarian Lev is as follows:

Currency	<u>31.12.2021</u>
EUR 1	BGN 1.95583
RSD 1	BGN 0.016634
CZK 1	BGN 0.0786801
RON 1	BGN 0.395273

2.5. Comparative information

Current reporting period is the period beginning on 01.01.2021 and ending on 31.12.2021. Prior reporting period is the period beginning on 01.01.2020 and ending on 31.12.2020. The entity presents comparative

information for one prior financial year. When necessary, comparative information is reclassified (and restated) to achieve comparability with any changes in the current reporting period's presentation.

2.6. Consolidated financial statements

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

The consolidated financial statements shall be prepared until 30.04.2022 and shall be published on the entity's website.

2.7. Current and non-current assets and liabilities

2.7.1. Current and non-current assets

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

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

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

2.7.2. Current and non-current liabilities

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

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

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

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

2.8. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.9. Investment property

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

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

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

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

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

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

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

Group	Years
Buildings	50

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

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

2.10. Intangible assets

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

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

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

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

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

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

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

An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all 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 products, software	5
All other assets, subject to amortisation	7
Assets with finite useful life	As per contract

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

Amortisation ceases at the earlier of:

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

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

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

2.11. Investments in subsidiaries

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

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

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

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

Investments are derecognised when the rights, arising from those investments, are transferred to other parties, given that there are legal grounds for such a transfer, and control over the economic benefits from

these investments is thereby lost. Net revenue from sales of investments, representing the difference between the proceeds, if any, and the cost of the investments, is presented in the Income Statement as “Finance income” or “Finance cost”, respectively.

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

2.12. Investments in associates and joint ventures

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

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

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

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

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

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

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

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

2.13. Impairment of non-current assets

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

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

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

2.14. Inventories

Inventories are assets:

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

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

The cost of purchase of inventories comprises the purchase price, import duties and other non-recoverable taxes, transport and others costs, directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the cost of purchase.

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

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

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

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

2.15. Assets held for sale

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

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

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

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

2.16. Financial instruments

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

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

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

2.16.1. Financial assets

2.16.1.1. RECOGNITION AND CLASSIFICATION OF FINANCIAL ASSETS

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

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

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

2.16.1.2. INITIAL RECOGNITION

Except for trade receivables, at initial recognition all financial assets are measured at their fair value, plus the direct transaction costs, 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 Entity applies the practical expedient under IFRS 15 are initially measured at the transaction price in accordance with IFRS 15. For all other financial assets, acquired under market conditions, the Entity also adopts the respective transaction price as the best evidence of their fair value upon initial recognition. When the two values differ, instruments with quoted prices or relevant observable data are measured at fair value and the excess / deficit to the transaction price is recognised in profit or loss; all others are measured at fair value, adjusted to defer the difference, recognised to the extent of a change in a factor, which the market participants would take into account.

2.16.1.3. SUBSEQUENT MEASUREMENT AND PRESENTATION

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

I. FINANCIAL ASSETS AT AMORTISED COST

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

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

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

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

II. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

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

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

III. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

The entity may apply the exemptions under IFRS 9 and at initial recognition irrevocably designate a financial asset as measured at fair value 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. COMPOSITION OF THE FINANCIAL ASSETS

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

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

2.16.1.4. IMPAIRMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The entity regards a financial instrument as a defaulted financial instrument when the contractual payments are more than 90 days past due. Nevertheless, in some cases, a financial asset may be regarded as a defaulted financial asset, if internal or external information provides an indication that it is unlikely that the Entity will receive the full amount of the outstanding considerations under the contract, before taking into account any credit enhancements held by it. Financial assets are derecognised when there is no reasonable expectation that the contractual cash flows shall be collected.

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

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

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

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

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

2.16.1.5. DERECOGNITION, GAINS AND LOSSES

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

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

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

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

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

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

2.16.2. Financial liabilities**2.16.2.1. RECOGNITION AND CLASSIFICATION**

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

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

2.16.2.2. INITIAL RECOGNITION

All financial liabilities are initially measured at their fair value, net of the direct transaction costs, if financial liabilities are not measured at fair value through profit or loss when such are initially measured at

fair value. At initial recognition, the Entity regards transaction price (quoted market prices) as best evidence of the fair value of all financial liabilities, acquired in active markets. When there is a difference between the two amounts, instruments with quoted prices, or relevant observable data, are measured at fair value, and the difference to the transaction price is recognised in profit or loss; for all other cases – at fair value, adjusted to defer the difference that is recognised to the extent of a change in a factor that market participants would take into account.

2.16.2.3. SUBSEQUENT MEASUREMENT

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

I. FINANCIAL LIABILITIES AT AMORTISED COST

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

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

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

II. FINANCIAL GUARANTEE CONTRACTS

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

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

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

III. COMPOSITION OF THE FINANCIAL LIABILITIES

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

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

IV. FINANCIAL LIABILITIES, MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

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

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

VII. COMPOSITION OF THE FINANCIAL LIABILITIES

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

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

2.16.2.4. DERECOGNITION, GAINS AND LOSSES

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

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

2.17. Cash and cash equivalents

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

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

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

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

For the purpose of preparation of the Statement of Cash Flows, lease payments (cash payments of principal and interest on the outstanding principal amount), related to “right-of-use assets” and lease liabilities, recognised in the Statement of Financial Position, are presented as “cash outflows from financing activities”, and payments of short-term leases’ principals and interest on the outstanding amount of such principal of leases and low-value assets, are presented as “cash outflows from operating activities”.

2.18. Equity and reserves

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

2.18.1. Share capital

The share capital of the Entity comprises:

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

If the Entity repurchases its own equity instruments, those instruments (treasury shares) are deducted from equity. Neither profit, nor loss on the purchase, sale, issue or cancellation of the equity instruments

of Trace Group Hold PLC is recognised. The consideration paid, or received, is recognised directly in equity capital.

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

2.18.2. Share premium

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

2.18.3. Translation reserves

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

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

2.18.4. General and other reserves

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

2.18.5. Financial result

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

2.19. Earnings per share

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

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

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

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

2.20. Employee benefits

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

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

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

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

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

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

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

2.20.1. Short-term employee benefits

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

2.20.2. Long-term employee benefits

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

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

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

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

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

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

2.21.2. Translation of foreign operations

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

When translating foreign operations from functional currency to presentation currency:

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

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

2.22. Revenue, other income, finance income

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

The entity accounts for a contract with a customer only when: the parties to the contract have approved the contract, the parties’ 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 Entity will collect the consideration, which it expects to be entitled to.

2.22.1. Revenue from contracts with customers

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

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

2.22.1.1. IDENTIFYING A CONTRACT**I. CONSTRUCTION CONTRACTS**

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

II. SALES OF OUTPUT, GOOD AND SERVICES

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

2.22.1.2. IDENTIFYING PERFORMANCE OBLIGATIONS**I. CONSTRUCTION CONTRACTS**

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

II. SALES OF OUTPUT, GOODS AND SERVICES

Separate performance obligations, which are distinct from others, are identified in sales 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 Entity estimates it will be entitled to. In sales of goods or services under framework agreements, control over them is transferred over time as they are part of one or more performance obligations satisfied over time. Obligations satisfied over time are accounted for in the same way as are construction contracts.

2.22.1.3. TRANSACTION PRICE – DETERMINATION AND ALLOCATION**I. CONSTRUCTION CONTRACTS**

Transaction price is the amount of the consideration, which the Entity expects to be entitled to in exchange for the transferred goods or services that are typically part of a single performance obligation.

Consideration under construction contracts is fixed, but it may change as a result of price changes and / or modifications in the contract’s scope.

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

II. SALES OF OUTPUT, GOOD AND SERVICES

Transaction price for sales of output, goods or services is the amount of the consideration that the Entity expects to be entitled to in exchange for those output, goods or services. Goods and services are sold separately and / or in series, and may, thereby, form a separate performance obligation or 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 regarded as terminated. Price changes that do not affect the scope of the contracts are allocated to performance obligations that are unsatisfied or are partially unsatisfied. When the scope and / or price of contracts for the supply of goods or services that are not distinct and which are part of an unsatisfied, or partially satisfied, performance obligation is modified, the cumulative effect on the transaction price and the measurement of progress towards complete satisfaction is recognised currently, at the date of the modification.

2.22.1.4. RECOGNISING REVENUE

I. CONSTRUCTION CONTRACTS

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

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

Input methods, in particular estimates of the expected and actually incurred costs with respective expenditure adjustments for costs that do not contribute, or are not proportionate, to the entity’s progress in satisfying the performance obligation, are typically applied to measure the progress of contracts. Such methods are typically applied to fixed price construction contracts and the Entity believes that the input method is more appropriate than the output methods, as the second method requires additional resources, especially time, to ensure information. Furthermore, the input method is more appropriate and due to the fact that modifications in the promised goods or services are possible, without such affecting the transaction price and performance obligation, which would limit the assessment of the cumulative effect (in particular from the modifications) and of the contract as a whole (especially in the application of the output method). Output methods, based on direct measurement of the value to the customer of the goods and services transferred, are applied to some of the contracts whereby the Entity is a direct contractor.

Such are applied by conducting research of the activities performed and / or the stages achieved at the respective dates, as and when appropriate in accordance with the applicable framework. The Entity believes that output methods are appropriate for measuring progress towards complete satisfaction under such contracts in so far as project and reliable, up-to-date information on the value and quantities of the goods and services transferred to clients is available.

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

II. SALES OF OUTPUT, GOODS AND 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 entity can reasonably measure its progress towards complete satisfaction of the performance obligation. Progress towards completion satisfaction is remeasured at the end of each reporting period.

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

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

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

2.22.1.5. CONTRACT COSTS

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

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

2.22.1.6. CONTRACT BALANCES

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

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

The typical time of payment under contracts with customers in terms of satisfying performance obligations and the dependencies in this respect, differ substantially under construction contracts and under contracts for sales of output, goods or services. Under construction contracts, the Entity satisfies the performance obligations over time, typically more than one period, recognising revenue at the end of each period by reference to the contract’s progress towards complete satisfaction, and customer approval is usually not necessary at this stage. However, given that the projects and sites, and the related to such performance, are subject to specific legislative provisions, certain official actions – including acceptance and / or approval by the customer and / or a third party – are provided and required upon completion of the contract’s activities, on the basis of which part of the contract receivables from contracts with customers become unconditional and are paid subsequently. It is possible to unambiguously determine that the goods or services under the contract have been transferred, and respectively recognise revenue from the already satisfied obligations, in so far an asset that is controlled by the customer is enhanced through construction. As a result of these circumstances, there is a discrepancy between the time when revenue from construction contracts is recognised, thereby recognising and the unconditional receivables and contract assets from contracts with customers, and the time of the payment receipt, with the ordinary payment term varying between 60 and 180 days, and between 180 and 360 days, respectively. Typically, sales of 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 Entity as a whole, are defined in terms of timing and amounts (and in individual cases – according to the type and size of the project or site), and in terms of the assignor and the source of financing such, and consist of an advance payment in the amount of 10% – 20%, interim payments of 60% – 80% and a final payment. When the entity is a subcontractor, the direct or ultimate assignors are public entities / organisations and the main contracts and conditions vary, it is possible different conditions to be applicable to similar projects and sites, or vice versa, resulting in varying amounts and time of payments too. Pursuant to the legislative requirements, performance bonds are typically issued for construction contracts. Such performance bonds are in fact amounts, part of the unconditional receivables of the Entity, retained by the assignor for a certain period – typically between 12 and 24 months. The entity believes that there is no significant component of funding for the retained amounts in so far as they are established by the Law and provide customer protection, as defined under IFRS 15, but also since in most cases the direct or ultimate party under these contracts are state authorities that cannot engage in

funding, in the context of the content of the transactions, but and in principle. The Entity adjusts the promised amount of the consideration, paid by customers before the goods or services are transferred to them, to reflect the effect of the existence of a significant component of funding, when such exists and when the period between the payment and the transfer is expected to be more than one year. The adjustment is recognised as interest expense in the Income Statement, under “Finance costs”. In some cases, the deadlines of construction contracts are extended for reasons beyond the Entity’s control, and payments **have been / are** received in respect of some of these prolonged contacts under the original expectations that the goods or services will be transferred within one year. In these cases, adjustments are made prospectively, when the new term is expected to be in more than one year.

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

2.22.2. Other income

Net revenue (net positive results) and gross revenue, other than the revenue realised from the Entity’s ordinary activities and / or incidental, are recognised as “other income”. Other income comprises also operating lease income in accordance with the accounting policies and IFRS 16 Leases (refer to note 2.27), as well as income from sales of materials and gains on disposals of non-current assets, net of their carrying amount, whereby revenue is recognised in accordance with IFRS 15 – i.e., when the customer obtains control over them and the performance obligation is satisfied respectively. Expenses are recognised when revenue is recognised, in accordance with the applicable accounting policies and the relevant standards (refer to notes 2.88 2.9, 2.10, 2.14). Other income also comprises the derecognised and non-payable liabilities, including financial liabilities and others that are terminated or have expired (refer to note 2.16.2.4), as well as differences including and from write-offs related to provisions, recognised in accordance with IAS 37, and surpluses of assets and inventories, others.

2.22.3. Finance income

Interest income on all financial instruments of the Entity, recognised using the effective interest rate method, and the effects under contracts with customers that include significant components of financing are recognised as finance income. Finance income includes and interest on leases, net gains from transactions in financial instruments and investments (refer to notes 2.11, 0, 2.16.1.5), as well as translation gains and foreign exchange gains in accordance with IAS 21, and other income associated with financial instruments.

2.23. Expenses

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

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

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

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

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

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

2.23.2. Finance costs

Interest expenses on all financial instruments of the Entity, recognised using the effective interest rate method, and the effects under contracts with customers that 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 (refer to notes 2.11, 0, 2.16.1.5), as well as translation losses and foreign exchange losses in accordance with IAS 21, and other costs associated with financial instruments, including bank fees and commissions.

2.24. Profit or loss for the period

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

Some IFRSs define circumstances, under which the entity 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 tax

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

2.25.1. Current taxes

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

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

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

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

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

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

2.25.2. Deferred tax assets and deferred tax liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

2.26. Provisions, contingent assets and contingent liabilities

2.26.1. Provisions

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

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

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

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

2.26.2. Contingent assets and contingent liabilities

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

required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

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

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

2.27. Leases

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

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

2.27.1. The entity as a lessee

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

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

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

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

Group	Years
Buildings	5
Motor vehicles (cars)	5

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

- Fixed payments less the lease incentives payable;
- Variable lease payments that depend on an index or a rate;
- The exercise price of a purchase option, if it is reasonably certain that the Entity shall exercise that option;
- Payments of penalties for terminating the lease;
- Residual value guarantees.

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

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

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

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

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

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

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

2.27.2. The entity as a lessor

The entity has adopted the practice to lease its own assets, and in rare cases – to sublease right-of-use assets. A lease is classified as a financial lease, when such leases of own assets transfer substantially all the risks and rewards incidental to the ownership of the assets owned. Leases of own assets under which the risks and rewards incidental to the asset's ownership are retained are recognised as operating leases.

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

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

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

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

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

The entity leases, under operating leases, mainly real estate – buildings, machinery and equipment, and transport vehicles.

The following are disclosed in the notes to the financial statements with regards to finance leases: gains on the disposal of the asset, the written-off book value and the net result, as well as the realised finance income and the income, realised from variable payments. Income from variable payments is presented in the Income Statement, under “Other income”, and the realised finance income – under “finance income”. Operating lease income is presented in the Income Statement, under “Other income”. The entity-owned assets, leased under operating leases, are disclosed in the notes to the financial statements, separately from the assets used by the entity.

2.28. Segment reporting

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

The Group operates in a single business sector. The main services performed and the output produced by all entities are related with and are part of the different stages of the principal activity. The materials obtained and goods produced form a significant share of the input materials used in building and

construction works. Also, the risks and rewards, associated with the principal activity of the Group cannot be distinguished due to the similarity in the nature of the activities performed, the characteristics of the environment and the customers of the entities, as well as due to the same resources used in these processes, 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 regularly monitored and managed separately, with each operating segment being a separate geographical area, serving different markets and different types of customers, thus bearing different business risks and rewards, depending on its location. The later are defined in several zones, depending on their nature and ability to generate cash flows:

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

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

2.29. Fair value measurement

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

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

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

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

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

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

The fair value of all assets and liabilities, measured and / or disclosed in the financial statements at fair value, is categorised under the following 3 level fair value hierarchy, namely:

Level 1 - Quoted (unadjusted) market prices in active markets are applied for identical assets or liabilities;

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

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

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

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

2.30. Accounting assumptions and accounting estimates, errors

2.30.1. Accounting assumptions and accounting estimates

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

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

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

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

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

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

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

2.30.2. Errors

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

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

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

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

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

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

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

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

1. Separate Statement of Financial Position

1.1. Property, plant and equipment

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
<i>Book value</i>								
Balance as at 31.12.2019	4 365	775	1 115	22 455	13 314	1 397	1 137	44 558
Additions				817	847	307	6 669	8 640
Disposals					(1 125)	(31)	(3 589)	(4 745)
Balance as at 31.12.2020	4 365	775	1 115	23 272	13 036	1 673	4 217	48 453
Revalued balance as at 01.01.2021	4 365	775	1 115	23 272	13 036	1 673	4 217	48 453
Additions	4 805			203	159	1 025	2 260	8 452
Disposals				(28)	(1 319)	(93)	-	(1 440)
Balance as at 31.12.2021	9 170	775	1 115	23 447	11 876	2 605	6 477	55 465
<i>Depreciation</i>								
Balance as at 31.12.2019		155	195	5 638	7 092	1 181		14 261
Additions		155	45	862	1 054	137		2 253
Disposals					(849)	(22)		(871)
Balance as at 31.12.2020	-	310	240	6 500	7 297	1 296	-	15 643
Additions		155	44	910	1 023	235		2 367
Disposals				(105)	(847)	(5)		(957)
Balance as at 31.12.2021	-	465	284	7 305	7 473	1 526	-	17 053
<i>Net book value</i>								
Net book value as at 31.12.2020	4 365	465	875	16 772	5 739	377	4 217	32 810
Net book value as at 31.12.2021	9 170	310	831	16 142	4 403	1 079	6 477	38 412

Non-current tangible assets, amounting to BGN 8 452 thousand in total, have been acquired within the year. BGN 4 805 thousand of those refer to land (regulated, surveyed, land in “Druzhdza” District, Sofia), BGN 203 thousand to machinery and equipment, BGN 159 thousand to transport vehicles, acquired mainly in Bulgaria, BGN 1 025 thousand to other assets.

The book value of the acquisition costs of non-current tangible assets amounts to BGN 6 477 thousand at 31.12.2021 and comprises BGN 172 thousand, incurred for purchased ERP software, BGN 6 305 thousand, incurred cost for non-commissioned properties – an administrative building, located in “Druzhdza” District and “Probuda” Logistics Centre, located in “Ilientsi” District, and others.

The book value of the right-of-use assets acquired in 2021, resulting from the application of IFRS 16 Leases and purchased under finance leases, amounts to BGN 685 thousand. BGN 29 thousand of those refer to right-of-use assets of the branch in the Republic of Serbia. Transport vehicles (BGN 195 thousand) and machinery and equipment (BGN 1 813 thousand), part of the right-of-use assets and

purchased under leases, have been excluded from the entity's assets due to their sale or as a result of terminated operating leases.

The presented book values under “Land” and “Buildings” include:

- Land (BGN 4 269 thousand) that have mortgages in favour of UniCredit Bulbank AD, pledged as a collateral on Contract No. 110, dated 02.09.2015, whereby the entity assumes credit liabilities under an overdraft credit line, granting the option of issuing bank guarantees;
- Landed properties (BGN 96 thousand) and buildings (BGN 32 thousand) that have mortgages in favour of UBB AD under a bank loan agreement for issuing bank guarantees and credit line № 51, dated 10.09.2014.

The book values of machinery and equipment, of plants and of transport vehicles include:

- Machinery and equipment (BGN 5 101 thousand) and transport vehicles (BGN 585 thousand) that are pledged in favour of DSK Bank EAD under a credit line agreement for issuing bank guarantees, dated 28.03.2013.
- Machinery (BGN 3 502 thousand) and transport vehicles (BGN 797 thousand), pledged in favour of DSK Bank EAD on a contract for issuing multiple bank guarantees No. 1403, dated 08.08.2014.
- Machinery (BGN 1 834 thousand), transport vehicles (BGN 755 thousand) and plant (BGN 347 thousand), pledged in favour of UBB AD on a contract for issuing bank guarantees and credit line No. 51, dated 10.09.2014.
- plant (BGN 484 thousand), machinery and equipment (BGN 236 thousand) that have mortgages in favour of UniCredit Bulbank AD, pledged as a collateral on Contract No. 110, dated 02.09.2015, whereby the entity assumes credit commitments under an overdraft credit, providing the option of issuing bank guarantees;

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

	Machinery and equipment	Transport vehicles	Total
<i>Book value</i>			
Balance as at 31.12.2019	21 265	9 982	31 247
Additions	800	211	1 011
Disposals		(23)	(23)
Balance as at 31.12.2020	22 065	10 170	32 235
Restated balance as at 01.01.2021	22 065	10 170	32 235
Additions			-
Disposals	(5 886)	(3 103)	(8 989)
Balance as at 31.12.2021	16 179	7 067	23 246
<i>Depreciation</i>			
Balance as at 31.12.2019	5 306	4 853	10 159
Additions	857	885	1 742
Balance as at 31.12.2020	6 163	5 738	11 901
Additions	634	685	1 319
Disposals	(518)	(1 970)	(2 488)
Balance as at 31.12.2021	6 279	4 453	10 732
Net book value as at 31.12.2020	15 902	4 432	20 334
Net book value as at 31.12.2021	9 900	2 614	12 514

The book value of the fully depreciated tangible assets, used in the entity’s activities and included in the Balance Sheet as at 31.12.2021:

Property, machinery, plant and equipment

Transport vehicles	Other assets	Total
1 018	1 104	2 122

1.2. Investment property

	Land	Buildings	Total
<i>Book value</i>			
Balance as at 31.12.2019	3 340	7 835	11 175
Additions	856	70	926
Disposals		(81)	(81)
Balance as at 31.12.2020	4 196	7 824	12 020
Restated balance as at 01.01.2021	4 196	7 824	12 020
Balance as at 31.12.2021	4 196	7 824	12 020
<i>Depreciation</i>			
Balance as at 31.12.2019		624	624
Additions		255	255
Disposals		(8)	(8)
Balance as at 31.12.2020	-	871	871
Additions		257	257
Balance as at 31.12.2021	-	1 128	1 128
Net book value as at 31.12.2020	4 196	6 953	11 149
Net book value as at 31.12.2021	4 196	6 696	10 892

The presented book value of “Investment property” includes:

- Building with a carrying amount of BGN 121 thousand and Land with carrying amount of BGN 692 thousand that have a mortgage in favour of UniCredit Bulbank AD, pledged as a collateral on Contract N 110, dated 02.09.2015, whereby the entity assumes credit commitments under an overdraft credit, providing the option of issuing bank guarantees;
- Building with a carrying amount of BGN 1 274 thousand and Land with carrying amount of BGN 804 thousand that have a mortgage in favour of UniCredit Bulbank AD, pledged as a collateral on Contract № 00005/730, dated 28.07.2014 – credit line, for issuing a bank guarantee;
- Landed properties, amounting to BGN 792 thousand, and buildings with carrying amount of BGN 578 thousand that have mortgages in favour of UBB AD under a bank loan agreement for issuing bank guarantees and credit line № 51, dated 10.09.2014, and investment credit agreement № 42, dated 28.11.2016 – BGN 10 thousand for lands and BGN 1 223 thousand for buildings.
- Landed properties, amounting to BGN 1 536 thousand, and buildings with carrying amount of BGN 3 266 thousand that have mortgages in favour of DSK Bank EAD under investment credit agreement № 2233, dated 01.03.2018;

1.3. Non-current intangible assets

	Software products	Other assets	Total
<i>Book value</i>			
Balance as at 31.12.2019	84	2	86
Additions	35		35
Balance as at 31.12.2020	119	2	121
Restated balance as at 01.01.2021	119	2	121
Additions	44		44
Balance as at 31.12.2021	163	2	165
<i>Amortisation</i>			
Balance as at 31.12.2019	41	2	43
Additions	17		17
Balance as at 31.12.2020	58	2	60
Additions	19		19
Balance as at 31.12.2021	77	2	79
Net book value as at 31.12.2020	61	-	61
Net book value as at 31.12.2021	86	-	86

The book value of the fully amortised intangible assets, used in the entity's activities and included in the Balance Sheet as at 31.12.2021:

Non-current intangible assets

Software products	Other assets	Total
31	2	33

1.4. Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries and associates	31.12.2021	31.12.2020
Investments in subsidiaries	37 267	42 048
Investments in associates	1	1
Total	37 268	42 049

1.4.1. Investments in subsidiaries

Type	31.12.2021		31.12.2020	
	Volume	Amount	Volume	Amount
Trace Yambol JSC, Bulgaria	99%	2 974	99,48%	2 974
USM JSC, Bulgaria	99%	1 862	99,69%	8 055
Trace Mechanization JSC	100%	6 193		
Trace Properties LTD, Bulgaria	100%	7 062	100,00%	7 062
Trace Serbia JSC Nis, Serbia	100%	17 153	100,00%	17 153
Trace BG JSC (Trace – Sofia LTD, Bulgaria)	100%	12 661	100,00%	12 661
Infra Commerce LTD, Bulgaria	100%	740	100,00%	740
Aria Residence LTD	60%	1	60,00%	1
Impairment of the investment in USM JS		(948)		(4 100)
Impairment of the investment in Trace Mechanization JSC		(3 152)		
Impairment of the investment in Trace BG JSC		(5 879)		(1 100)
Impairment of the investment in Trace Yambol JSC		(1 400)		(1 400)
Metro Druzhba LTD, Bulgaria – until 17.07.2020			100,00%	
Trace Company LTD, Moldova			100%	2
Metro Trace Alliance – a Company under the Law on Obligations and Contracts, Bulgaria	55%		55,00%	
Trace – BG – a Company under the Law on Obligations and Contracts, Bulgaria	51%		51,00%	
Magistrala (transl. Highway) Trace – a Company under the Law on Obligations and Contracts, Bulgaria	75%		75,00%	
Hemus A2 – a Company under the Law on Obligations and Contracts, Bulgaria	60%		60,00%	
Trace Svoge – a Company under the Law on Obligations and Contracts, Bulgaria	60%		60,00%	
Trace SOP – a Company under the Law on Obligations and Contracts, Bulgaria	60%		60,00%	
Metro Druzhba – a Company under the Law on Obligations and Contracts, Bulgaria – until 17.07.2020			98,00%	
Serdika – a Company under the Law on Obligations and Contracts, Bulgaria	90%		90,00%	
Lyulin Trace– a Company under the Law on Obligations and Contracts, Bulgaria	55%		55,00%	
Trace Air – a Company under the Law on Obligations and Contracts, Bulgaria – until 03.09.2020			80,00%	
Obhod (transl. Bypass) Montana – a Company under the Law on Obligations and Contracts, Bulgaria – until 07.07.2020			90,00%	
Trace – Kordeel – Pernik – a Company under the Law on Obligations and Contracts, Bulgaria – until 15.09.2020			60,00%	
Trace Mostovik Joint Venture, Serbia	90%		90,00%	
Prague Airport 2013 Alliance, Czech Republic	70%		70,00%	
Water Supply Benesov 2014 Alliance, Czech Republic	50%		50,00%	
Smolyan – Iyg (transl. South) – a Company under the Law on Obligations and Contracts, Bulgaria – until 09.09.2020			60,00%	
Trapezitsa – a Company under the Law on Obligations and Contracts, Bulgaria – 24.08.2020			95,00%	
Trace Pribor – a Company under the Law on Obligations and Contracts, Bulgaria	51%		51,00%	

Chepelare – a Company under the Law on Obligations and Contracts, Bulgaria	51%	51,00%
Markirovka (transl. Marking) 2014 – a Company under the Law on Obligations and Contracts, Bulgaria	70%	70,00%
Tsarigradsko – a Company under the Law on Obligations and Contracts, Bulgaria	100%	99,50%
Samara 2015 – a Company under the Law on Obligations and Contracts, Bulgaria	70%	70,00%
Ulitsi (transl. Streets) Stara Zagora – a Company under the Law on Obligations and Contracts, Bulgaria – until 29.06.2020		80,00%
Zhelezopatna infrastruktura (transl. Railway infrastructure) – a Company under the Law on Obligations and Contracts	51%	50,50%
Dragalevtsi 2021 – a Company under the Law on Obligations and Contracts	50%	
KR Svoqe – a Company under the Law on Obligations and Contracts	50%	
Trace Vlasotintse Alliance, Bulgaria	75%	75,00%
Trace Build – a Company under the Law on Obligations and Contracts	80%	80,00%
Metro Stroitelstvo (transl. Metro Construction) – a Company under the Law on Obligations and Contracts (as of 14.11.2019)	98%	97,99%
Trace Zona (transl. Zone) 1 – a Company under the Law on Obligations and Contracts	100%	100%
Ulitsi (transl. Streets) Borovan Alliance – a Company under the Law on Obligations and Contracts	50%	50%
ViK (transl. Water and Sewerage) Stara Zagora – a Company under the Law on Obligation and Contracts	60%	60%
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligation and Contracts	90%	90%
Pomorie 2020 – a Company under the Law on Obligation and Contracts	50%	50%
Total		37 267 42 048

The restructuring of USM JSC – subsidiary of “Trace Group Hold” PLC –, by separation and establishment of a new entity was entered in the Commercial Register and Register of Non-Profit Legal Entities (CRRNPLE) on 04.03.2021. The capital of “USM” JSC is decreased to BGN 918 925. The newly established entity – “TRACE MECHANIZATION” JSC – has a UIC 206418268.

The deletion of “Trace Company” LTD – a subsidiary of “Trace Group Hold” PLC –, was entered in the Public Registry of the Republic of Moldova, under № 1020600013973, on 16.12.2021.

Investments in subsidiaries are recognised at fair value, less any impairment loss. Impairment of Trace BG JSC, in the amount of BGN 4 779 thousand, was recognised currently in the review of the investment portfolio in subsidiaries. Detailed information on the impairment of investments in the entity is disclosed under note 4.3. “Impairment of investments in subsidiaries, associates and joint ventures”.

The establishment of “Dragalevtsi 2021 – a Company under the Law on Obligations and Contracts”, in which “Trace Group Hold” PLC has 50% interest, was entered in the Commercial Register and Register of Non-Profit Legal Entities (CRRNPLE) on 02.12.2021.

The establishment of “KR Svoqe – a Company under the Law on Obligations and Contracts”, in which “Trace Group Hold” PLC has 50% interest, was entered in the Commercial Register and Register of Non-Profit Legal Entities (CRRNPLE) on 10.12.2021.

1.4.2. Investments in associates

Type	31.12.2021		31.12.2020	
	Volume	Amount	Volume	Amount
Voden Proekt (transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	30%	1	30%	1
Expo Tech Park – a Company under the Law on Obligations and Contracts	48%		48%	
Obedinenie Evropeyski Zheleznitsi (transl. European Railways Alliance) – a Company under the Law on Obligations and Contracts	34%		34%	
Zebra – Trace – a Company under the Law on Obligations and Contracts	49%		49%	
Karposh Stroy – a Company under the Law on Obligations and Contracts	20%		20%	
Putishta (transl. Roads) Bourgas – a Company under the Law on Obligations and Contracts	40%		40%	
Patna Infrastruktura (transl. Road Infrastructure) Avren – a Company under the Law on Obligations and Contracts	25%		25%	
GCF – SK – 13 – Trace Railinfra Consortium	0%		30%	
Irinopolis – a Company under the Law on Obligations and Contracts	25%		25%	
Edifiko – a Company under the Law on Obligations and Contracts	40%		40%	
Gorna Banya – a Company under the Law on Obligations and Contracts	50%		49,99%	
Traffic Management Sofia Consortium	30%		30%	
Pomorie 2018 – a Company under the Law on Obligations and Contracts	40%		40%	
GT Trans BG LTD /as of 22.10.2019/	37%		37%	1 764
Impairment of the investment in GT Trans BG LTD /as of 22.10.2019/				(1 764)
Total		1		1

The deletion of “GT Trans BG” LTD – and associate of “Trace Group Hold” PLC –, was entered in the Commercial Register of the Registration Agency, under № 20211222152335, on 22.12.2021. The investment in the latter was 100% impaired.

Pursuant to the deletion, the entity received liquidation shares in the amount of BGN 401 thousand.

1.5. Non-current financial assets

Non-current financial assets and finance lease	31.12.2021	31.12.2020
Financial assets, measured at fair value through other comprehensive income (OCI)	-	10
Total	-	10

Financial assets, measured at fair value through other comprehensive income (OCI)		
Type	31.12.2021	31.12.2020
Non-controlling shares and interest in other entities	-	10

Total		-	10
Non-controlling shares and interest in other entities			
Type	31.12.2021		31.12.2020
	Volume	Amount	Volume
GCF – SK – 13 – Trace Railinfra Consortium JSC – in liquidation	20%	-	20%
Total	-	-	10

The investment in GCF – SK – 13 – Trace Railinfra Consortium JSC is written-off at 31.12.2021, pursuant to the deletion of the entity, entered in the Commercial Register on 16.08.2021.

1.6. Non-current trade receivables

Type	31.12.2021	31.12.2020
Receivables from related parties within the group /net/	-	73
Contract receivables from contracts with customers		73
Contract receivables from contracts with customers /net/	1 551	887
Contract receivables from contracts with customers	1 551	887
Total	1 551	960

Retention bonds under construction contracts of the branch in the Republic of Serbia are presented as non-current trade receivables.

1.7. Other non-current receivables and assets

Type	31.12.2020	31.12.2020
Other non-current receivables and assets /net/	865	1 099
Guarantees issued and deposits placed	865	1 098
Advance payments		1
Total	865	248

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

1.8. Deferred tax assets

Temporary difference		31 December 2020		Modifications in deferred tax, recognised in OI, in 2021				31 December 2021	
				Increase		Decrease			
				Temporary difference	Deferred tax	Temporary difference	Deferred tax		
Deferred tax assets									
Impairment		11 459	1 146	4 904	490	(1 833)	(183)	14 530	1 453
Compensated absences		77	7	34	3			111	10
Loss				107	17			107	17
Personal income		162	16	541	54	(76)	(7)	627	63
Provisions		18 574	1 858	1 679	168	(8 461)	(846)	11 792	1 180
Long-term employee benefits		59	6	8	1	(30)	(3)	37	4
Right-of-use assets (IFRS 16)		20	2	238	24	(255)	(25)	3	1
Total assets:		30 351	3 035	7 511	757	(10 655)	(1 064)	27 207	2 728
Deferred tax liabilities									
Translation reserve								-	-
Amortisation		10 366	1 036	3 267	327	(2 901)	(291)	10 732	1 072

Total liabilities:	10 366	1 036	3 267	327	(2 901)	(291)	10 732	1 072
Deferred tax (net)	19 985	1 999	4 244	430	(7 754)	(773)	16 475	1 656

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

1.9. Inventories

Type	31.12.2021	31.12.2020
Materials (net), including:	2 509	1 562
Direct materials	2 468	1 534
Fuel, oil and lubricant	10	6
Other materials	31	22
Total	2 509	1 562

1.10. Current trade receivables

Type	31.12.2021	31.12.2020
Receivables from related parties within the group (net)	21 221	15 248
Contract receivables from contracts with customers	6 510	556
<i>Impairment of contract receivables from contracts with customers</i>	(230)	(230)
Contract assets from contracts with customers	5 166	82
Advance payment receivables	5 920	6 001
Operating lease receivables	3 655	4 536
Other trade receivables	200	4 303
Receivables from related parties outside the group (net)	42	3 309
Contract receivables from contracts with customers	197	3 466
<i>Impairment of contract receivables from contracts with customers</i>	(157)	(157)
Operating lease receivables	2	
Contract receivables from contracts with customers (net)	7 424	38 217
Contract receivables from contracts with customers	9 897	40 455
<i>Impairment of contract receivables from contracts with customers</i>	(2 473)	(2 238)
Contract assets from contracts with customers (net)	5 697	14 745
Contract assets from contracts with customers	5 697	14 745
Advance payment receivables (net)	5 144	8 330
Advance payment receivables	5 392	8 617
<i>Impairment of advance payment receivables</i>	(248)	(287)
Operating lease receivables (net)	157	11
Operating lease receivables	157	11
Other trade receivables (net)	236	160
Other trade receivables	248	172
<i>Impairment of other trade receivables</i>	(12)	(12)
Total	39 921	80 020

Retention bonds under construction contracts, amounting to BGN 95 thousand from related parties and BGN 643 thousand unrelated parties, are included in the presented contract receivables from contracts with customers at 31.12.2020.

Contract assets from contracts with customers include the right to consideration for a satisfied performance obligation, resulting from the measurement of progress towards complete satisfaction. Such

have been incurred for performed and / or partially performed services that have not yet been approved by the customer at year-end and for which the Entity does not have unconditional right to payment.

Impairment, amounting to BGN 122 thousand, has been computed and accrued pursuant to a conducted analysis on the collectability of contract receivables from contracts with customers at 31.12.2021.

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

Aging structure of trade receivables:

Period of incurrence	Amount	Relative share
Up to 60 days	20 525	67%
61 days – 120 days	2 052	7%
121 days – 180 days	1 408	5%
181 days – 360 days	2 312	8%
Over 360 days	6 983	23%
Impairment	(2 872)	-9%
Total	30 408	100%

1.11. Other current receivables and assets

Type	31.12.2021	31.12.2020
Receivables from related parties within the group (net)	6 302	13 208
Dividend receivables	6 302	13 208
Litigation receivables (net)	959	-
Litigation receivables	1 014	55
<i>Impairment of litigation receivables</i>	(55)	(55)
Social insurance receivables	18	-
Social insurance	18	
Other current receivables and assets	1 158	4 604
Guarantees issued and deposits placed	288	345
Advance payments	833	721
Insurance receivables		17
Interest receivables		218
Other receivables	37	3 303
Recoverable tax, including:	3 847	821
Value Added Tax	2 798	821
Corporate income tax	1 049	
Total	12 284	18 633

Other current receivables have not been impaired in 2021. Detailed changes in impairments are disclosed under note 4.5 “Impairment of financial assets”.

Litigation receivables include the amount of BGN 959 thousand, referring to a claim filed with RIA.

Value Added Tax receivables comprises VAT receivables in the amount of BGN 1 560 thousand, accrued in Bulgaria, BGN 1 231 thousand accrued in the Republic of Serbia and BGN 7 thousand accrued in the Republic of Romania.

Corporate Income Tax receivables include BGN 1 022 thousand – refundable corporate tax to the branch in the Republic of Serbia.

1.12. Current financial assets

Current financial assets and finance lease	31.12.2021	31.12.2020
Financial assets, measured at amortised cost – loans	6 733	7 605
Total	6 733	7 605

1.12.1.1. Loans – current

Type	31.12.2021	31.12.2020
Loan receivables from related parties within the group (net)	6 304	7 158
Loan receivables from related parties within the group	5 988	6 569
Interest receivables on loans from related parties within the group	318	596
Impairment of loan receivables from related parties within the group	(2)	(7)
Loan receivables from unrelated parties (net)	429	447
Loan receivables from unrelated parties	444	450
Interest receivables on loans from unrelated parties	23	2
Impairment of loan receivables from unrelated parties	(38)	(5)
Total	6 733	7 605

The loan granted to “Trace Company” LTD – a subsidiary of “Trace Group Hold” PLC –, amounting to BGN 27 thousand, was written off upon the deletion of the subsidiary.

Loans receivables were impaired pursuant to a conducted analysis of the collectability of loans granted at 31.12.2021. The impairment amounts to BGN 28 thousand and with it the total impairment of loans granted amounts to BGN 40 thousand at 31.12.2021.

The terms of the loans, granted to related entities, are disclosed in detail under note 3.3 “Related parties and related party transactions”.

Loans granted, excluding related parties:

Borrower	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
Smart Build Digital LTD	600	4,5%	30.6.2021	Promissory note

Balance of loans granted, excluding related parties:

Borrower	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
Smart Build Digital LTD	444	23	-	-
Smart Build Digital LTD – impairment	(38)			
Total	406	23	-	-

1.13. Cash and cash equivalents

Type	31.12.2021	31.12.2020
Cash in hand	14	15
Denominated in Bulgarian Leva (BGN)	4	12
Denominated in foreign currencies	10	3
Cash at bank (in current accounts)	38 566	26 822
Denominated in Bulgarian Leva (BGN)	12 277	12 864
Denominated in foreign currencies	26 289	13 958
Cash equivalents	5	1
Receivables from employees	5	1
Restricted amounts	3 055	
Current deposits	113	113
Impairment of cash – deposits and accounts	(39)	(99)
Total	41 714	26 852

Cash include restricted amounts of BGN 3 055 thousand in total. BGN 685 thousand of those are garnished with regards to initiated enforcement cases, BGN 2 350 thousand – for an issued bank guarantee to the branch in the Republic of Serbia and BGN 20 thousand refer to undistributed dividends to shareholders in UniCredit Bulbank AD.

Impairment of cash amounts to BGN 39 thousand at 31.12.2021. Detailed changes in impairments are disclosed under note 4.5 “Impairment of financial assets”.

The table hereafter presents changes in liabilities from financing activities, disclosing both the monetary and non-monetary changes. Liabilities, incurred from financing activities, are those liabilities for which cash flows are, or future cash flows could be, classified in the Statement of Cash Flows of the entity as “cash flows from financing activities”.

Liabilities, incurred from financing activities	Balance at 31.12.2020	Cash flows from financing activities		Non-monetary changes – non-cash			Balance at 31.12.2021
		Proceeds from financing activities	Payments for financing activities	New liabilities, incurred within the period	Accrued interest	Other changes	
Long-term bank loans	2 934					(912)	2 022
Short-term bank loans	980		(1 062)		82	912	912
Lease liabilities – non-current (finance lease)	1 233					(253)	980
Lease liabilities – current (finance lease)	794		(1 089)	734	22	253	714
Lease liabilities – non-current (operating lease)	484		(9)	20		(235)	260
Lease liabilities – current (operating lease)	232		(266)	16	24	236	242
Financial guarantees – long- term	1						1

Financial liabilities – short-term	1						1
Total liabilities from financing activities:	6 659	-	(2 426)	770	128	1	5 132

1.14.1. Equity

Type of shares	31.12.2021			31.12.2020		
	Number of shares	Value	Nominal	Number of shares	Value	Nominal
Repurchased and paid shares	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Repurchased shares (treasury shares)	(6 279)	(21 084)	3.36	(6 274)	(21 084)	3.36
Total:	24 193 721	24 178 916		24 193 721	24 178 916	

Shareholder	31.12.2021				31.12.2020			
	Number of shares	Value	Paid	% Share	Number of shares	Value	Paid	% Share
Galini – N LTD	2 178 000	2 178 000	2 178 000	9.00%	2 178 000	2 178 000	2 178 000	9.00%
Nikolay Mihaylov	16 276 755	16 276 755	16 276 755	67.26%	16 276 755	16 276 755	16 276 755	67.26%
Desislava Lyubenova	1 202 056	1 202 056	1 202 056	4.97%	1 202 056	1 202 056	1 202 056	4.97%
Other shareholders	4 536 910	4 536 910	4 536 910	18.75%	4 536 910	4 536 910	4 536 910	18.75%
Treasury shares at nominal	6 279	6 279	6 279	0.03%	6 279	6 279	6 279	0.03%
Total	24 200 000	24 200 000	24 200 000	X	24 200 000	24 200 000	24 200 000	X
Treasury shares at cost	(6 279)	(21 084)	(21 084)		(6 279)	(21 084)	(21 084)	
Total:	24 193 721	24 178 916	24 178 916	100%	24 193 721	24 178 916	24 178 916	100%

Trace Group Hold PLC holds a total of 6 279 treasury shares at 31.12.2021.

1.14.2. Share premium

Share premium, amounting to BGN 21 770 thousand at 31.12.2021, is formed from the capital, issued by the entity in 2017 (BGN 21 763 thousand) and from the issue and repurchase of the entity's own shares (treasury shares) in the period 2014-2020 (BGN 7 thousand).

1.14.3. Translation reserve

Translation reserve, amounting to BGN (864) thousand at 31.12.2021, is formed from foreign exchange gains / (losses) arising in the translation of the financial statements of the foreign-based branches from their functional currency to the presentation currency of the parent.

1.14.4. Reserves

	Translation reserves	General reserves	Other reserves	Total reserves
Reserves as at 31.12.2019	(901)	2 420	56 023	57 542
Translation reserves as at 31.12.2019	(901)	2 420	56 023	57 542
Increased by:	-	-	14 197	14 197
Profit distribution			14 197	14 197
Decreased by:	453	-	-	453
Translation of foreign activities	453			453
Reserves as at 31.12.2020	(448)	2 420	70 220	72 192
Decreased by:	(416)	-	-	(416)
Translation of foreign activities	(416)			(416)
Reserves as at 31.12.2021	(864)	2 420	70 220	71 776

1.14.5. Financial result

Financial result	Value
Profit as at 31.12.2019	14 231
Restated balance at 31.12.2019	14 231
Increased by:	16 521
Profit for the financial reporting 2020	16 521
Decreased by:	(14 346)
Allocation of profit to reserves	(14 197)
Others	(149)
Profit as at 31.12.2020	16 406
Transition effect – for transition from IFRS 9 to IFRS 15	
Restated balance at 31.12.2020	16 406
Increased by:	2 307
Profit for the financial reporting 2021	2 292
Others	15
Decreased by:	(4 839)
Dividend distribution	(4 839)
Profit as at 31.12.2021	13 874
Financial result at 31.12.2019	14 231
Financial result at 31.12.2020	16 406
Financial result at 31.12.2021	13 874

1.14. Non-current financial liabilities and leases

Non-current financial liabilities	31.12.2021	31.12.2020
Lease payables	1 240	1 717
Financial liabilities, measured at amortised cost	2 022	2 934
Financial guarantee contracts	1	1
Total	3 263	4 652

1.15.1. Lease payables – non-current

Lease payables – non-current		
Type	31.12.2021	31.12.2020
Lease payables to related parties within the group	32	36
Lease payables to related parties outside the group	170	334
Lease payables to unrelated parties	1 038	1 347
Total	1 240	1 717

Future minimum lease payments, payable within 1 year and those due in more than 1 year, are disclosed in detail under note 3.2. “Lease”.

1.15.2. Financial liabilities, measured at amortised cost

1.15.2.1. Loan payables – non-current

Type	31.12.2021	31.12.2020
Loan payables to financial institutions	2 022	2 934
Total	2 022	2 934

The terms of the loans, obtained from financial institutions, are disclosed in detail under note 1.19.2.1 “Loan payables – current”.

1.15.3. Financial guarantee contracts – non-current

Type	31.12.2021	31.12.2020
Financial guarantee contracts to related parties within the group	1	1
Total	1	1

1.16. Non-current trade and other payables

Type	31.12.2021	31.12.2020
Supply payables	-	6
Total	-	6

Retention bonds to subcontractors under construction contracts, executed in Bulgaria, are carried as non-current trade payables.

1.17. Non-current provisions

Type	31.12.2021	31.12.2020
Provisions of litigation payables	1 057	11 019
Provision of long-term employee benefits	37	44
Total	1 544	11 063

1.17.1. Provisions of obligations under construction contracts

Type	31.12.2021	31.12.2020
Provisions of litigation payables, including:	1 507	11 019
Provisions of obligations under construction contracts	1 507	11 019
Total	1 507	11 019

Provisions of obligations under construction contracts include provisions of obligations under construction contracts executed in Bulgaria in the amount of BGN 1 165 thousand and provisions of obligations under construction contracts executed in the Republic of Serbia in the amount of BGN 342 thousand.

1.17.2. Provisions of long-term employee benefits

Type	31.12.2021	31.12.2020
Present value of the payable at 01 January	44	31
Payable, recognised in the Balance Sheet as at 01 January	44	31
Current service cost	8	7
Actuarial profit, recognised within the period	(15)	6
Present value of the payable at 31 December	37	44
Payable, recognised in the Balance Sheet as at 31 December	37	44

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

In determining the amounts of these payables, the entity in Bulgaria has performed an actuary valuation, appointing for this purpose a certified actuary.

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

- A norm based on the annual interest rate in the amount of 0,20 % (2020: 0,34%) is used to determine the discounting factor. The assumption is based on data about the earnings of long-term government securities, denominated in Bulgarian Lev(a) with a 10-year maturity as average for the last two years, based on information from the European Central Bank on Long-term Interest Rate for Convergence Purposes;
- The assumption for the future level of salaries and wages is based on the expected inflation of salaries and wages within the entity and amounts to 5% annual increase compared to the prior reporting period (2020: 5%);

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

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

- Personnel turnover rate – based on the provided information on 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 31.12.2021, 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%	-2	-3.89%
Discounting rate	-0,50%	2	4,12%
Personnel turnover, annually	-1	6	15.99
Personnel turnover, annually	1	-6	-14.88%
Remuneration	1,00%	2	5.38%
Remuneration	-1,00%	-2	-5.38%
Change in the mortality probability	-10,00%	-1	-3.79%
Change in the mortality probability	10,00%	1	3.26%

The expected payments for retirement benefit payables (employee benefits upon retirement), are as follows:

Term	Payable	Payment	Number
1	4 403	4 403	1
2	-	-	-
3	-	-	-
4	-	-	-
5	-	-	-
50	32 415	3 135 756	73
Total:	36 818	3 140 159	74

1.18. Other non-current payables and liabilities

Type	31.12.2021	31.12.2020
Deposit and bond payables	865	926
Total	865	926

Payables under performance bonds, issued by banks for projects and sites, with validity until 2037, and insurance costs and bank fees to issue performance bonds for construction contracts, with validity after 2021, which have been completed at 31.12.2021, are included under other non-current payables and liabilities.

1.19. Current financial liabilities and leases

Current financial liabilities	31.12.2021	31.12.2020
Lease payables	956	1 026
Financial liabilities, measured at amortised cost	912	980
Financial guarantee contracts	1	1
Total	1 869	2 007

1.19.1. Lease payables – current

Type	31.12.2021	31.12.2020
Lease payables to related parties within the group	21	17
Lease payables to related parties outside the group	165	159
Lease payables to unrelated parties	750	850
Total	956	1 026

Future minimum lease payments, payable within 1 year and those due to in more than 1 year, are disclosed in detail under note 3.2. “Lease”.

1.19.2. Financial liabilities, measured at amortised cost – current

Type	31.12.2021	31.12.2020
Loan payables	912	980
Total	912	980

1.19.2.1. Loan payables – current

Type	31.12.2021	31.12.2020
Loan payables to financial institutions	912	980
Total	912	980

Bank / Creditor	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
UniCredit Bulbank AD	13 000 000	1 month ADI+2,95%	02.05.2022	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts, cash
UBB AD	3 000 000	1m. RIR + 2.% BGN /1m. Euribor+2.50% EUR	30.09.2022	Mortgages, pledges of non-current tangible assets, pledges of receivables, pledges of accounts
UBB AD	900 000	1 m. RIR+3.15%	20.10.2023	Mortgage, pledge of receivables, pledge of an account
DSK Bank AD	5 000 000	1m.Euribor+ 2.869%	25.06.2025	Mortgage, pledge of receivables, pledge of an account

Balance of loans obtained

Bank / Creditor	Current portion at	Non-current portion at
------------------------	---------------------------	-------------------------------

	amortised cost		amortised cost	
	Principal	Interest	Principal	Interest
DSKB AD	774		1 904	
UBB AD	138		118	
Total	912	-	2 022	-

1.19.3. Financial guarantee contracts – current

Type	31.12.2021	31.12.2020
Financial guarantee contracts, issued to related parties within the group	1	1
Total	1	1

1.20. Current trade and other payables

Type	31.12.2021	31.12.2020
Payables to related parties within the group	21 627	25 259
Supply payables	14 102	18 551
Contract liabilities from contracts with customers	7 525	6 708
Payables to related parties outside the group	363	338
Supply payables	363	338
Supply payables	10 410	16 926
Contract liabilities from contracts with customers	8 280	17 671
Advances received payables		352
Total	40 680	60 546

Retention bonds under construction contracts, amounting to BGN 892 thousand, are included in the current trade payables at 31.12.2021. BGN 27 thousand of those are retention bonds under construction contracts issued to related parties and BGN 865 thousand – retention bonds under construction contracts issued to unrelated parties.

1.21. Tax payables

Type	31.12.2021	31.12.2020
Value Added Tax	20	69
Corporate Income Tax		2 435
Personal Income Tax	31	33
Tax on expenses	13	
Other taxes	9	11
Total	73	2 548

The last tax audit on the entity in Bulgaria was performed pursuant to Order P29002916002784-020-002, dated 03.08.2016, and reviewed the period until 31.12.2012. The last tax audit of the branch, established in the Republic of Serbia, was performed on 19.03.2019 (47-00056/2019-0020-000), and reviewed the period until 31.12.2017.

1.22. Employee benefit payables

Type	31.12.2021	31.12.2020
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Employee benefit payables	469	360
Including payables of unused compensated absences	92	64
Social insurance payables	94	71
Including payables of unused compensated absences	13	13
Payables to the key Management personnel – remunerations	476	89
Total	1 039	520

1.23. Current provisions

Type	31.12.2021	31.12.2020
Litigation provisions, including:	9 172	7 411
Provisions of obligations under construction contracts	9 172	7 411
Total	9 172	7 411

Payables that are expected to incur within the following year under construction contracts and other payables are included in the “current provisions”. BGN 6 150 thousand of those relate to the branch in the Republic of Serbia, BGN 2 457 thousand – to the branch in the Czech Republic and BGN 565 thousand – to the Bulgarian entity.

1.24. Other current payables and liabilities

Type	31.12.2021	31.12.2020
Payables to related parties within the group	3	3
Deposit and bond payables	3	3
Payables to related parties outside the group	3 738	103
Deposit and bond payables	49	46
Including bonds and guarantees to the SB, MB, BD	49	46
Dividend payables	3 689	53
Other payables and liabilities		4
Deposit and bond payables	9	418
Insurance payables	44	73
Other payables and liabilities	24	17
Total	3 818	614

Current bank guarantee and insurance expenses, as well as bank guarantee and insurance expenses under construction contracts, concluded at 31.12.2021, are included in “other current payables”.

2. Separate Income Statement

2.1. Revenue

2.1.1. Revenue from contracts with customers

Type of revenue	2021	2020
Revenue from construction contracts, including:	64 773	117 039
Revenue, recognised within the period	64 773	117 039
<i>Including and by decreasing the opening balances of contract liabilities</i>	<i>1 308</i>	<i>861</i>
Revenue from sales of goods, including:	117	-

Sales of rebar	117	
Revenue from sales of services, including:	2 265	1 698
Project and site management	2 265	1 698
Total	67 155	118 737

Revenue from construction contracts is revenue generated from building and construction works, executed in the Republic of Serbia (BGN 21 055 thousand) and in Bulgaria (BGN 43 718 thousand).

2.1.2. Other income

Type	2021	2020
Operating lease income	3 160	2 959
Insurance claims received	14	50
Writs and compensations awarded	143	177
Reversed impairment of receivables	38	115
Reversed impairment of financial assets and cash	60	31
Reversed provisions of obligations under construction contracts	7 979	
Reversed provisions of other payables		181
Reversed provisions of obligations for building and construction works		293
Payables written-off	8	86
Other income (net)	41	112
Revenue from sales of materials	4	-
Income from sales of materials	19	
Carrying amount of the materials sold	(15)	
Gains on the disposal of non-current assets	83	(35)
Gains on the disposal of non-current assets	530	222
Carrying amount of the assets disposed	(447)	(257)
Grant income, including:	421	270
Revenue grants	421	270
Total	11 951	4 239

The reversed provisions of obligations under construction contracts, amounting to BGN 7 979 thousand, are recognised by the branch in the Republic of Serbia.

2.1.3. Finance income

Type of income	2021	2020
Income from participating interest	3 432	5 937
Interest income, including interest income accrued:	373	802
Under trade loans	273	436
Under trade receivables	100	232
Others		134
From transactions in financial instruments		1
Foreign exchange gains	281	11

Other finance income	4	11
Total	4 090	6 762

The entity's Management has decided that interest for arrears under commercial contracts shall not be accrued as of 01.01.2020 due to the pandemic of COVID-19.

2.2. Expenses

2.2.1. Cost of materials

Type of expense	2021	2020
Direct materials	10 272	415
Ancillary materials	19	2
Fuel and lubricants	141	170
Spare parts and consumables	32	29
Instruments and consumables	4	6
Tires	14	37
Electricity	84	32
Heating	24	9
Water	7	8
Materials, required for the repair of non-current tangible assets	2	
Office furniture	7	1
Computer equipment and peripheral devices	3	6
Uniforms / work wear, protective equipment and medications	10	20
Marketing materials	22	14
Stationery	18	29
Cleaning materials	18	18
Office equipment consumables	11	7
Tender documents	3	3
Other overheads	16	164
Tires – cars for TP (training purposes)	2	
Other materials	28	2
Total	10 737	972

Direct materials include mainly construction materials from sites and projects, executed on the territory of the Republic of Bulgaria.

Cost of external services

Type of expenses	2021	2020
Subcontractors under building and construction works	46 482	83 362
Short-term lease of transport vehicles	38	
Short-term lease of plants	138	
Short-term lease of machinery and equipment	96	19
Short-term lease of real estate	52	31
Hired equipment	17	
Lease of low-value assets	3	5
Transport services	107	19
Mechanisation services	234	10
Repairs of non-current tangibles assets	94	131
Contractual commission fees		109
Consulting services	568	546
Legal servicing	123	201
Services, rendered under civil contracts	22	7
Audit	63	28
Subscriptions	97	29
Security	223	104
Internet	18	18
Insurance	751	581
Telecommunication services	85	70
Trainings, seminars	21	9
Car wash	4	3
Design	1 619	577
Geodetic services	27	37
Laboratory tests	126	91
Assessments and evaluations	12	8
Commercials, ads	68	78
Translations	23	8
Notary fees	16	26
Maintenance of office equipment		8
Courier and postal services	8	7
Copy services	2	2
Membership fee	25	23
Public transport cards	3	
GPS fee	5	3
Annual technical car inspection	2	1
Customs services	7	
Storage fee		6
Litigation costs, PEA	48	176
Taxes and fees	267	211
Accounting servicing	11	8
Other external services	10	71
Total	51 515	86 623

2.2.2. Depreciation and amortisation costs

Type of expenses	2021	2020
Depreciation cost of own (entity-owned) assets:	2 069	1 899
Non-current tangible assets, used in the principal activity	1 409	1 384
Non-current tangible assets, used in the administration	383	243
Non-current tangible assets, used in the administration	20	17
Investment property	257	255
Depreciation and amortisation costs of right-of-use assets	574	626
Non-current tangible assets, used in the principal activity	360	202
Non-current tangible assets, used in the administration	214	424
Total	2 643	2 525

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

Expenses, incurred for:	2021	2020
Salaries and wages, including salaries and wages of:	7 822	5 593
Production personnel	1 796	670
Administrative personnel	6 026	4 923
Social insurance contributions, including social insurance contributions paid in respect of:	515	430
Production personnel	236	84
Administrative personnel	279	346
Including expenses of the key Management personnel	4 413	2 448
Total	8 337	6 023

2.2.4. Impairment losses

Type of expense	2021	2020
Loss on the impairment of cash	-	93
Loss on the impairment of receivables	122	73
Loss on the impairment of financial assets	4 806	15
Total	4 928	181

2.2.5. Other costs

Type of expense	2021	2020
Business trips on the territory of Bulgaria	1	
Business trips abroad	60	58
Overnights	2	
Labour medicine	46	16
Donations	605	785
Assets retired	1	3
Asset deficits	4	14
Penalties under commercial transactions	4	
Interest on trade payables		2
Interest and fees on state receivables		1
Sales receivables written-off	35	68
Vouchers under Art. 209 of CITA	11	9
Entertainment expenses	133	90
Unrecognised tax credit	416	
Expenses with no supporting documentation	17	7
Expenses – prior reporting periods	132	4
Provisions of payables under construction contracts	536	11 654
Provisions of other payables	3	59
Alternative tax expense	7	
Expenses for the disabled	4	
Other costs	2	4
Total	2 019	12 774

The donations to the “Trace for people” Foundation within the period amount to BGN 605 thousand.

2.2.6. Allowances

Type of expense	2021	2020
Carrying amount of the goods sold (net)	117	-
Carrying amount of the goods sold	117	
Capitalised costs	(1 936)	
Total	(1 819)	-

2.2.7. Finance costs

Type of expense	2021	2020
Interest expense, including interest expense incurred under:	142	185
Loans from financial institutions	83	115
Leases	52	70
Trade payables	7	
Expenses, related with bank guarantees	501	416
Losses on transactions in financial instruments	12	5
Foreign exchange losses	456	58
Other finance costs	304	197
Total	1 415	861

2.2.8. Tax expense

Tax expense		
Type of expense	2021	2020
Corporate income tax	540	3 955
Others	589	(697)
Total	1 129	3 258

According to the currently enacting legislation, profits are subject to 10% Corporate Income Tax in the Republic of Bulgaria, 15% in the Republic of Serbia and 19% in the Czech Republic.

A 10% tax rate, which is expected to be valid upon reversal, is applied when measuring deferred tax.

2.3. Statement of Comprehensive Income

2.3.1. Other comprehensive income

Components	31 December 2021			31 December 2020		
	Before tax	Tax	After tax	Before tax	Tax	After tax
Other comprehensive income						
Actuarial gains / (losses)	15		15	(6)		(6)
Translation of foreign activities	(416)		(416)	453		453
Other comprehensive income	(401)	-	(401)	447	-	447

3. Other disclosures

3.1. Construction contracts

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

Contracts in progress	Revenue, recognised under the contract (cumulative)	Transaction price, allocated to the remaining performance obligation	Expected periods of recognition of the remaining transaction price						Changes in the expected (time) terms to satisfy the performance obligation	
			Until 1 year		1 year – 2 years		over 2 years	%	Initial term	Actual term
k1	k2	k7	k8	K9	k10	K11	k12	k13	k14	k15
Contract 1	5 032	87 971	41 072		46 899				2021	2021
Contract 2	8 202	-	-		-		-		2019	2021
Contract 3	11 786	79	79		-		-		2018	2021
Contract 4	4 797	-	-		-		-		2019	2021
Contract 5	1 899	-	-		-		-		2 020	2 021
Contract 6	10 862	64 008	15 000		49 008		-		2 020	2 023
Contract 7	8 744	1 102	1 102		-		-		2 020	2 022
Contract 8	-	6 429	-		6 429		-		2 018	2 023
Contract 9	1 558	2 044	2 044		-		-		2 019	2 022
Contract 10	8 446	126	126		-		-		2 019	2 022
Contract 11	5 439	1 351	1 351		-		-		2 020	2 022
Contract 12	5 517	5 275	5 275		-		-		2 020	2 024
Contract 13	1 979	18 855	12 000		5 000		1 855		2 025	2 025
Contract 14	11 623	-	3 000		-		-		2 023	2 024
Contract 15	1 304	6 023	959		2 532		2 532		2 024	2 024
Contract 16	248	3 752	1 200		2 552		-		2 025	2 025
Contract 17	840	9 160	3 001		6 159		-		2 025	2 025
Contract 18	36	12 896	6 630		6 266		-		2 023	2 023
Contract 19	179	74 903	20 000		54 903		-		2 024	2 024
Contract 20	23	6 301	3 272		3 028		-		2 023	2 023
Contract 21	0	3 124	3 124		-		-		2 023	2 023
Contract 22	8	6 812	3 529		3 283		-		2 023	2 023
Contract 23	1 048	-	-		-		-		2 022	2 022
Total construction contracts	89 570	310 209	122 764		186 058		4 387			

3.2. Leases

3.2.1. The entity as a lessee

Trace Group Hold PLC has irrevocable commitments under 10 lease agreements at 31.12.2021. One of these leases, amounting to BGN 716 thousand, is concluded by the branch, established in the Republic of

Serbia. These are only capitalised rents, which the entity has recognised as right-of-use assets and thereby lease payables.

Lessor	Commencement of the lease – specific date	Contracted term (years) in accordance with the lease agreement / annex	Intention to extend (years) as of 01.01.2020	Type of asset
<i>Unrelated parties</i>				
Lease agreement 1	21.8.2017	1.9.2022	3 years	Motor vehicle (car)
Lease agreement 2	17.12.2018	16.12.2024	4 years	Motor vehicle (car)
Lease agreement 3	1.6.2018	31.5.2024	4 years	АВТ Motor vehicle (car) ОМОБИЛ
Lease agreement 4	19.9.2018	18.9.2024	4 years	Motor vehicle (car)
Lease agreement 5	5.11.2018	It is automatically extended for 1 additional year after the lease's expiration term	4 years	Motor vehicle (car)
Lease agreement 6	18.6.2019	17.6.2024	4 years	Motor vehicle (car)
<i>Related parties outside the Group</i>				
Lease agreement 1	16.12.2015	It is automatically extended, after expiration of the lease term, indefinitely	4 years	Motor vehicle (car)
Lease agreement 2	6.12.2011	It is automatically extended, after expiration of the lease term, indefinitely	4 years	Building
<i>Related parties within the Group</i>				
Lease agreement 1	1.6.2018	It is automatically extended for 1 additional year after the lease's expiration term	4 years	Motor vehicle (car)
Lease agreement 2	1.3.2015	It is automatically extended for 1 additional year after the lease's expiration term	4 years	Motor vehicle (car)

Operating leases are with validity of 60 months.

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

Right-of-use assets (operating lease) and finance lease are included under “Property, plant and equipment” as at 31.12.2021, as follows:

Under finance lease from external and RPOG	Buildings	Machinery and equipment	Transport vehicles	Other assets	Total
Book value Balance at 31.12.2021		1887	865	797	3 549
Depreciation Balance at 31.12.2021	-	88	332	122	542
Book value at 31.12.2021	-	1 799	533	675	3 007

Under operating lease from external and RPOG	Buildings	Machinery and equipment	Transport vehicles		Total
Book value Balance at 31.12.2021	775	-	304	-	1 079
Depreciation Balance at 31.12.2021	465	-	180	-	645
Book value at 31.12.2021	310	-	124	-	434

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

	31.12.2021	31.12.2020
Up to one year	738	1 024
Over one year	1 062	1 492
Future monetary lease expense	(43)	(63)
Present value of the lease payables	1 757	2 453

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

	31.12.2021	31.12.2020
Up to one year	225	255
Over one year	228	763
Future monetary lease expense	(15)	(60)
Present value of the lease payables	438	958

The due, within the next 12 months, lease installments are presented as “current financial liabilities” in the Statement of Financial Position.

The Income Statement conveys the following amounts, associated with leases:

Type of expense	31.12.2021	31.12.2020
Depreciation cost of right-of-use assets	574	626
Interest and fees on lease payables	52	69
Expenses, associated with leases of low-value assets	344	55
Total	970	750

The total cash outflows under leases amounts to BGN 1 365 thousand in 2021. BGN 1 355 thousand of those are paid under finance leases and BGN 10 thousand – under operating leases.

3.2.2. The entity as a lessor

Operating lease

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

Future lease proceeds under operating leases with unrelated parties at 31.12.2021				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease proceeds	503	541	-	1 044
Future lease proceeds under operating leases with unrelated parties at 31.12.2020				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease proceeds	240	200	-	440

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

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

Type of expense	31.12.2021	31.12.2020
Income from fixed lease payments under operating leases	3 160	2 959

3.3. Related parties and related party transactions

The entity discloses the following related parties:

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

Subsidiaries of the entity:

Trace BG JSC, Bulgaria

Trace Yambol JSC, Bulgaria

USM JSC, Bulgaria

Trace Mechanization JSC

Trace Properties LTD, Bulgaria

Infra Commerce LTD, Bulgaria

Trace Serbia JSC Nis, Serbia

Aria Residence LTD

Thorough information on the Entity's investments in Companies under the Law on Obligations and Contract with controlling interest is disclosed under note 1.4.1. "Investments in subsidiaries".

Associates of the entity:

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

Other related parties:

Galini – N LTD – an entity related through the principal shareholder

Galini LTD – an entity related through the principal shareholder

Inzhproekt LTD – an entity related through the principal shareholder

Trace for People Foundation ULNC – Trace Group Hold PLC, primary establisher

Entities, related through the key Management personnel

Specialised Hospital for Active Treatment "Spinal Centre" JSC, Novita AD (JSC), Bordoni EOOD (LTD), Evilard – Bulgaria EOOD (LTD), Sintermetali EOOD (LTD), Aero plaza AD (JSC), Digitalitics OOD (LTD), Road Design AD (JSC), Lepitsa land OOD (LTD), Krameks AD (JSC), Treskaved OOD (LTD), Himik AD (JSC), Evilard Bulgaria EOOD (LTD), Sintermetali EOOD (LTD), New Alliance OOD (LTD).

Key Management personnel of the entity:

Nikolay Ganchev Mihaylov – Chairman of the Supervisory Board

Manol Peychev Denev – Member of the Supervisory Board

Mariela Ivanova Rounteva – Member of the Supervisory Board

Desislava Ivanova Lyubenova – Chairman of the MB

Boyan Stoyanov Delchev – Chief Executive Director and Member of the MB

Rositsa Yordanova Dineva – Georgieva – Member of the MB

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

Sales to related parties within the group

Customer	2021	2020
Trace BG JSC (Trace Sofia LTD)	3 486	1 876
Trace – Road Construction JSC / PSI JSC until 22.06.2020		917
Trace Yambol JSC	2	1 292
Infra Commerce LTD	50	104
USM JSC	534	830
Metro Druzhba LTD until 05.08.20		5
Trace Properties LTD	4 851	682
Trace Mechanization EOOD (LTD) – as of 04.03.2021	14	
Trace Serbia JSC, Nis	3 955	5 779
Trace Company, Moldova as of 01.04.20	1	7
Smolyan Iyg (transl. South) – a Company under the Law on Obligations and Contracts		1 158
Tsarigradsko – a Company under the Law on Obligations and Contracts	-	1 147
Trace Pribor – a Company under the Law on Obligations and Contracts		2 180
Trace Build – a Company under the Law on Obligations and Contracts	996	564
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	10 852	255
Trace BG – a Company under the Law on Obligations and Contracts		3
TRACE ZONA (transl. Zone) 1 – a Company under the Law on Obligations and Contracts	1 133	171
ULITSI (transl. Streets) BORO VAN – a Company under the Law on Obligations and Contracts		306
KR Svoje – a Company under the Law on Obligations and Contracts	1	
Pomorie 2020 – a Company under the Law on Obligations and Contracts	1 048	
Total	26 923	17 276

Purchases from related parties within the group

Supplier	2021	2020
Trace BG JSC (Trace – Sofia LTD)	16 350	16 697
Trace – Road Construction JSC / PSI JSC until 22.06.2020		4 889
Trace Yambol JSC	-	1 116
Infra Commerce LTD	8 447	1 851
Trace Properties LTD	289	1 452
Trace Serbia	527	5 846
Metro Druzhba – a Company under the Law on Obligations and Contracts		16
Total	25 613	31 867

Receivables from related parties within the group

Receivables from related parties are not secured and are interest-free at 31.12.2021 and at 31.12.2020.

Receivables		
Customer	31.12.2021	31.12.2020
Trace BG JSC (Trace – Sofia LTD)	13 802	15383
Trace Yambol JSC	2	543
Infra Commerce LTD	2 748	906
USM JSC	316	1440
Trace Properties LTD	4 940	667
Trace Serbia	2 639	9927
Trace Mechanization EOOD (LTD)	64	
Trace Svoge – a Company under the Law on Obligations and Contracts	36	36
Tsarigradsko – a Company under the Law on Obligations and Contracts	0	58
Chepelare – a Company under the Law on Obligations and Contracts	25	25
Lyulin Trace– a Company under the Law on Obligations and Contracts	110	110
Markirovka (transl. Marking) 2014 – a Company under the Law on Obligations and Contracts	74	74
Metro Stroitelstvo (transl. Construction) (as of 14.11.2019) – a Company under the Law on Obligations and Contracts	4	4
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	991	253
TRACE ZONA (transl. Zone) 1 – a Company under the Law on Obligations and Contracts	853	171
Pomorie 2018 – a Company under the Law on Obligations and Contracts	100	
KR Svoge – a Company under the Law on Obligations and Contracts	1	
Pomorie 2020 – a Company under the Law on Obligations and Contracts	1 048	
Impairments of receivables	-230	-230
Total	27 523	29 367

Payables to related parties within the group

Supplier	31.12.2021	31.12.2020
Trace BG JSC (Trace – Sofia LTD)	6 961	8 685
Infra Commerce LTD	1 778	720
USM JSC	2	4
Trace Properties LTD		513
Trace Mechanization EOOD (LTD)	2	
Trace Serbia	5 362	8 632
Trace Build – a Company under the Law on Obligations and Contracts	387	586
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	2 251	6 960
KR Svoge – a Company under the Law on Obligations and Contracts	4 558	
Pomorie 2020 – a Company under the Law on Obligations and Contracts	329	
Total	21 630	26 100

Related party payables are not secured and are interest-free at 31.12.2021 and at 31.12.2020.

Loans, granted to related parties within the

Debtor	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
Trace BG JSC / Trace Sofia LTD	10 000	4%	29.04.2022	Promissory note
Infra Commerce LTD	1 800	4%	30.11.2021	Promissory note
Infra Commerce LTD	1 800	4%	29.04.2022	Promissory note
VIK (transl. Water and Supply Sewerage) STARA ZAGORA – a Company under the Law on Obligations and Contracts	46	3%	30.06.2022	Promissory note
Dragalevtzi 2021 – a Company under the Law on Obligations and Contracts	12	3%	31.01.2022	Promissory note
Trace Serbia JSC	4 320	4%	31.12.2022	Promissory note
Trace Build		4%	31.12.2022	Promissory note

Balances of loans, granted to related parties within the group

Debtor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
Trace Serbia	4 320	15		
Trace Build	68	2		
Infra Commerce LTD	572	193		
Dragalevtzi 2021 – a Company under the Law on Obligations and Contracts	12			
Trace BG JSC	1 000	108		
VIK (transl. Water and Supply Sewerage) STARA ZAGORA – a Company under the Law on Obligations and Contracts	15			
Impairments	(1)			
Total	5 986	318	-	-

Interest income, accrued on loans to related parties within the group

Debtor	Receivables at	Accrued	Received	Receivables at
	31.12.2020	In 2021	In 2021	31.12.2021
Trace BG	351	28	271	108
Trace Company LTD	7	1	8	-
Proekt (transl. Project) Plovdiv – a Company under the Law on Obligations and Contracts	-	1	1	-
Infra Commerce LTD	212	32	51	193
Trace Serbia JSC	26	15	41	-
Trace Serbia JSC	-	173	158	15
Trace Build JSC, Serbia		2		2
Total	596	252	530	318

No interest expense has been incurred on loans from related parties within the group.

Operating lease – receivables

Future lease proceeds under operating leases, concluded with related parties within the group, as at 31.12.2021				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease proceeds	2 700	3 350		6 050

Future lease proceeds under operating leases, concluded with related parties within the group, as at 31.12.2020				
	Up to 1 year	1 year – 5 years	Over 5 years	Total
Lease proceeds	3 116	10 518	1 543	15 177

Sales to other related parties

Customer	Type of transaction	2021	2020
Associates	Sales of services		17 288
Entities, related through the principal shareholder	Sales of services	4	4
Total		4	17 292

Purchases from other related parties

Supplier	Type of transaction	2021	2020
Entities, related through the principal shareholder	Purchases of services	605	836
Associates	Purchases of services	13	
Total		618	836

Receivables from other related parties

Customer	31.12.2021	31.12.2020
Associates	199	3 466
Impairments	(157)	(157)
Total	42	3 309

Receivables from other related parties, at 31.12.2021 and 31.12.2020, are not secured and are interest-free.

Payables to other related parties

Supplier	31.12.2021	31.12.2020
Entities, related through the principal shareholder	359	338
Key Management personnel	49	46
Dividends	3 689	53
Others	4	4
Total	4 101	441

Payables to other related parties, at 31.12.2021 and 31.12.2020, are not secured and are interest-free.

Loans, granted to other related parties – none

Key Management's remuneration			
Type	Amounts accrued for:		
	Remuneration and social security contributions for the period	Compensated absences	Long-term income
Managing Board	1 097		189
Supervisory Board	2 896		232
Total:	3 993	-	421

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

Capital management

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

The table below presents the gearing ratios, based on the capital structure as at 31 December:

Type	31.12.2021	31.12.2020
Total debt capital, including:	38 285	66 851
Financial liabilities – related parties	14 853	26 143
Financial liabilities – unrelated parties	23 432	40 708
Decreased by:	(41 714)	(26 852)
Cash and cash equivalents		
Net debt capital	(3 429)	39 999
Total equity	131 568	134 516
Total capital	128 139	174 515
Leverage ratio	(0,03)	0,23

3.4. Financial risks

In the course of its ordinary activities, the entity may be exposed to different financial risks, the most significant of which are: the currency risk, the credit risk and the liquidity risk. This is why the overall risk management is focused on minimising the potential negative effects that could impact the financial results. Financial risks are identified, estimated and monitored on a current basis, through various control mechanisms, in order to determine adequate service prices for the services, rendered by the entity, and to adequately assess how the available liquid resources are maintained, without placing undue concentration on a given risk.

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

Credit risk

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

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

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

The entity's cash and cash at bank (current accounts) are concentrated in the following banks: “UniCredit Bulbank” AD, “DSK Bank” AD, “UBB” AD and “Eurobank Bulgaria” AD. The Management believes that there is no risk as long as the servicing banks maintain stable liquidity.

At 31.12.2021, cash in current accounts (in Bulgarian and foreign banks) in the amount of BGN 39 thousand have been impaired based on their officially published credit ratings from certified credit agencies.

31.12.2021	Overdue		With time to maturity		With re-negotiated maturity that has not yet expired		Total
	Impaired	Not impaired	Impaired	Not impaired	Impaired	Not impaired	
Non-current assets	-	-	-	1 551	-	-	1 551
Non-current trade and other receivables				1 551			1 551
Current assets	-	-	-	41 461	-	391	41 852
Current financial assets from related parties				6 306			6 306
Current financial assets from related parties – impairment				(2)		(38)	(40)
Current financial assets						467	467
Current financial assets – impairment						(38)	(38)
Current trade and other receivables from related parties	324			21 706			22 030
Current trade and other receivables from related parties – impairment	(324)			(63)			(387)
Current trade and other receivables	2 460			13 539			15 999
Current trade and other receivables – impairment	(2 460)			(25)			(2 485)
Total financial assets	-	-	-	43 012	-	391	43 403

Liquidity risk

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

31.12.2021	Immediate	Up to 1 month	2 m. - 3 m.	3 m. - 6 m.	6 m. - 12 m.	1 year - 2 years	3 years - 5 years	With no maturity	Total
Non-current assets	-	-	-	-		1 551	-	-	1 551
Non-current trade and other receivables						1 551			1 551
Non-current liabilities	-	-	-	-		1 626	2 003	-	3 629
Non-current financial liabilities to related parties									-
Non-current lease payables to related parties						192	22		214
Non-current financial liabilities						962	1 275		2 237
Non-current lease payables						472	706		1 178
Net liquid imbalance – non-current	-	-	-	-		(75)	(2 003)	-	(2 078)
Cumulative liquid imbalance – non-current	-	-	-	-		(75)	(2 078)	(2 078)	(2 078)
Current assets	38 698	-	13 539	21 706		-	-	5 839	86 555
Current financial assets from related parties					6 306			-	6 306
Current financial assets					467			-	467
Current trade and other receivables from related parties				21 706				324	22 030
Current trade and other receivables			13 539					2 460	15 999
Cash and cash equivalents	38 698							3 055	41 753
Current liabilities	-	164	10 782	14 957		-	-	-	30 582
Current lease payables to related parties		17	34	51	102				204
Current financial liabilities		82	164	246	492				984
Current lease payables		65	130	195	396				786
Current trade and other payables to related parties				14 465	3 689				18 154
Current trade and other payables			10 454						10 454
Net liquid imbalance – current	38 698	(164)	2 757	6 749	2 094	-	-	5 839	55 973
Cumulative liquid imbalance – current	38 698	38 534	41 291	48 040	50 134	48 040	48 040	53 879	55 973
Total financial assets	38 698	-	13 539	21 706	6 773	1 551	-	5 839	88 106
Total financial liabilities	-	164	10 782	14 957	4 679	1 626	2 003	-	34 211
Total net liquid imbalance	38 698	(164)	2 757	6 749	2 094	(75)	(2 003)	5 839	51 801
Total cumulative liquid imbalance	38 698	38 534	41 291	48 040	50 134	47 965	45 962	51 801	51 801

Interest risk

Interest risk is the risk that the fair value or the future cash flows of the financial assets and liabilities, held by the entity, will vary as a result of fluctuations in the market interest rates. Instruments with fixed interest rates are exposed to the risk of fluctuations in fair value because of changes in the interest rate levels – changes in market interest rates will affect the value of the held financial assets and liabilities with fixed interest rate. Financial assets and liabilities with floating interest rates are exposed to cash flow risk – future cash flows generated from these shall depend on changes in market interest rates.

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

31.12.2021	Interest-free	With floating interest %	With fixed interest %	Total
Non-current assets	1 551	-	-	1 551
Non-current trade and other receivables	1 551			1 551
Non-current liabilities	-	3 060	202	3 262
Non-current financial liabilities to related parties				-
Non-current lease payables to related parties			202	202
Non-current financial liabilities		2 022		2 022
Non-current lease payables		1 038		1 038
Exposure to long-term risk	1 551	(3 060)	(202)	(1 711)
Current assets	38 305	38 566	6 695	83 566
Current financial assets from related parties			6 266	6 266
Current financial assets			429	429
Current trade and other receivables from related parties	21 643			21 643
Current trade and other receivables	13 514			13 514
Cash and cash equivalents	3 148	38 566		41 714
Current liabilities	28 608	1 682	186	30 476
Current lease payables to related parties			186	186
Current financial liabilities		912		912
Current lease payables		770		770
Current trade and other payables to related parties	18 154			18 154
Current trade and other payables	10 454			10 454
Exposure to short-term risk	9 697	36 884	6 509	53 090
Total financial assets	39 856	38 566	6 695	85 117
Total financial liabilities	28 608	4 742	388	33 738
Total exposure to interest risk	11 248	33 824	6 307	51 379

Effect on profit / loss, net of taxes	31.12.2021
In an increase of interest rates by 0,5%	152
In a decrease of interest rates by 0,5%	(152)

Currency risk

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

31.12.2021	Denominated in BGN	Denominated in EUR	Denominated in RSD	Denominated in USD	Total
Non-current assets	-	-	1 551	-	1 551
Non-current trade and other receivables			1 551		1 551
Non-current liabilities	2 224	1 038	-	-	3 262
Non-current financial liabilities to related parties					-
Non-current lease payables to related parties	202				202
Non-current financial liabilities	2 022				2 022
Non-current lease payables		1 038			1 038
Exposure to long-term risk	(2 224)	(1 038)	1 551	-	(1 711)
Current assets	57 241	25 909	36	380	83 566
Current financial assets from related parties	6 266				6 266
Current financial assets	429				429
Current trade and other receivables from related parties	21 607		36		21 643
Current trade and other receivables	13 514				13 514
Cash and cash equivalents	15 425	25 909		380	41 714
Current liabilities	29 706	770	-	-	30 476
Current lease payables to related parties	186				186
Current financial liabilities	912				912
Current lease payables		770			770
Current trade and other payables to related parties	18 154				18 154
Current trade and other payables	10 454				10 454
Exposure to short-term risk	27 535	25 139	36	380	53 090
Total financial assets	57 241	25 909	1 587	380	85 117
Total financial liabilities	31 930	1 808	-	-	33 738
Total exposure to currency risk	25 311	24 101	1 587	380	51 379

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

Effect on profit / loss, net of taxes at 31.12.2021	RSD	CZK	EUR	USD
In an increase of the exchange rate by 10%	143	-	378	34
In a decrease of the exchange rate by 10%	(143)	-	(378)	(34)

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

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

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

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

Based on the conducted assessment, no indications for impairment of inventories, non-current assets (property, plant, machinery and equipment) and investments have been established as at 31.12.2021.

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

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

No conditions of changes in the defined useful life and residual values of property, plant and equipment have been identified pursuant to the conducted assessment in 2021.

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

When the held by the entity shares, interests or other rights in other entities exceed 50% of the capital of those other entities, or when the entity can otherwise manage and determine their financial and operating decisions so as to benefit from their activities, the entity classifies those as investments in subsidiaries. Joint ventures are those entities over which the Entity and the other parties have joint control and have rights over the entity’s net assets. Associates are those entities over which the Entity has significant influence and contingently holds between 20% and 50% of their capital, but which are not subsidiaries or joint ventures.

Such investments are valued at cost less any impairment losses. At the date of each set of financial statements, the Management conducts an analysis and assesses whether there are indications for impairment of its investments and what is the possible amount of the impairment loss. The Management regards the following as indications for impairment of investments in other entities: negative value of net assets or assets under the registered share capital, significant excess of payables over receivables, significant limitations in activity, significant reduction of the volumes and / or termination of the activity of the entity in which it has invested, recognition of losses for a long period of time, tendency of deterioration of the key financial results. 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. Management's assessments and judgements for impairment of investments are conducted in light of its forecasts / estimates and intentions regarding the future economic benefits that are expected to be received from the subsidiaries, including commercial and operational experience, securing positions on Bulgarian and foreign markets, expectations of future income, etc.

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

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

Tests and assessments for impairment of investments are conducted through the prism of its estimates, budgets, forecasts and intentions about the future economic benefits expected to be obtained, analysis of the current financial situation, including trade and production experience, ensuring position on the Bulgarian and foreign markets, expectations of future income, etc. Impairment of Trace BG JSC, amounting to BGN 4 779 thousand, was recognised currently during the review of the investment portfolio of subsidiaries.

Total impaired investments amount to BGN 11 379 thousand at 31.12.2021.

4.4. Impairment of inventories

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

No indications for impairment of inventories have been established in such a review as at 31.12.2021.

4.5. Impairment of financial assets

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

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

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

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

Loans granted are reviewed, individually, in terms of expected credit losses. When evaluating credit risk, the Entity uses an internal credit rating methodology, which in the context of the “low credit rating” definition is based on and consistent with the globally understood definition of low credit risk. Public information, adjusted 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 issued guarantee with regards to the person for which it is issued.

Changes in the impairment of receivables

	31.12.2021	31.12.2020
Balance at the beginning of the period (opening balances)	11 459	14 697
Increase in the impairment allowance, recognised in IS for the period	4 928	181
Decrease in the impairment allowance, recognised in IS for the period	(98)	(3 347)
Impairment of investments, written-off	(1 764)	
Foreign currency translations	114	(72)
Balance at the end of the period (closing balances)	14 639	11 459

Impairment changes for 2021, are disclosed in the table hereafter per type of impairment:

Type	31.12.2020 r.	Modification in 2021		Amounts written-off as bad debts	Foreign currency translations	31.12.2021
		Increase, recognised in IS	Decrease, recognised in IS			
Impairment of contract receivables from contracts with customers	(2 625)	(122)			(114)	(2 861)
Impairment of contract assets from contracts with customers	-					-
Impairment of advance payment receivables	(287)		38		1	(248)
Impairment of operating lease receivables	-					-
Impairment of other trade receivables	(12)					(12)
Impairment of other receivables and assets	-					-
Impairment of litigation receivables	(55)					(55)
Impairment of financial assets and leases	(12)	(27)			(1)	(40)
Impairment of cash	(99)		60			(39)
Impairment of receivables CCB	-					-
Impairment of investments	(8 364)	(4 779)		1 764		(11 379)
Financial guarantee contracts	(5)					(5)

Total	(11 459)	(4 928)	98	1 764	(114)	(14 639)
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4.6. Recognising income from contracts with customers

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

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

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

4.7. Provisions

The entity recognises the following types of provisions:

- Provisions under construction contracts, relating to assumed guarantees to eliminate possible defaults by the assignor and for other related costs, incurred under concluded construction contracts;
- Litigation and lawsuit provisions;
- Provisions of 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 separate financial statements.

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

Provisions of construction contracts

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

Provisions of guarantee maintenance, amounting to BGN 536 thousand, have been accrued in 2021 on the basis of the best estimate of the risk in the exploitation of construction sites. BGN 100 thousand of these accrued provisions relate to the entity, operating in Bulgaria, and BGN 436 thousand refer to the branch, established in the Republic of Serbia.

4.8. Actuarial valuation

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

4.9. Deferred tax assets

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

4.10. Leases

Determining whether a contract contains a lease or lease elements

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

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

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

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

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

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

- a) the periods covered by an option to extend the lease, if it is reasonably certain that the entity shall exercise this option, and
- b) the periods covered by an option to terminate the lease, if it is reasonably certain that the entity shall not exercise this option.

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

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

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

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

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

- for operating leases of movable property – based on the interest rates under the finance lease, concluded by the entity at 01.01.2021.
- for operating leases of real estate – based on the interest rate under the investment loan agreements, concluded by the entity at 01.01.2021

Review of indications of impairment of “right-of-use assets”

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

5. Contingent assets and contingent liabilities

Contingent assets

Bank guarantees, issued in favour of Trace Group Hold PLC

The bank guarantees, issued in favour of the entity operating in Bulgaria, amount to BGN 3 250 thousand, the insurance amount to BGN 234 thousand and the pledges of movables assets amount to BGN 125 thousand. The obtained bank guarantees in the Republic of Serbia amount to BGN 455 thousand.

Contingent liabilities

Warranties and guarantees issued

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

Bank guarantees

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

Contingent liabilities					
Issuer	Value	In favour of:	Purpose	Maturity	Securities
UBB AD	4 851	Bulgarian State Agency and Bulgarian Municipalities	Securing performance obligations under contracts	30.06.2025	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK BANK EAD	5 868	Bulgarian Ministry, Bulgarian State Agency and Bulgarian Municipalities; Bulgarian State Enterprises; TD of NRA, Regional Traffic Management	Securing performance obligations under contracts and VAT payables	29.5.2026	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK Bank (EXPRESSBANK) EAD	2 624	Bulgarian Ministries; Bulgarian State: Committee, Agency and Municipalities; Bulgarian Municipal and / or State Enterprises; Bulgarian Owner's Associations; Serbian State Enterprise; private entities, registered in Bulgaria	Securing performance obligations under contracts	17.02.2036	Non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BULBANK AD	35 600	Bulgarian Ministry; Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; Serbian State Enterprises; Czech State Enterprise; a private entity, registered in Bulgaria; Serbian Ministry, Unicredit Bank Serbia AD	Securing performance obligations under contracts and participation in a tender	03.09.2037	Real estate, non-current tangible assets, cash, pledges of receivables, pledges of accounts
Total:	48 943				

Contingent liabilities		
Type	Guarantee issued, pledge of a counterparty	Insurance amount in thousands of BGN (BGN '000)
Insurance guarantees	JSIC EUROINS AD	13 625
Insurance guarantees	JSIC OZK – Insurance AD	15 211
Insurance guarantees	IC EUROINS Romania	8 694

Some of the issued insurance guarantees are secured by promissory notes, in the amount of BGN 19 million.

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

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

The following guarantees have been issued to secure the activity:

- Corporate guarantee, in the amount of EUR 2 million and with maturity date 03.04.2024, under a credit line agreement for the issue of bank guarantees, signed by and between UniCreditBank Serbia and Trace Serbia;
- Corporate guarantee, amounting to EUR 6 million and with maturity date 27.05.2026, under a credit line agreement for the issue of bank guarantees, intention letters and an overdraft, signed by and between UniCreditBank Serbia, Trace Serbia and Infra Commerce LTD;
- Corporate guarantee, in the amount of EUR 5 million and with maturity date 29.11.2027, under a credit line agreement for the issue of bank guarantees and intention letters, signed by and between UniCreditBank Serbia, Trace Serbia and Trace Group Hold PLC ;

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

Lawsuits

The Entity is a plaintiff or defendant under the following lawsuits at 31.12.2021:

1. Commercial case 1633/2019 at the Varna RC – Trace Group Hold PLC (plaintiff) against Traffic Holding LTD (defendant), with a financial interest of BGN 433 702, 35. A counter claim with financial interest of BGN 440 816,06 has been filed by Traffic Holding LTD (plaintiff under the counter claim).
2. Civil case 32 / pg. 33 /2017, listed in the Prague City Court, Czech Republic – Prague Airport, Ruzyně (plaintiff) against “Trace Group Hold” PLC, in its capacity of a participant at the Prague Airport Consortium 2013 (defendant). The claim is for the amount of BGN 11 571 200,46. A counter claim under the same case has been filed by TGH PLC. The counter claim has a financial interest of CZK 17 316 755.

3. Civil case 11389/2015 per the list of the SCC – Metropolitan EAD (plaintiff) against Trace Group Hold PLC as a third party assistant to the defendant. The case has a financial interest of BGN 500 000.
4. Commercial case № 2471/2020, dated 14.12.2020, per the list of the SCC – plaintiff: Sofia Tech Park AD, Sofia; defendant: Trace Group Hold PLC, Planeks LTD, Ivo Petrov – Architects LTD, Pleven; financial interest: BGN 233 560,87.

The Management, together with internal legal experts and hired external lawyers, has assessed that the probability and risks of a negative outcome under the open lawsuits, filed against the entity, currently remains below 50%. Therefore, no provisions of litigation payables have been recognised in the Statement of Financial Position as at 31 December 2021.

6. Events after the reporting period

The Managing Board of “Trace Group Hold” PLC announced the start of the next procedure to repurchase own shares of the entity’s capital (treasury shares) on 04.01.2022, on the grounds of Art. 187b of the Commercial Act, Art. 111, paragraph 5 and paragraph 6 of the Public Offering of Securities Act and pursuant to a decision of the General Meeting of Shareholders, held on 26.06.2019. The procedure shall be executed under the conditions, determined by the GMS and the entity defined the below parameters:

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

The procedure to repurchase shall be terminated as successfully completed upon the exhaustion of the specified number of shares, namely if the entity repurchases 500 000 (five hundred thousand) shares. The Managing Board elected Kapman AD to act as licenced investment intermediary for the execution of repurchase order.

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

7. Reclassification

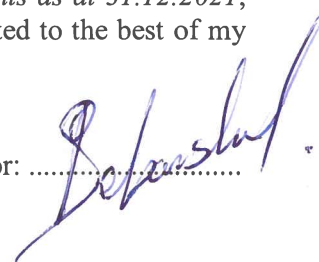
The Management reviewed the presentation of restricted cash (BGN 3 055 thousand), namely restricted cash under performance bonds and involvement (participation) under contracts with customers that are not available to the Entity at 31.12.2021, and has reclassified them in the Statement of Financial Position from “Other current receivables and assets” to “Cash”. A third comperative period as at 01.01.2020 has not been included in the Statement of Financial Position in so far as the change affects only those items and it does not have a significant impact on the presentation sequence.

8. Disclosures, in compliance with the legislative requirements

The audit expenses, accrued within the year for services, rendered by Registered Auditors (CPAs) – independent financial audit of the separate financial statements, amount to BGN 42 thousand, and for other services – to BGN 16 thousand.

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Separate Annual Financial Statements as at 31.12.2021*, from Bulgarian to English language, consisting of 95 (*ninety five*) pages, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator:



SEPARATE MANAGEMENT REPORT OF TRACE GROUP HOLD PLC

For 2021

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

I. General information on the entity

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

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

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

Facsimile: +359 2 80 66 711

E-mail: tracegroup@trace.bg

Website: www.tracebg.com

Share capital at 31 December 2021:

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

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

Shareholder's name	Number of shares held		Capital proportion (%)	
	at 31.12.2021	at 31.12.2020	at 31.12.2021	at 31.12.2020
Nikolay Mihaylov	16 276 755	16 276 755	67,26	67,26
“Galini – N” LTD	2 178 000	2 178 000	9,00	9,00
Trace Group Hold PLC – repurchased treasury shares	6 279	6 279	0,03	0,03
Other individuals and legal entities	5 738 966	5 738 966	23,71	23,71

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

A Supervisory Board consisting of:

Prof. Nikolay Mihaylov – Chairman of the SB

Manol Denev – Member of the SB

Mariela Rounteva – Independent member of the SB

And

A Managing Board consisting of:

Desislava Lyubenova – Chairman of the MB

Eng. Boyan Delchev – Deputy Chairman of the MB

Rositsa Dineva – Georgieva – Member of the MB

Eng. Boyan Delchev is Executive Director of the entity.

Members of the Audit Committee at 31.12.2021:

Hristo Savchev – Chairman

Prof. Hristina Nikolova

Diana Rangelova

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

“Trace Group Hold” PLC – Belgrade branch

“Trace Group Hold” PLC – Prague branch

“Trace Group Hold” PLC – Skopje branch

“Trace Group Hold” PLC – Kiev branch

“Trace Group Hold” PLC – Bucharest branch

II. Activity overview

1. Principal activity

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

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

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

“TRACE” participates in the implementation of the most significant (largest) national infrastructure projects, among which are the completion of the “Trakya” and “Hemus” highways. The entity participates and in the construction of the Serbian part of Corridor № 10.

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



Construction of subways (metro);

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



Construction of railway infrastructure and all related facilities – construction of high-speed railway tracks, implementation of innovative railway technology – the Geismar system;

Railway substructure and superstructure activities, including:

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

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

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



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

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

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

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

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

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

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

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

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

**Trade in construction products and supplies**

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

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

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

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

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

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

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

It participates in the “Bulgarian Forum for Transport Infrastructure” Association.

2. Investment portfolio

Investments in subsidiaries – capital entities

Type	31.12.2021
	Amount
Trace BG LTD, Bulgaria	100%
Trace Yambol JSC, Bulgaria	99,48%
USM JSC, Bulgaria	99,69%
Trace Properties LTD, Bulgaria	100%
Trace Serbia JSC, Serbia	100%
Infra Commerce LTD, Bulgaria	100%
Aria Residence LTD, Bulgaria	60%
Trace Mechanization JSC, Bulgaria	100%

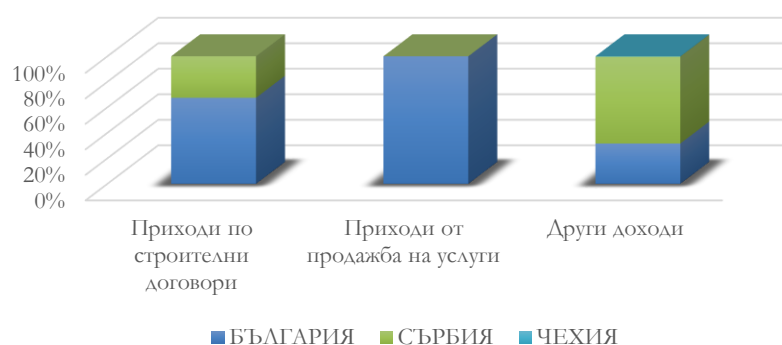
3. Operating results

Income structure

Revenue, realised in the financial reporting 2021 (excluding finance income) amounts to BGN 79 106 thousand and includes BGN 67 155 thousand of revenue from contracts with customers and BGN 11 951 thousand of “other income”. Revenue records a 35,67% decrease in 2021, compared to the revenue realised in the prior reporting period. Revenue from contracts with customers decrease by 43,44% and other income by 181,93%. A “per segment” allocation of revenues conveys that 63,05% of those have been realised by the parent, and 33,35% by the entity’s branches, established abroad.

Type of income	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020r.	% Change
Revenue from contracts with customers	67 155	84.89%	118 737	96.55%	(43.44)%
• Revenue, realised under construction contracts	64 773	81.88%	117 039	95.17%	(44.66)%
• Revenue from sales of goods	117	0.15%	-	0.00%	
• Revenue from sales of services	2 265	2.86%	1 698	1.38%	33.39 %
Other income	11 951	15.11%	4 239	3.45%	181.93 %
Total	79 106	100%	122 976	100%	(35.67)%

Revenue from contracts with customers 2021



Revenue, realised under construction contracts, amounting to BGN 64 773 thousand, form the most significant share of “revenue from contracts with customers” and record a decrease of 44,66%, compared to the same realised in the financial reporting 2020 (2020: BGN 117 039 thousand).

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

1. “Restoration of the design parameters at “Senovo” station, from km 46+483 to km 47+842; 999 meters in length along railway line IX”.
2. “Restoration of the design parameters at “Yastrebovo” station, from km 21+534 to km 22+502, 968 meters in length along railway line IX”.
3. “Modernisation of the railway, catenary and signalling and telecommunication systems at “Plovdiv” station and construction of a communication and transport breakthrough under the railway area of “Plovdiv” station”,
4. Reconstruction of “Todor Kableshev” Blvd., in the section from “Bulgaria” Blvd. to “Luy Ayer” Blvd., “Triaditsa” District
5. Current repairs of the street network and road facilities within Sofia Municipality – Zone 1.
6. New construction, major repairs, rehabilitation, reconstruction, current repairs of street networks, Municipal roads, State roads (under an agreement protocol with the Republican Road Infrastructure Fund), current repairs and new construction of pavements and other concomitant activities on the territory of the Stara Zagora Municipality.

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

1. Construction of E 75 highway, Section: “Grdelica – Caricina dolina”, Serbia
2. LOT 2: Rehabilitation of Existing Sections of State Road class IB No. 39 and class IIA No. 221; ID 8110911.LOT2
3. Lot 3: Rehabilitation of Existing Sections of State Road class IIA No. 223 and class IIB No. 429; ID 8110911.LOT3
4. “Modernisation and rehabilitation of a section of the railway “Nis – Brestovac”, the Republic of Serbia”.

Revenue from sales of services amount to BGN 2 265 thousand in 2021 and have been realised under project management activities, executed in Bulgaria. Such record an increase of 33,39% in comparison with the same, realised in the comparative (prior reporting) period (2020: BGN 1 698 thousand). In essence, these are services, associated with providing support to the subsidiaries and consortia partners in terms of overall preparation, organisation and management of the execution of contracts for building and construction works, analysis of the requisite available resource for their execution, organisation and management of the use of building and construction equipment and other activities. These revenues were mainly realised through the activities of the entity, domiciled in the Republic of Bulgaria.

Revenue from sales of goods amount to BGN 117 thousand and are all realised in the sale of railway materials in Bulgaria.

Other income amount to BGN 11 951 thousand and record a 181,93% increase, compared to those accrued in the comparative (prior reporting) period (2020: BGN 4 239 thousand). 68,14% of the other income are realised by the branch, domiciled in the Republic of Serbia. Reversed provisions of obligations under construction contracts in the amount of BGN 7 979 thousand, operating leases revenue from the lease of the entity's own assets in the amount of BGN 3 160 thousand and gains on the disposal of non-current assets in the amount of BGN 530 thousand, are all included in the subgroup. The entity realises grant income of BGN 421 thousand in total. BGN 410 thousand of those are realised under an anti-crisis measure to support the preservation of employment in accordance with Decree № 482 of the Council of Ministers, dated 30.12.2021, amending Decree № 151/2020, and BGN 11 thousand are realised under the State Aid Program for compensation of non-residential end users of electricity, approved by Decision № 739, dated 26.10.2021, of the Council of Ministers.

Finance income, realised within the reporting period, amount to BGN 4 090 thousand and record a 39,51% decrease, compared with the same, realised in the comparative (prior reporting) period (2020: BGN 6 762 thousand). The decrease in their absolute value is mainly due to decreased dividend income, earned from subsidiaries. Such amount to BGN 3 432 thousand in 2021, compared to BGN 5 937 thousand in 2020. Interest income record also a significant decrease – interest income amounts to BGN 373 thousand in 2021, compared to BGN 802 thousand in 2020. 73% of those are formed from interest income on trade loans. Foreign exchange gains amount to BGN 281 thousand and are mainly generated by the branch, domiciled in the Czech Republic. A “geographical segmentation” analysis conveys that 87,38% of the finance income are recognised by the entity, domiciled in Bulgaria, 6,82% by the branch in the Republic of Serbia and 5,79% by the branch in the Czech Republic.

Type of finance income	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020	% Change
<i>Income from participating interest</i>	3 432	0.00%	5 937	0.41%	(42.19)%
<i>Income from transactions in financial instruments</i>	-	0.00%	1	0.41%	
<i>Interest income, including interest income, accrued:</i>	373	35.84%	802	43.20%	(53.49)%
• under trade loans	273		436		(37.39)%
• under trade receivables	100		232		(56.90)%
• others	-		134		(100.00)%
<i>Foreign exchange gains</i>	281	63.29%	11	55.68%	2 454.55 %
<i>Other finance income</i>	4	0.86%	11	0.71%	(63.64)%
Total	4 090	100.00%	6 762	100.00%	(39.51)%

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

Finance income 2021



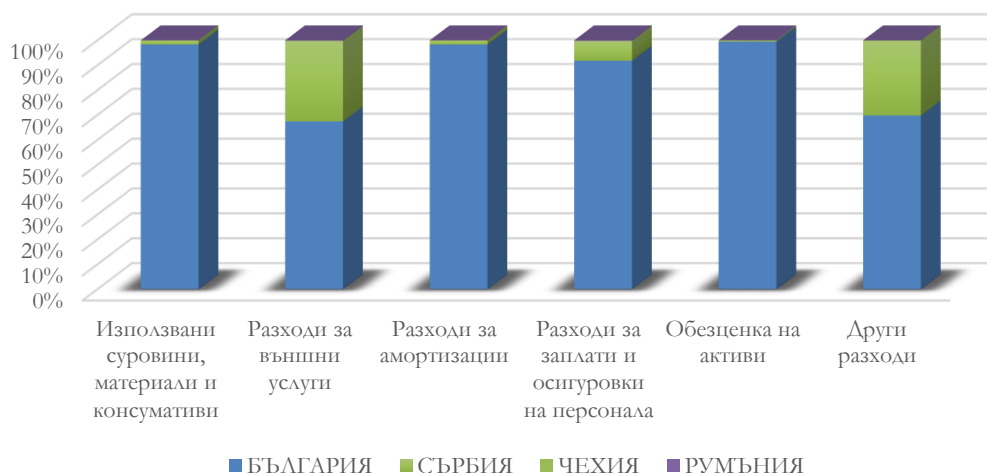
Structure of expenses by nature

Expenses by nature amount to BGN 80 179 thousand in 2021 and record a 26,51% decrease, compared to the same in the comparative (prior reporting) period (2020: BGN 109 098 thousand). Nonetheless, the separate groups of expenses record changes in different directions, namely some increase, while others decrease, compared to their values, recognised in the prior reporting period.

Expenses, incurred for raw materials and materials amount to BGN 10 737 thousand and record a significant increase, compared to the same, incurred in 2020, when such amounted to BGN 972 thousand. The main reason behind this lies in the recorded increase of core construction materials, as a result of the construction activities in which the holding actively engages in within the year. Cost of fuels and lubricants, amounting to BGN 141 thousand, cost of electricity, amounting to BGN 84 thousand and others are also included in the subgroup. When geographically segmented, 98,33% of the cost of raw materials and materials are incurred within Bulgaria, and the rest – in Serbia.

Type of expense	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020	% Change
Expenses by nature					
• Raw materials, materials used	10 737	13.39%	972	0.89%	1 004.63 %
• External services cost	51 515	64.25%	86 623	79.40%	(40.53)%
• Depreciation	2 643	3.30%	2 525	2.31%	4.67 %
• Salaries, wages and social insurance contributions	8 337	10.40%	6 023	5.52%	38.42 %
• Impairment of assets	4 928	6.15%	181	0.17%	2 622.65 %
• Other expenses	2 019	2.52%	12 774	11.71%	(84.19)%
Total	80 179	100.00%	109 098	100.00%	(26.51)%

Expenses by nature 2021

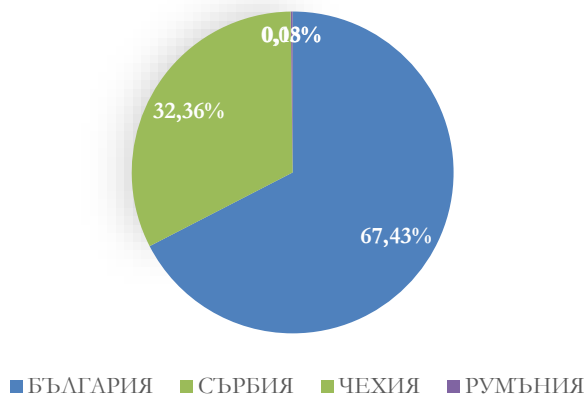


Cost of external services represent 64,25% of the expenses by nature and amount to BGN 51 515 thousand. Such record a 40,53% decrease, compared with the same in the comparative (prior reporting) period (2020: BGN 86 623 thousand). The most significant of those are the expenses, incurred in respect of subcontractors under contracts for building and construction works – BGN 46 482 thousand. Design cost, amounting to BGN 1 619 thousand, are included too in the “external services” group. Design cost are mainly recognised by the branch, established in the Republic of Serbia (77,08%) and record an increase of 180,59%, compared to same incurred in the comparative (prior reporting) period (2020: BGN 577 thousand). This increase arises due to the nature of the projects executed (engineering activities) and offers sent out. Insurance costs amount to BGN 751 thousand and the reason for their recorded growth by 29,26%, compared with the same in the prior reporting year, lies in the concentration of core assets within the holding, as well as in their use to ensure the implementation of construction contracts.

Consulting service costs amount to BGN 568 thousand and nearly retain their value, compared with the same, incurred in the comparative (prior reporting) period (2020: BGN 546 thousand). Laboratory test expenses amount to BGN 126 thousand (2020: BGN 91 thousand) and have been mainly incurred by the branch, established in the Republic of Serbia. Taxes and fees amount to BGN 267 thousand and record a 26,54% increase, compared with the same incurred in the prior reporting year (2020: BGN 211 thousand). 82,50% of those have been incurred in the Republic of Bulgaria. The cost of legal services amount to BGN 123 thousand and record a 38,81% decrease (2020: BGN 201 thousand). Security expenses amount to BGN 223 thousand and have nearly doubled (2020: BGN 104 thousand) as a result of the requisite security activities at the different sites.

The expansion of the holding’s construction activities on the territory of Bulgaria and abroad shall require additional external services to be accrued over the next year. A “geographical segmentation” analysis of external services conveys that 67,43% of the external services cost are incurred within Bulgaria, 32,36% are incurred within the Republic of Serbia and 0,18% in the Republic of Romania and 0,03% in the Czech Republic.

External services 2021

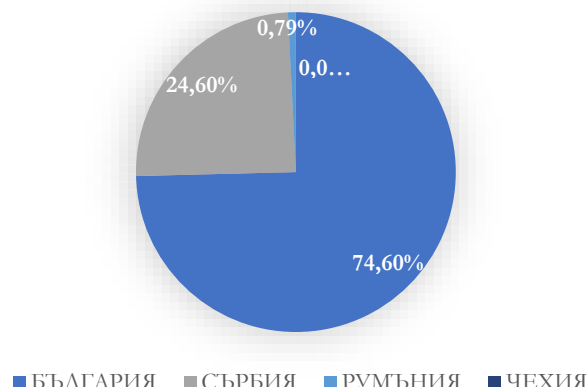


Depreciation costs amount to BGN 2 643 thousand and record a 4,67% increase, compared with the same in the prior reporting year (2020: BGN 2 525 thousand). Depreciation of the entity’s own assets, amount to BGN 2 406 thousand and depreciation of “right-of-use assets”, in accordance with IFRS 16 Lease, amount to BGN 237 thousand. Investments in non-current tangible assets amount to BGN 6 236 thousand for the reporting period. The most significant of those are a Landed property, located in “Druzhba” Residential District in Sofia, amounting to BGN 4 805 thousand, formwork systems amounting to BGN 647 thousand, renewed car fleet and others. The construction of an administrative building – “Atana” city complex, in Sofia, with a built-up area of 1 372 square meters and a total super built-up area of 32 187,23 – , financed by the entity’s own funds, continues.

The book value of non-current assets amounts to BGN 38 412 thousand at 31.12.2021.

Employee benefits amount to BGN 8 337 thousand and record a 38,42% increase, compared with the same in the prior reporting year (2020: BGN 6 023 thousand). 91,82% of those expenses are incurred in Bulgaria, 7,99% by the branch in the Republic of Serbia and 0,19% by the branch in the Republic of Romania. The entity engages in independent construction activity in Bulgaria in 2021 and consequently it has appointed additional qualified personnel. The number of personnel, employed within the entity, amounts to 126 people at 31.12.2021. 75% of those are employed within Bulgaria, and the remaining – in Serbia and Romania. In light of the forthcoming implementation of foreign-based projects, additional personnel shall be attracted by the entity’s branches within the next financial reporting period.

Total personnel employed 2021

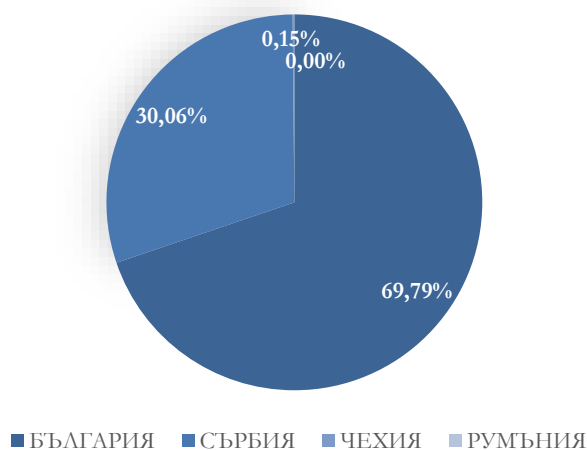


Losses on the impairment of asset amount to BGN 4 928 thousand. BGN 4 806 thousand of those refer to impairment of financial assets and BGN 122 thousand to impairment of receivables. The entity impaired its investment in Trace BG LTD, amounting to BGN 4 779 thousand, pursuant to the conducted analysis of the current financial position of Trace BG LTD and computed estimates of the future economic benefits, expected to be obtained from it.

Other costs amount to BGN 2 019 thousand (2020: BGN 12 774 thousand). Provisions under construction contracts, amounting to BGN 526 thousand (81,34% of which have been recognised by the branch, established in the Republic of Serbia), unused tax credit of BGN 416 thousand (recognised in Bulgaria), entertainment costs (BGN 133 thousand), business trips within Bulgaria and abroad (BGN 61 thousand), labour medicine (BGN 46 thousand), receivables written off (BGN 35 thousand) are all included under “other costs”.

Within the year, donations (BGN 605 thousand) have been made via the “Trace for People” Foundation. When geographically segmented, 69,79% of “other costs” are incurred within Bulgaria, 30,06% within the Republic of Serbia and 0,15% within the Czech Republic.

Other costs 2021



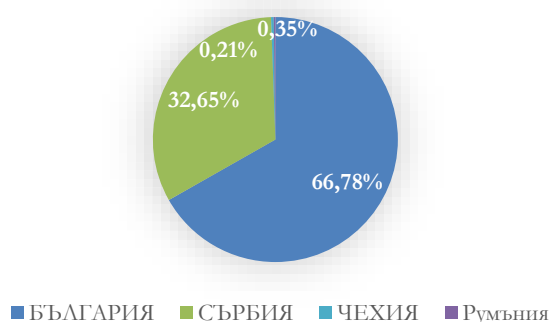
Finance cost structure

Finance costs amount to BGN 1 415 thousand and record a 64,35% increase, compared with the same in the comparative (prior reporting) period (2020: BGN 861 thousand). The most significant change is recorded by foreign exchange losses that have increased by BGN 398 thousand and amount to BGN 456 thousand (2020: BGN 58 thousand), incurred mainly in Bulgaria. In absolute value terms, bank guarantee costs (BGN 501 thousand, 29,94% of which have been incurred in Bulgaria and 70,06% by the branch in the Republic of Serbia) remain the most significant finance costs. Other finance costs refer to bank charges and finance costs related with effective bank loan agreements. Such amount to BGN 304 thousand and have been mainly incurred in Bulgaria (90,31%). Their recorded increase is primarily due to the increased bank service prices in Bulgaria, in terms of re-negotiation and charges on the available, in current accounts, funds. Interest expense amount to BGN 142 thousand and record a decrease of 23,24% (2020: BGN 185 thousand). This decrease is due to the decreased interest on loans from financial institutions (2021: BGN 83 thousand, 2020: BGN 115 thousand) as a result of less attracted resources being utilised. Lease interest amount to BGN 52 thousand and also record a 27,83% decrease.

Type of finance cost	31.12.2021 BGN'000	Relative share 2021	31.12.2020 BGN'000	Relative share 2020r.	% Change
<i>Interest expense, including interest expense incurred under:</i>	142	10.04%	185	35.92%	35.92%
• loans from financial institutions	83		115		
• leases	52		70		
• trade payables	7		-		
<i>Losses on transactions in financial instruments</i>	12	0.00%	5	0.00%	0.00%
<i>Foreign exchange losses</i>	456	32.23%	58	16.18%	16.18%
<i>Bank guarantee costs</i>	501	35.41%	416	32.70%	32.70%
<i>Other finance costs</i>	304	21.48%	197	32.70%	32.70%
Total	1 415	100.00%	861	100.00%	100.00%

When geographically segmented, 66,78% of the finance costs have been incurred in the Republic of Bulgaria, 32,65% in the Republic of Serbia, 0,35% in the Czech Republic and 0,21% in the Republic of Romania.

Finance costs 2021.



Financial result

To conclude, based on the presented analysis, total income of BGN 83 196 thousand has been realised and total expense of BGN 79 775 thousand have been incurred within the year. The financial results before tax conveys a profit of BGN 3 421 thousand. Tax expenses amount to BGN 1 129 thousand, of which BGN 540 thousand refer to current corporate income tax. The net profit of the entity after taxation amounts to BGN 2 292 thousand.

III. Analysis of financial and non-financial indicators

1. Financial indicators and ratios

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

№	Indicators	2021	2020	Difference	
		Value	Value	Amount	%
1	Non-current assets (total)	90 730	90 137	593	1%
2	Current assets, including	103 161	134 672	(31 511)	-23%
4	Inventories	2 509	1 562	947	61%
5	Current receivables	52 205	98 653	(46 448)	-47%
6	Current financial assets	6 733	7 605	(872)	-11%
7	Cash and cash equivalents	41 714	26 852	14 862	55%
8	Total assets	193 891	224 809	(30 918)	-14%
9	Equity	131 568	134 516	(2 948)	-2%
10	Financial result	2 292	16 521	(14 229)	-86%
11	Non-current liabilities	5 672	16 647	(10 975)	-66%
12	Current liabilities	56 651	73 646	(16 995)	-23%
13	Total liabilities	62 323	90 293	(27 970)	-31%
14	Total revenue	83 196	129 738	(46 542)	-36%
15	Sales revenue	67 155	118 737	(51 582)	-43%
16	Total expenses	79 775	109 959	(30 184)	-27%

№	Rations	2021	2020	Difference	
		Value	Value	Amount	%
Profitability:					
1	Return on equity	0.02	0.12	(0.11)	-86%
2	Return on assets	0.01	0.07	(0.06)	-84%
3	Return on liabilities	0.04	0.18	(0.15)	-80%
4	Net profit margin	0.03	0.14	(0.11)	-75%
Efficiency:					
5	Of costs	1.04	1.18	(0.14)	-12%
6	Of income	0.96	0.85	0.11	13%
Liquidity:					
7	Current ratio	1.82	1.83	(0.01)	0%
8	Quick ratio	1.78	1.81	(0.03)	-2%
9	Acid test	0.86	0.47	0.39	83%
10	Absolute liquidity	0.74	0.36	0.37	102%
Financial leverage:					
11	Financial leverage	2.11	1.49	0.62	42%
12	Gearing	0.47	0.67	(0.20)	-29%

Profitability (return) coefficients are subject to investor's interest as they convey the pace of return on capital. In essence, profitability coefficients reflect the quantitative characteristics of the efficiency of the entity's sales, equity, assets and liabilities and are computed as a ratio of the financial result to the sales revenue, equity, assets and liabilities, respectively. This is and the reason why such are directly related (depended) to the profit, realised by the entity. The net profit for 2021 amounts to BGN 2 292 thousand and decreases by 86%, compared with the profit realised in 2020 (2020: BGN 16 521 thousand). Consequently, the profitability ratios decrease too. Return on equity is computed at 0,02; return on assets at 0,01; return on liabilities at 0,04; net profit margin – 0,03, decreasing by 11 points, compared to the prior year.

Efficiency ratios are quantitative characteristics of the interrelation of the entity's revenues and expenditure. The factor, which mainly influences their alteration is the change in the revenue and expense structure. Based on the current year's data, the efficiency of cost coefficient decreases (in comparison to the same in 2020) by 0,14 points, while the efficiency of revenue coefficient records 0,11 points increase (again compared to the same in 2020).

Liquidity ratios express the entity's ability to timely settle its debts with the available assets, and present the entity's ability to convert the readily available assets into liquid such. The current ratio, computed as the ratio of current assets to current liabilities, is levelled to 1,82 and records 0,01 points decrease, compared to the same in the comparative period. Typically, it is assumed that at coefficient levels above 1, the risk that the entity will fall into a state of inability to meet its liabilities is too low. The acid test and absolute liquidity ratios are computed at 0,86 and 0,74, respectively.

Financial leverage coefficient is the ratio of equity to total liabilities. The coefficient is measured at 2,11 and has increased by 42% in 2021, compared to the same in the prior financial reporting year, due to the fact that the total liabilities decrease by 31% and equity nearly retains its levels, recorded in the prior financial reporting year.

Debt ratios show the amount of liabilities, recorded against BGN 1 of equity. The debt ratio is computed as a ratio of total liabilities to total equity. The ratio is calculated to level to 0,47 in 2021, recording a decrease of 0,20 points, or 29%, compare to the same in the prior reporting period.

2. Dividends

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

The decision for distribution of dividends of “Trace Group Hold” PLC is determined based on what portion of the profits may be distributed, under the form of dividends, without compromising the entity's ability to invest, the latter being defined under the corporate business program for the following year. Dividends for 2020 amounting to BGN 4 838 744,20 (four million eight hundred thirty eight thousand seven hundred forty four Bulgarian leva and twenty stotinki /cents/), or BGN 0,20 per share gross amount, were distributed in 2021 pursuant to a decision of the General Meeting of Shareholders.

3- Corporate Social Responsibility

Environmental protection

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

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

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

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

The Management of “Trace Group Hold” PLC puts efforts to reduce the entity’s environmental impact by:

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

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

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

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

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

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

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

Social corporate activities

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Presentation of non-financial information

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

that provide water supply, sewerage and telecommunications services; “Bulgarian State Railways” EAD and its subsidiaries.

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

Given the criteria set out in the Accountancy Act, it can be concluded that “Trace Group Hold” PLC does not have an obligation to present non-financial information separately, or as part of the Management Report, as the average number of its personnel within the year does not exceed the 500 employees’ criteria at 31.12.2021.

5. Statement on the impact of COVID-19

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

The entity benefits from the anti-crisis measure under the State’s program to support the preservation of employment, provided in accordance with Decree № 482 of the Council of Ministers, dated 30.12.2021, amending Decree № 151/2020 and successfully applied under the “60:40” measure of the Employment Agency.

The entity continues to execute its business activities without encountering significant difficulties. At this stage, there are currently no terminated significant contracts, concluded with suppliers and customers of the Entity, and there is no significantly delayed revenues and payments as a result of the introduced emergency epidemiological situation in Bulgaria.

IV. Main risks

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

The entity’s activity is influenced by a number of factors, such as the macroeconomic conditions in Bulgaria, the dynamics of raw material prices, the relations with suppliers, any legislative changes, any exchange rates changes and others. In 2021, the entity suffered negative consequences from the increasing prices of electricity and raw materials, evident both domestically and in external market.

Inflation risk

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

Political risk

Political risk refers to the possibility of serious internal political shocks, leading to a negative change in the government's economic program and its economic development priorities, as a result of which the environment in which entities operate will adversely change and investors will suffer losses. In November 2021, early elections for an Ordinary National Assembly were held in Bulgaria for a second time within one year. As a result, the political party ruling the country in the last 12 years lost the elections and a new government was formed. The international political risks for Bulgaria relate to commitments made to implement serious structural reforms in the country, as an equal (in rights) member of the EU, to increase social stability, reduce inefficient spending, on the one hand, and the strong destabilisation of the Middle East countries, the increasing threat of terrorist attacks in Europe, the refugee waves and the instability of key countries in the immediate vicinity of Bulgaria on the other. Bulgaria, similar to other EU member states in the region, continues to be severely affected by the pan-European problem of intensive refugee flows from the Middle East. Other factors that also affect this risk are the potential legislative changes, in particular those concerning the economic and investment climate in the country. The geopolitical situation in the region has been further complicated by the development of the Russian-Ukrainian crisis, after Russia recognised the independence of the two breakaway regions in eastern Ukraine and sent troops to Ukraine, with the US and EU imposing economic sanctions on Russia as a response to the latter's actions. It is currently not possible to assess this risk for the Entity in absolute value, as the business activity is not directly focused on neither the Russian, nor the Ukrainian market. Nonetheless, the crisis does indirectly impact the activities. Sanctions against Russia have caused fuel prices to rise, which in turn reflects on commodity prices.

Credit risk

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

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

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

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

Liquidity risk

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

Interest risk

Interest risk is related to possible, potential, negative changes in the interest levels, quoted by financial institutions domiciled in the Republic of Bulgaria. At its monetary policy meeting in October 2021, the Governing

Council of ECB confirm the levels of key ECB interest rates and its future intentions regarding interest rates in the context of the future dynamics of key interest rates.

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

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

Currency risk

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

V. Significant events after the reporting period

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

The Managing Board of “Trace Group Hold” PLC announced the start of the next procedure to repurchase own shares of the entity's capital (treasury shares) on 04.01.2022, on the grounds of Art. 187b of the Commercial Act, Art. 111, paragraph 5 and paragraph 6 of the Public Offering of Securities Act and pursuant to a decision of the General Meeting of Shareholders, held on 26.06.2019. The procedure shall be executed under the conditions, determined by the GMS and the entity defined the below parameters:

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

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

On 09.02.2022, “Trace Group Hold” PLC, as a leading partner in the “Dragalevtsi 2021” Alliance, signed a contract for the implementation of Engineering – design and construction works on the following: Construction of a sewerage network in the “Dragalevtsi” District, “Vitosha” Region. The value (for the implementation of the

activities) under the contract amount to BGN 34 590 700.00, exclusive of VAT. The project implementation's deadline is 198 calendar days. Sofia Municipality is the Assignor of this project. The project is funded by the Operational Program “Environment 2014-2020”, co-financed by the European Union through the European Structural and Investment Funds. “Dragalevtsi 2021” Alliance, with partners “Trace Group Hold” PLC, “Bulstroy – Montazhi” EOOD (LTD), is appointed as Executor of the project.

VI. Future opportunities and development

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

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

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

“Trace Group Hold” PLC strengthened its position in the field of road maintenance in Serbia, in particular maintenance and rehabilitation of road infrastructure in the South-Eastern parts in Serbia. The entity entered the railway construction sector in the country in 2020 and it is currently rehabilitating a large section of the Nis – Brestovac railway line. Other than the road and railway infrastructure sector, the entity intends to enter the high-rise construction sector. Construction of a multiple-purpose-use building in Belgrade, Serbia, is expected to begin soon.

The initiatives to penetrate the market in the neighbouring Romania are too successfully developing. The entity has already signed construction contracts with the municipalities of Focsani and of Constanta. In order to ensure the successful implementation of the forthcoming projects, a branch of the entity was registered in Bucharest in 2021. The entity continues to research into opportunities to participate in the next tender procedures for infrastructure projects in Romania.

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

VII. Research and Development

The entity does not engage in any Research and Development.

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

1. Treasury shares. Share repurchases

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

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

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

“Trace Group Hold” PLC holds a total of 6 279 treasury shares at 31.12.2021.

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

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

The Supervisory Board is consisting of:

Nikolay Ganchev Mihaylov – Chairman of the SB

Manol Peychev Denev – Member of the SB

Mariela Ivanova Rounteva – Independent Member of the SB

The Managing Board is consisting of:

Desislava Ivanova Lyubenova – Chairman of the MB

Boyan Stoyanov Delchev – Member of the MB and Executive Director

Rositsa Yordanova Dineva – Georgieva – Member of the MB

The Supervisory and Managing Boards have a term of office until 2025.

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

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

Information on the purchase and ownership of entity’s share by members of the Managing Bodies.

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

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

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

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

Supervisory Board

Entity	Nikolay Mihaylov	Manol Denev
“Trace Group Hold” PLC	Chairman of the SB, holding 67.26% of the entity’s capital	Deputy Chairman of the SB
“Galini” LTD	Sole owner and Manager	
“Galini – N” LTD	Sole owner and Manager	
“Injproekt” LTD	Indirectly holds over 25% of the entity’s capital	
Trace Group Hold PLC – Prague branch	Indirectly holds over 25% of the entity’s capital	Manager
Trace Group Hold PLC – Kiev branch	Indirectly holds over 25% of the entity’s capital	Manager
Trace Group Hold PLC – Skopje branch	Indirectly holds over 25% of the entity’s capital	
Trace Group Hold PLC – Belgrade branch	Indirectly holds over 25% of the entity’s capital	
Trace Group Hold PLC – Bucharest branch	Indirectly holds over 25% of the entity’s capital	
“New Alliance” LTD	Holds directly over 25% of the entity’s capital	
“Infra Commerce” LTD	Indirectly holds over 25% of the entity’s capital	
“Trace Properties” LTD	Indirectly holds over 25% of the entity’s capital	
“USM” JSC	Indirectly holds over 25% of the entity’s capital	
“Trace Mechanization” LTD	Indirectly holds over 25% of the entity’s capital	
“Trace Yambol” JSC	Indirectly holds over 25% of the entity’s capital	
“Asphalt Commerce” LTD	Indirectly holds over 25% of the entity’s capital	
“Trace Serbia” JSC	Indirectly holds over 25% of the entity’s capital	
“Aria Residence” LTD	Indirectly holds over 25% of the entity’s capital	
“Trace Build” LTD	Indirectly holds over 25% of the entity’s capital	

Managing Board

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

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

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

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

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

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

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

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

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

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

“Infra Commerce” LTD, “Transport story” AD, “Peri Bulgaria” EOOD (LTD), “Hidrobeton” OOD (LTD) are the entity’s main suppliers of materials in 2021.

3. Information on significant agreements concluded.

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

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

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

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

- Contract for Design and construction of the Sofia Metro Extension Project, Line 3, Stage III – Section under “Vladimir Vazov” Blvd., from km 4+340,00 to km 1+280,00 with three metro stations under LOTs, LOT 2 – Design and construction of a metro section, from km 3+645,00 to km 2+581,20, with one underground metro station (MS3) and an interstation ventilation system (VS) in the amount of BGN 75 081 394.50, exclusive of VAT and 39 months implementation term.

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

- Contract for the implementation of the project: “Reconstruction of the necks and track development of Svoje station, construction of a new route-computer centralisation and reconstruction of the catenary”. The value of the contract activities amounts to BGN 19 962 467.54, exclusive of VAT. The deadline for implementation is as follows: 60 days for the preparation of a draft project and 160 days for the implementation of construction and installation works.

4. Information on the transactions, concluded by and between “Trace Group Hold” PLC and related parties within the current reporting period, proposals to conclude such transactions, as well as transactions that fall outside the scope of its ordinary activity or significantly deviate from the market conditions under which the issuer, or its subsidiary, is a party, indicating the value of the transactions, the nature of connectivity and any information, necessary to assess the impact on the issuer’s financial condition.

Information on related party transactions is disclosed in the Explanatory notes to the Annual Separate Financial Statements for 2021, under “Other disclosures”, “Related party transactions and balances” note.

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

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

The challenges that all economic sectors have faced over the past two years as a result of the restrictions imposed pursuant to the expansion of COVID-19 have been unexpected, complex and with unknown consequences. The economy entered a crisis, cash flows were destabilised. The crisis further deepened in 2021. The deteriorating economic situation has had a negative impact on the investment projects of “Trace”, both in Bulgaria and in Serbia. The expected efficiency was not achieved. The launch of large projects was delayed and the deadlines for conducting tender procedures was postponed pursuant to the COVID-19 outbreak. Contracts under tenders, awarded in 2020, were concluded at the end of 2021, or in some cases even in the beginning of 2022.

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

The political situation in Bulgaria also influenced the opportunities for the achievement of the set goals and strategy of the entity. Second early elections for Ordinary National Assembly we held in Bulgaria in November 2021. As a result, political party ruling the country in the last 12 years lost the elections and a new government was formed at the very end of the year. This led to delays in the approval of new operational programs, as well as a lack of large, state-funded infrastructure projects.

This was followed by a significant increase in the prices of fuels and raw materials on the global market, resulting to financial losses and accelerated inflation. Bitumen, fuels, steel are core materials and raw materials for the activity of “Trace Group Hold” PLC. At the end of 2021, the prices of those materials recorded an increase, compared to the same at beginning of the year. This is illustrated in the tables below:

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

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

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

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

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

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

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

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

No transactions were carried off-balance sheet in 2021.

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

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

Investments in subsidiaries – capital entities

Type	31.12.2021
	Amount
Trace BG LTD, Bulgaria	100.00%
Trace Properties LTD, Bulgaria	100.00%
Trace Serbia JSC, Serbia	100.00%
Infra Commerce LTD, Bulgaria	100.00%
Trace Yambol JSC, Bulgaria	99.48%
USM JSC, Bulgaria	99.69%
Trace Mechanization JSC	100.00%
Aria Residence LTD, Bulgaria	60.00%

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

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

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

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

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

Loans (credits) obtained by “Trace Group Hold” PLC

	Type of loan (credit)	Amount (BGN)	Unpaid principal / Utilised limit at 31.12.2021 (BGN '000)	Repayment / utilization term	Interest %	Security
UniCredit Bulbank AD	Bank guarantees	65 000	35 483	02.11.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges, cash
UniCredit Bulbank AD	Revolving	13 000	0	02.05.2022	1m. ADI+ 2,95%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UniCredit Bulbank AD	Bank guarantees	13 000	0	02.11.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UniCredit Bulbank AD	Bank guarantees	4 890	0	29.02.2028	1,00%	Mortgages, accounts pledges
DSK Bank AD	Bank guarantees	5 868	2 463	28.02.2033	1,20%	Mortgage, fixed asset pledges, pledges of receivables, accounts pledges
DSK Bank AD	Investment	5 000	2 678	25.06.2025	1m.Euribor+ 2,869%	Mortgage, pledge of receivables, account pledge
DSK Bank AD (Expressbank AD)	Bank guarantees	2 454	2 454	31.10.2032	1,20%	Fixed asset pledges, pledges of receivables, accounts pledges

UBB AD	Bank guarantees	17 000	4 851	30.09.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UBB AD	Revolving	3 000	0	30.09.2022	1m.LIBOR+2.5% BGN /1m. Euribor+2.5% EUR	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UBB AD	Bank guarantees	3 000	0	30.09.2027	0,70%	Mortgages, fixed asset pledges, pledges of receivables, accounts pledges
UBB AD	Investment	900	256	20.10.2023	1m.LIBOR+3,15%	Mortgage, pledge of receivables, account pledge
UniCredit Bulbank Serbia AD	Bank guarantees advance payment	11 706	11 706	29.02.2024 r.	1,00%	Bank guarantee, promissory note, receivables pledge

Loans obtained by “Trace Serbia” JSC (EAD)

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

Loans between related parties

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

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

Loans granted by subsidiaries at 31.12.2021

Lender	Borrower	Type of loan	Amount BGN '000	Date of the contract / annex	Repayment term	Interest %	Outstanding principal at 31.12.2021 BGN '000
“Infra Commerce” EOOD (LTD)	BFT Alliance	Working capital	80	21.1.2020	31.3.2020	6,30%	80
“Infra Commerce” EOOD (LTD)	Todorov AD UIC 130078447	Working capital	100,00	11.6.2015	Seized accounts of “Todorov” AD	20%	81,00 impairment
“Infra Commerce” EOOD (LTD)	FC Vereya NGO	Working capital	10,00	25.4.2017	30.06.2017 - payable	6,50%	7,00 impairment
Trace Serbia JSC (AD)	FC Dinamo Vranja	Working capital	25	8.9.2016	8.10.2016	11,00%	17
“Trace Group Hold” PLC	Smart Build Digital EOOD (LTD) UIC 201719627	Revolving	600	16.4.2020 29.10.2020	30.1.2022	4,50%	444
“Trace BG” LTD	BBAPB Alliance	Working capital	10	23.8.2018 30.07.2021	31.8.2022	2,00%	10
“Trace BG” LTD	ViK (transl. Water and Sewerage) Story Gurkovo 2018 – a Company under the Law on Obligation and Contracts	Working capital	30	Nº1/21.0 6.2021-extended gratis period	7 days after payment by the investor	4%	30

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

No new shares were emitted in 2021.

11. Ratio analysis of the achieved financial results, reflected in the Financial Statements for the financial reporting period, and previously disclosed estimates of these results.

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

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

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

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

The investment decisions within the holding are mainly realised by utilisation of the holding’s own resources, as well as by funds, obtained from bank institutions and leasing companies.

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

There is no change in the core management principles of “Trace Group Hold” PLC and its economic group in 2021. The process of the group’s restructuring continued with the implementation of the strategy for merging similar activities into a single organisational system and management in order to increase competitiveness.

The main goal of the transformations is to achieve better economic results by:

- Optimisation of the construction processes and production by pooling assets and personnel;
- Elimination of duplicated activities and operations;
- Ensuring a better workload of the entity’s own assets and achievement of a positive financial result (profit) by introducing a centralised management policy;
- Improving the supply management of raw materials and external services by centralising the processes;
- Reducing the administrative staff and optimising the administrative expenses;
- Creating a unified cash and resource management;

Information on the changes within the economic group are disclosed in the section “Investment portfolio”.

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

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

- Internal control through the current reporting of the projects’ implementation and monthly control, and analysis, of the realisation of the business programs of subsidiaries;

- Problem identification and measures to eliminate such;
- Identifying the risks in the execution of the business program;
- Independent financial audit;
- Financial Audit through an Audit Committee;

The current financial and accounting activities of the entity are subject to periodic control and analysis, performed by the Management and the Managing Board. The entity has an established internal financial control system, which ensures the effective functioning of the financial reporting and disclosure systems; identifies the entity's operational risks and assesses their efficient management.

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

A unified integrated software system for resource planning and management has been developed and implemented in the structure of “Trace” in order to ensure a solid basis for making informed decisions faster and on time. The system covers all departments and units, as well as the processes that take place in them and is implemented in all subsidiaries. The main advantage over management is the creation of opportunities for real-time information analysis, mobility, ability to currently control processes and ability to plan and grow.

The effectiveness of internal control and risk management processes are monitored by the Audit Committee. The Audit Committee is comprised of three persons, who are independent from the Managing and Supervisory Boards and have the requisite qualifications and professional experience.

In order to ensure an independent and objective evaluation of the financial statements, the annual audit on the activities of “Trace Group Hold” PLC is conducted by an independent Registered Auditor (CPA), in compliance with the requirements of the Law on Independent Financial Audit. All sets of financial statements are prepared in accordance with the Accounting Act, the International Accounting Reporting Standards and the POSA.

16. Information on the changes in the Managing and Supervisory Bodies that came in effect during the financial reporting year.

There are no changes in the composition of the Managing Board and the Supervisory Board of “Trace Group Hold” PLC in 2021.

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

The Managing Board consists of Desislava Lyubenova, Boyan Delchev and Rositsa Dineva – Georgieva.

17. Information on the amount of the remuneration, rewards and / or benefits, paid by “Trace Group Hold” PLC and its subsidiaries, to every member of the Managing and Supervisory Bodies during the financial reporting year, regardless of whether they have been included in the issuer's expenses or if such incurred from profit distributions, including:

- Received amounts and non-monetary remunerations;
- Contingent or deferred remunerations, accrued within the year, even if the remuneration is due at a letter stage;
- Amount, payable by the issuer or its subsidiary for payment of pensions, compensations or other similar compensations..

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

Detailed information on the remuneration of the members of the Supervisory and Managing Boards is presented in the Statement for implementation of the Remunerations' Policy – part of the Annual financial statements of the entity.

18. Information on the shares of the issuer held by the members of the Managing and Supervisory Bodies, and by Procurators, including the shares held by each of them individually and as a percentage of the shares of each class, as well as the granted by the issuer options on the securities – type and amount of the securities on which the options are granted, the price of exercising the options, purchase price, if any, and the options' term.

Information under this point is disclosed in the “Information on the members of the Managing Bodies” Section of this Report.

The entity has not granted any option on shares.

19. Information on the agreements that have come to the entity's knowledge (including and those after the financial year-end), as a result of which changes may occur, in future periods, in the relative portion of the shares or bonds, held by the current shareholders and bondholders.

The entity is not aware of any agreements as a result of which changes may occur in the relative number of share or bonds, held by the current shareholders and bondholders.

20. Information on pending judicial, administrative or arbitral proceedings, concerning the receivables or payables of the issuer, of at least 10 per cent of its equity; information on each proceeding shall be presented separately if the total amount of the issuer's receivables or payables under all proceedings, exceed 10 per cent of its equity.

Commercial case 1633/2019 at the Varna RC – Trace Group Hold PLC (plaintiff) against Traffic Holding LTD (defendant), with a financial interest of BGN 433 702, 35. A counter claim with financial interest of BGN 440 816,06 has been filed by Traffic Holding LTD (plaintiff under the counter claim).

Civil case 32 / pg. 33 /2017, listed in the Prague City Court, Czech Republic – Prague Airport, Ruzyne (plaintiff) against “Trace Group Hold” PLC, in its capacity of a participant at the Prague Airport Consortium 2013 (defendant). The claim is for the amount of BGN 11 571 200,46. A counter claim under the same case has been filed by TGH PLC. The counter claim has a financial interest of CZK 17 316 755.

Civil case 11389/2015 per the list of the SCC – Metropolitan EAD (plaintiff) against Trace Group Hold PLC as a third party assistant to the defendant. The case has a financial interest of BGN 500 000.

Commercial case № 2471/2020, dated 14.12.2020, per the list of the SCC – plaintiff: Sofia Tech Park AD, Sofia; defendant: Trace Group Hold PLC, Planeks LTD, Ivo Petrov – Architects LTD, Pleven; financial interest: BGN 233 560,87.

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

Ivana Todorova Moutafova
Tel. 02 / 80 66 697; e-mail: ivana.mutafova@trace.bg
12, “Nikola Obrazopisov” Str., 1408, Sofia

22. Changes in the price of the entity’s shares

Trade in shares of the entity (Information from the bulletin of BSE JSC and Infostock.bg). The dynamics in the stock exchange value of a share in the period January 2021 – 31 December 2021:



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

XI. INFORMATION UNDER ANNEX 3 OF ORDINANCE №2 OF THE FINANCIAL SUPERVISION COMMISSION (FSC)

1. Information on the securities that have not been allowed for trading on the regulated market in the Republic of Bulgaria, or in another member state.

“Trace Group Hold” PLC has not issued any new shares, which have not been admitted to a regulated market.

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

The persons / entities, holding more than 5% of the shares of “Trace Group Hold” PLC at 31.12.2021 are as follows:

Shareholder as at	Shareholder's name / corporate name	Owns %	Holds number of shares
31.12.2021	Nikolay Ganchev Mihaylov	67,26	16 276 755
31.12.2021	“Galini – N” LTD, registered under company file № 15261/2006 at the Sofia City Court, domiciled and having its address of registered office at: №12, “Nikola Obrazopisov” Str., “Lozenets” Residential District, 1408, Sofia	9,00	2 178 000

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

“Trace Group Hold” PLC does not have any shareholders with special control rights.

4. Agreements, 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 right.

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 of the voting right.

5. Significant contracts, concluded by the entity, which come in effect, are modified or are terminated as a result of a change in the entity's control in implementing mandatory tender offerings, and the consequences of those, 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 allowed in cases where the entity is obliged to disclose such information by the Law.

There are no significant contracts that give rise to actions, are modified or are terminated due to changes in the entity's control in the implementation of a mandatory tender offerings.

XII. INFORMATION UNDER ART. 10, ITEM 4 OF DECREE №2 OF THE FINANCIAL SUPERVISION COMMISSION (FSC)

Electronic link to that part of the public company's website, where the internal information under Art. 7 of Regulation (EU) № 596/2014 of the European Parliament and of the Council, dated 16 April 2014 on market abuse (Market Abuse Regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003 (124/EC, 2003/125/EC and 2004/72/EC (OJ L 173/1, dated 12 June 2014) (Regulation (EU) № 596/2014) on the circumstances of the past year is published, or an electronic link to the news agency or another media, chosen by the issuer, through which the entity publicly discloses internal information.

Separate Management Report for the financial reporting 2021

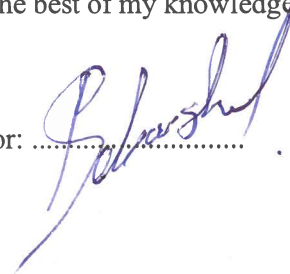
Internal information under Art. 7 of Regulation (EU) № 596/2014 on the circumstances that have occurred over the past year are available on the website of Extras (www.x3news.com), on the entity’s website (www.tracebg.com), under the “For shareholders” section, “Financial Statements” submenu, and under the “News” section.

Executive Director:
Eng. Boyan Delchev

Digitally Sign by Boyan Stoyanov Delchev
Date: 2022.03.31 20:02:06 +03'00'

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Separate Management Report for the financial reporting 2021*, from Bulgarian to English language, consisting of 38 (*thirty eight*) pages, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator:



**STATEMENT
ON CORPORATE GOVERNANCE
IN ACCORDANCE WITH ART. 100N, PARAGRAPH 8, IN CONJUNCTION WITH PARAGRAPH 7,
ITEM 1 OF POSA**

I. Information on whether “Trace Group Hold” PLC adheres with the Corporate Governance Code, approved by the Deputy Chairman of the FSC, or another Corporate Governance Code.

“Trace Group Hold” PLC adheres to the regulations of the National Corporate Governance Code and executes its activity in accordance with the provisions and the principles of the Code.

II. Information on the corporate governance practices, implemented by “Trace Group Hold” PLC in addition to (over and above) the National Corporate Governance Code.

“Trace Group Hold” PLC does not implement any corporate governance practices that are part of other Codes.

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

The activities of the Corporate Management bodies of “Trace Group Hold” PLC in 2021 are executed in compliance with the statutory requirements, provided in POSA and its implementation acts, in the Entity’s Articles of Incorporation, and in the National Corporate Governance Code.

The Entity applies the Code on the principle of “observe or explain” – i.e., the entity adheres to the Code, and the Management is required to clarify the reasons for any non-observance to the latter.

Corporate Management Bodies

“Trace Group Hold” PLC is an entity, managed by a Managing Board and a Supervisory Board under a two-tier management system.

Managing Board

As at 31.12.2021, the Managing Board consists of:

Desislava Lyubenova – Chairman of the MB;

Boyan Delchev – Executive member of the MB;

Rositsa Dineva – Member of the MB

The Managing Board manages the entity in accordance with the established strategies and objectives set on the entity, and in consideration of the interests of shareholders. It monitors and analyses the performance results and initiates changes in the organisation and management, if necessary. The Managing Board treats all shareholders equally and acts in their interest. The members of the MB are guided by the generally accepted principles of integrity and managerial, and professional competences. The entity adheres to the adopted Code of Ethics.

In execution of its duties, the Managing Board strives to achieve the set objectives for sustainable development. Core principles of relations with shareholders are established within the entity and the entity monitors for compliance with such. The rules of conduct, followed in accounting their interest and the actions thereto are disclosed in the internal acts adopted – the Code of Ethics, the Rules for organising and holding General Meetings of Shareholders, the Information Disclosure Policy, the Internal Regulations and others.

The Managing Board ensures and monitors the design and operation of the risk management system, including internal control and internal audit, and timely informs the Supervisory Board on its actions.

The Managing Board encourages the implementation of, and observes the compliance with, the accepted principles for sustainable development, at group level, by the subsidiaries.

It designs the financial-information system of the entity in compliance with the guidelines provided by the Supervisory Board and ensures its reliable functioning. It coordinates its actions with regards to the entity's business plan with the Supervisory Board, it monitors transactions of substantial nature and all other transactions and activities, stipulated in the entity's statutes.

The Managing Board informs and reports on its activity before the Supervisory Board within the established deadlines and in the specified formats.

The structure and number of members of the Managing Board are defined in the entity's Articles of Incorporation and guarantee its effective operations. The principles of compliance of the candidates' competence with the entity's activities are adhered to upon the election of new members of the Managing Board. The obligations, tasks and duties, the criteria on remuneration and the grounds for dismissal are regulated in the management contracts, concluded with each of the members of the Managing Board. The competences, rights and obligations of the members of Managing Board follow the statutory requirements, the operational rules and administrative acts, and the standards on good professional and managerial practice.

The amount and structure of the remuneration of the members of the Managing Board are defined by the General Meeting of Shareholders and take into account the individual obligations, duties and contribution of each member in the entity's activity and performance results; the ability to select and retain qualified and loyal managers; the need to reconcile the interest of the members of the Managing Board with the long-term interest of the entity.

The General Meeting of Shareholders adopted a Remuneration Policy for the remuneration of the members of the Managing and Supervisory Boards, which aims to support the long-term business goals of the entity and to promote behaviour that encourages value creation for shareholders, while at same time provides competitive remuneration that is sufficient to attract and retain directors, who possess qualities, requisite for the entity's effective management and development. The Remuneration Policy specifies the additional incentives, which are linked to clear result indicators and criteria. Information on the remuneration of the members of the Management Board is disclosed in the annual financial statements of the entity, in accordance with the statutory requirements and the entity's Articles. The policy defines the principles for defining the remuneration's amount and structure.

Supervisory Board

As at 31.12.2021, the Supervisory Board of “Trace Group Hold” PLC is comprised of three members and consists of the following members:

Prof. Nikolay Ganchev Mihaylov – Chairman
Manol Peychev Denev – Deputy Chairman
Mariela Ivanova Rounteva – Independent Member

The Supervisory Board appoints, provides guidelines to and controls the Managing Board of the entity in accordance with the distribution of functions within the two-tier structure. It provides guidelines in defining the vision, objectives and strategies of the entity, and the interest of shareholders and stakeholders, including within the context of sustainable development, and monitors their implementation.

The Supervisory Board provides the Managing Board with guidelines in the establishment of a risk management system, including the internal control and audit systems, the financial-information system and controls their operations.

The Supervisory Board monitors for adherence with the effective laws and regulations, stipulated in the entity’s statutes and other internal acts, and periodically assesses the Managing Board’s activity. The Supervisory Board treats all shareholders and stakeholders equally, and it acts loyally to protect their interest, with the care of a good trader.

The Supervisory Board appoints and dismisses the members of the Managing Board in compliance with the statutory requirements, the entity’s statutes, the principles of continuity and sustainability of the work of Managing Board, and the principles of good corporate governance.

The number of members of the Supervisory Board, including the independent members, is specified in the Articles of Incorporation of the entity, and the distribution of their duties and tasks is regulated by the internal organisational acts. Independent members are not restricted in turn of consecutive mandates – i.e., they can have unlimited number of mandates. Nonetheless, the principles of loyalty and independence are respected in all proposals for member’s election.

The members of the Supervisory Board meet the criteria of knowledge and experience, requisite for the position that each of them holds, including the requirement of financial competence.

The entity’s Articles of Incorporation do not specify the number of entities in which the members of the Supervisory Board may hold managerial positions as it is considered inappropriate to limit the rights of the persons concerned. The entity relies on the conscientious and responsible behaviour of the Supervisory Board; behaviour that is consistent with the principles of loyalty and professional ethics.

The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders, and the principles for its compilation are defined in the Remuneration Policy for the remuneration of the MB and the SB, designed by the SB and adopted by the GMS. The remuneration of the members of the Supervisory Board is in line with their activities, obligations and duties. Information on the remuneration of the Supervisory Board is disclosed in the annual financial statements of the entity.

The Corporate Management of “Trace Group Hold” PLC avoids and prevents actual or potential conflict of interest. The entity does not have a specifically designed procedure to avoid conflict of interest in transactions with related parties and disclosure of information in the event of such. Nevertheless, the Supervisory Board monitors the conclusion of all significant transactions by voting and approving such. The procedures to avoid and disclose any conflict of interest are regulated by the Entity’s Articles of Incorporation.

The members of the Corporate Management disclose any conflict of interest immediately upon the occurrence of such and ensure shareholders with access to information on transactions between them and the entity, or affiliated with it parties by presenting a Statement under Art. 114 b of POSA.

Committees

An Audit Committee is operating within the entity. In compliance with the statutory requirements and based on the criteria provided therein, the Managing Board, pursuant to the approval of the Supervisory Board, proposes to the General Meeting of Shareholders to elect an Audit Committee in a composition that meets the legal requirements and the entity specific needs.

The structure, the scope of engagements, the operation and the reporting procedures of the Audit Committee are described in detail in the Audit Committee Statute.

Audit and internal control

The Audit Committee supports the Corporate Management. The Audit Committee motivates its proposal for the election of an independent auditor, in writing and before the General Meeting of Shareholders, and it is guided by the established requirements on professional behaviour. Corporate Management, with the assistance of the Audit Committee, ensure compliance with the applicable laws on independent financial audit. The rotation principle applies in the appointment of external auditors. A new auditor was appointed to audit the financial statements of the entity in 2021.

The Audit Committee ensures control of the internal audit activities and monitors the overall relationship with the external (independent) auditors, including the nature of non-audit services rendered by the auditor to the entity.

An internal control system that ensures the effective operation of the reporting and information disclosure systems is implemented within “Trace Group Hold” PLC. The internal control system is designed and operates to also identify the risks, inherent to the Entity’s activity, and assists in their efficient management. A description of the key characteristic of the internal control and risk management systems is disclosed under “IV – Description of the key characteristic of the internal control and risk management systems of “Trace Group Hold” PLC, related to the financial reporting process”, part of this Statement on Corporate Governance.

Protection of shareholders’ rights

Corporate Management ensures equal treatment of all shareholders, including of minority and foreign shareholders, by protecting their rights. Corporate Management facilitates the exercise of shareholders’ rights within the limits, permitted by the enacting laws and in accordance with the provisions of the entity’s statutes. The invitation for the general meeting contains information, requisite under the Commercial Act and POSA, as well as additional information on the exercising of the right to vote and the ability to add additional items on the Agenda under Art. 223 a of the CA.

All shareholders are informed about their rights and the rules for convening and holding general meetings through information, published on the entity’s website, the published Articles of Incorporation of the entity and the invitation to each separate General Meeting of Shareholders.

Corporate Management provides sufficient and timely information on matters that shall be considered and voted at the General Meeting.

The invitation and materials for the General Meeting of Shareholders are disclosed to the public, the Financial Market and Regulated Securities Market Commission via the “X3 News” and the website of “Trace Group Hold” PLC.

Corporate Management and the elected Chairman of the General Meeting of Shareholders ensure all shareholders with the right to express their opinion and ask questions during the Meeting.

Shareholders, entitled to vote, have the option to exercise their voting right at the General Meeting in person or by proxies. A template of a Power of Attorney and the Rules for voting by proxy are disclosed as part of the material for the General Meeting of Shareholders.

The Managing Board has prepared and adopted rules for the organisation and conduct of the regular and extraordinary General Meeting of Shareholders that ensure equal treatment of all shareholders and the right of each individual shareholder to express his / her opinion on the items on the Agenda. The procedures and order of holding a General Meeting are organised in a way that does not make the voting complicated or unnecessarily expensive.

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

The texts in the materials of the General Meetings are specific and clear, and do not mislead shareholders. All proposals for major corporate events are presented as separate items on the Agenda of the General Meeting, including proposals for profit distribution.

By publishing the Protocol of the General Meeting of Shareholders on the “X3 News” and the entity’s website, the Corporate Management ensures the right of shareholders to be informed about the decisions, taken at the General Meeting of Shareholders.

In accordance with the Articles of Incorporation and the internal acts of the entity, all shareholders of one class are treated equally and all shares within one class entitle shareholders of that same class with equal rights.

Corporate Management does not prevent shareholders, including institutional shareholders, from consulting each other on matters that relate to their fundamental shareholders’ rights, given that such actions do not tolerate any abusive practise.

Corporate Management does not allow transactions with shareholders with controlling rights that violate the rights and / or legitimate interest of the other shareholders, including under the terms of negotiation with oneself.

Disclosure of financial and non-financial information

“Trace Group Hold” PLC has an established policy on, and system to, disclose information in compliance with the statutory requirements and the entity’s statutes. It ensures equality of information to the addresses and prevents misuse of internal information. The information disclosure system ensures complete, timely, accurate and comprehensible information that allows for objective and informed decisions and assessments. The entity has implemented internal rules for the preparation of the annual and interim financial statements, and a procedure to disclose information. Information is being disclosed via the “X3 News” system that provides users with equal and timely access to the respective relevant information. Such information is also (simultaneously) published on the entity’s website, in the same format as the one published via the “X3 News” system.

The entity maintains a website, containing information on the entity, the management bodies, the structure and entities within the “Trace” group. The “Shareholders” Section contains the internal administrative acts, information about the rights of shareholders, materials for the upcoming General Meetings of Shareholders and information regarding decisions, taken by the GMS, the financial statements for the last 10 years. The “News” Section provides information on events, contracts that are to be executed, as well as any information, related to the entity’s activity, that is important.

The entity publishes annual corporate calendars that indicate the specific dates for disclosure of regulated information, as well as disclosures, relating to the convening and holding of General Meeting of Shareholders.

The entity promptly discloses the capital structure and agreements that lead to exercising control according to its disclosure rules. Such information is disclosed in compliance with POSA and its implementing acts, as well as the applicable European regulations.

By controlling the implementation of the disclosure policy, the Corporate Management ensures that the rules and procedures, according to which corporate control is being acquired and extraordinary transactions, such as mergers and sales of significant portion of the assets, are conducted, are clearly and timely disclosed.

Some entities are obliged to publish non-financial information separately, or as part of annual Management Reports, in compliance with the requirements of Directive 2014/95/EU of the European Parliament on the presentation of non-financial information and the provisions of the Accountancy Act. This requirement is imposed on large enterprises of public interest (public companies, credit institutions and financial institutions, and others), which at financial year-end (31 December) exceed the criterion of 500 people, employed on average within the entity in the respective financial reporting period (average number of employees criteria). Entities with net sales revenues of BGN 76 million or more, or with book value of assets of BGN 38 million or more, are defined as large enterprises. “Trace Group Hold” PLC, as an entity that employs less than 500 people, does not disclose non-financial information in its annual Management Report.

The non-financial information, disclosed by the entity, refers to circumstances and events, related to the progress of the contracts, changes in the business environment, social corporate activities and others.

In 2021, the entity disclosed regulated information within the deadlines and in accordance with the procedure provided for in POSA and its implementing acts. Non-financial information is disclosed (in the statutory manner) as unregulated information and through the website of the “Trace for People” Foundation – the conduit of the entity’s corporate policy.

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

Interested parties. Sustainable development

The Corporate Management of “Trace Group Hold” PLC strives to comply with the established social and ecological principles for achieving sustainable development. While the entity has not developed an independent sustainable development policy, the activity complies with the statutory requirements for environmental protection and human rights. The internal acts, rules and regulations are subject to the generally acceptable sustainable development principles.

All parties who are interested in the economic prosperity of “Trace Group HOLD” PLC – shareholders, potential investors, workers and employees, clients, suppliers, assignors / contracting authorities – ministries, municipalities, agencies, financial institutions, public organisations, users and the public as a whole, are identified by the entity as interested parties (stakeholders).

Corporate management ensures respect of the interest parties’ rights, established by the laws or by virtue of mutual agreements with the entity, and applies the principles of transparency, accountability and business ethics and protection of human rights in its interaction with such.

Information is exchanged with stakeholders during meetings, in conversations and via the information disclosure channels that the entity uses. The interests of stakeholders are considered based on officially obtained information in the form of letters, opinions, references and others.

Environmental protection

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

The Management of “Trace Group Hold” PLC puts efforts to reduce the entity’s environmental impact by:

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

Paper use, consumables for printers and copy machines, and electricity consumption is reduced by the implementation of ERP system for process management and digitalisation. Information is mainly exchanged electronically. Rules for separate waste collection have been established.

Cars undergo technical inspections on an annual basis and their systems for reducing harmful emissions and gas are being monitored.

“Trace Group Hold” PLC maintains an Integrated Quality Management system in accordance with the requirements of international standards ISO 9001:2015, ISO 14001:2015, ISO 45001:2018 and ISO 39001.

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

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

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

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

Providing a safe and comfortable working environment for employees, care for the health of the entity’s personnel

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

As a result of the continued spread of COVID-19 and in light of the measures, taken by the Government to protect the lives and health of people, and their families, the work process was promptly (re-)organised. Rules for working in state of emergency situations were developed, activities were gradually transitioned to remote work, conditions for compliance with the anti-epidemic measure for both employees and outsiders were implemented.

Salaries and social security contributions are paid regularly and without any delays. Food vouchers are provided to all employees twice a year. Employees undergo preventative medical examinations on an annual basis.

Social activities

The entity engages in social activities in the fields of culture and sports through the “Trace for People” Foundation. In 2021, the Foundation supported the following events:

Construction of a monument to the brothers, educators and first teachers Sv. Sv. Kiril and Metodiy (trans. St. St. Cyril and Methodius), Tsaribrod, Serbia. In 2018, the Corporate Management of “Trace” committed to building a monument to the holy brothers in Tsaribrod. The famous Bulgarian sculptors Prof. Valentin Starchev and Kamen Starchev, were involved in the construction of the sculpture. The 230 cm bronze figure was cast in the foundry of the sculptor Marin Markov, and the granite piece was made by the entity “Bedrock”. Trace was also involved in the layout of the area around the monument.

Trace organised a fundraising campaign, aiming to involve also other entities and organisations in the initiative. The monument was officially unveiled by the Presidents of the Republic of Bulgaria and the Republic of Serbia on 23.05.2021. The monument is located in the yard of the “Sv. Sv. Kiril I Metodiy” high school – a message to future generations to know, to remember, to preserve what is valuable and eternal, what brings together and unites the nations, allowing to create and build new, beautiful spaces and worlds.

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

The book is dedicated to the occasion of 130th anniversary of the birth of Eng. Ivan Ivanov. Author of the book is Stanislav Kolev – a journalist and publicist.

With the book “Kmetat na Sofia – Eng. Ivan Ivanov” (transl. “The Mayor of Sofia – Eng. Ivan Ivanov”), “Trace” pays tribute to the original mind and pure spirit of Eng. Ivanov, whose traces time has not erased to this day, but our memory has unfairly blacked-out. The book is a documentary portrait of Eng. Ivanov; the most comprehensive study of his life and work in the Bulgarian documentary. New and unknown facts from his biography are presented. The plot examines in detail the ten year period in which Eng. Ivan Ivanov was mayor of Sofia. He created the very first Municipal Bank and Hospital, the first “ER”, the first kindergartens. The new (back then) “Bulgaria” hotel was being build, the Rectorate and University Library, the BNB’s headquarters, the Judicial Chamber, the Ministry of Interior, the first public transport trolleybus and bus lines, the first summer bath of Sofia “Maria Louiza” and many others were under construction during his mandate. The new (for the time) urban plan of Sofia, prepared by Prof. Adolf Musman, was developed and adopted at his suggestion. He also came up with the idea to erect a monument to Patriarch Evtimiy in the city. The great merit of Eng. Ivanov is the re-purchase of the concession for electricity in Sofia from the Belgian company, which received from it in 1898, and its return to the Sofia Municipality. Under his mandate, Sofia was one of the cleanest and friendliest European capitals. Eng. Ivan Ivanov is also “responsible” for the “Rila” water supply system and the “Iskar” cascade, through which water is provided to the millions of people residing in the Sofia region.

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

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

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

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

IV. Description of the key characteristics of the internal control and risk management systems, related to the financial reporting process

“Trace Group Hold” PLC has an internal control system that ensures the effective functioning of the reporting and disclosure systems. The internal control system is being designed and operates to also identify the risks, inherent in the Entity’s activity and to support their effective management. The Managing Board bears the principal responsibility and role in establishing the internal control and risk management system. It performs both management and guidance functions, and current monitoring. The Supervisory Board exercises control over the implementation of the decisions taken.

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

“Trace Group Hold” PLC has adopted and applies rules, regulating the effective operation of the reporting and disclosure systems of the entity. The rules describe the different types of information, created and disclosed by the entity, the internal document flow process, the different levels of access to the types of information of the responsible persons and the deadlines for processing and managing information flows.

The entity’s Management strives to increase efficiency in risk management by introducing a risk management system, conforming to the best international practices. The risk management system defines the authorities and responsibilities of the structural units in the entity, the organisation and order for interaction in risk management, analysis and assessment of risk related information, and periodic risk management reporting. Risk management is performed by the Heads of Directorates and Heads of Divisions. The established risk management system ensures the effective implementation of internal control in the preparation and processing of all corporate documents, including the financial statements and other regulated information that the Entity is required to disclose under the statutory regulations.

A unified integrated resource planning and management software system has been implemented in order to ensure stable grounds for making informed decisions and analysis. The ERP system covers the main activities in the structure, all departments and units, as well as the processes that are performed thereto.

The risk management policy is implemented in an integrated manner and in accordance with all other policies and principles, regulated in the internal acts of “Trace Group Hold” PLC. A description of the main types of risks, inherent in the activity of “Trace Group Hold” PLC, is disclosed in the annual and interim management reports.

V. Information pursuant to Art. 10, paragraph 1, items (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the European Council, dated 21 April 2004, on takeover bids, in accordance with the provisions of Art. 100 n, paragraph 8, item (4) of POSA

The shareholders, who own 5% or more of the capital as at 31.12.2021, are:

Nikolay Ganchev Mihaylov – 62,26% and

“Galini – N” EOOD – 9,00%

“Trace Group Hold” PLC does not have shares, providing special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines to exercise voting rights or systems by which, through cooperation with the entity, the financial rights granted to securities, are separated from the ownership of the securities with regards to the shares issued by “Trace Group Hold” PLC.

The rules for the election of members of the Supervisory Board of “Trace Group Hold” PLC are regulated in the Entity’s Articles of Incorporation. In accordance with Art. 15, paragraph 1 of the Articles of Incorporation of “Trace Group Hold” PLC, members are elected by the General Meeting of Shareholders. The requirements for those, proposed as members, are disclosed under Art. 15, paragraph 2 – 6.

In accordance with Art. 17, paragraph 1, the members of the Managing Board are elected by the Supervisory Board. The requirements for those people are also disclosed under the same Article.

The authorities of the members of the Supervisory and Managing Boards of “Trace Group Hold” PLC are specified under Art. 15, paragraph 8, Art. 16, Art. 17 and Art. 18 of the entity’s Articles of Incorporation. In accordance with the provisions of Art. 187 b of the CA and Art. 111 of POSA, the rights to issue or redeem shares fall within the competence of the General Meeting of Shareholders.

Pursuant to Art. 5, paragraph 4 of the Articles of Incorporation, the entity may also issue preference shares, with the exception of those granting the right to more than one vote or additional dividends, or the right to an additional liquidation share.

VI. Information pursuant to Art. 100 n, paragraph 8, item 5 of POSA – Composition and operation of the administrative, managing and supervisory bodies, and their committees

“Trace Group Hold” PLC is managed under a two-tier management system, by a Managing Board, comprised of:

Desislava Ivanova Lyubenova

Boyan Stoyanov Delchev

Rositsa Yordanova Dineva – Georgieva

The Managing Board adopts a work manual (Rules of Operation) and elects one of its members to act as Chairman, and another as Deputy Chairman. The MB convenes regular meetings, at least once every three months, to discuss the entity’s position and future development. Any member of the Board may request the Chairman to convene a meeting to discuss other matters.

The Managing Board takes decisions given that at least half of its members are present, or are represented by another Board member. A present member cannot represent more than one absent member. Decisions are taken

by simple majority. Minutes of the meetings of the Managing Board are kept and such are signed by all members present.

The Managing Board may take decisions in absentia through a protocol, signed by all its members.

The Managing Board of “Trace Group Hold” PLC coordinates its actions with the Supervisory Board when such are associated with the Entity’s business plan, the transactions of substantial nature, as well as other activities, stipulated in its statutes.

The Managing Board’s activity is controlled by the Supervisory Board, which is consisting of:

Nikolay Ganchev Mihaylov

Manol Peychev Denev

Mariela Ivanova Rounteva

The Supervisory Board adopts a work manual (Rules of Operation) and elects one of its members to act as Chairman, and another as Deputy Chairman. The SB convenes regular meetings, at least once every three months, to discuss the entity’s development strategy. Any member of the Board may request the Chairman to convene a meeting to discuss other matters.

The Supervisory Board takes decisions given that at least half of its members are present, or are represented by another Board member. A present member cannot represent more than one absent member. Decisions are taken by simple majority. Minutes of the meetings of the Supervisory Board are kept and such are signed by all members present.

The Supervisory Board may take decisions in absentia through a protocol, signed by all its members.

Committees

An Audit Committee, elected in accordance with the statutory requirements, operates within the Entity. The Audit Committee consists of three people and assists the managing bodies in the execution of their control functions and the risk identification system.

The structure, engagements and work organisation of the Audit Committee are regulated in the Rules of Procedure of the Audit Committee, which are approved by the GMS.

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

VII. Information pursuant to Art. 100 n, paragraph 8, item 6 of POSA – description of the diversity policy, applied to the administrative, managing and supervisory bodies of “Trace Group Hold” PLC with regards to age, gender or education and professional experience, the objectives of this policy, the means of its implementation and the results during the current financial reporting period; when such a policy is not mandatory – the statement shall contain an explanation on the reasons behind this.

The entity does not apply an age, gender or education and professional experience diversity policy with regards to the managing and supervisory bodies of the entity.

The election of Corporate Management’ members is subject to the statutory requirements and is consistent with the entity’s business strategy.

When nominating candidates for members of the Managing and Supervisory Boards, a balanced policy is applied, based on the candidates personal and professional qualities and free on any discrimination. Education and qualifications that correspond to the nature of the entity's work, its long-term objectives and business plan are key criteria. The entity does not discriminate against members of the Corporate Management on the basis of age or gender.

The composition of the managing bodies is consistent with the specifics and the scope of the entity's activity, and ensure a high level of general expertise.

The members of the Supervisory and Managing Boards of "Trace Group Hold" PLC have extensive professional experience, obtained during previously held positions and implemented projects in accordance with their personal competencies, whereby they have proved their high level management skills, high professional and moral qualities. They have professional skills, acquired through education, training and qualifications.

The Managing Board is comprised of persons, each with different higher education and skills – economic, financial and engineering. Each of those has additional qualification in the field of business management.

31-03-2022

Executive Director:

Eng. Boyan Delchev

Digitally Sign by Boyan Stoyanov Delchev

Date: 2022.03.31 20:03:00 +03'00'

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Statement on Corporate Governance in accordance with Art. 100 n, paragraph 8, in conjunction with paragraph 7, item 1 of POSA*, from Bulgarian to English language, consisting of 12 (twelve) pages, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator:

**REPORT
OF THE MANAGING BOARD
OF TRACE GROUP HOLD PLC
ON THE IMPLEMENTATION OF THE REMUNERATION
POLICY FOR THE REMUNERATION OF THE MEMBERS OF
THE MANAGING BOARD AND THE SUPERVISORY BOARD OF
THE ENTITY, IN 2021**

This report has been prepared by the Managing Board of Trace Group Hold PLC, in accordance with the provisions of Art. 12, paragraph 1 of ORDINANCE № 48 of the FSC, dated 20 March 2013, on the requirements to remuneration. The report contains a review of how the remuneration policy has been implemented in 2021, as well as information on the implementation of the remuneration policy over the next financial reporting year 2022.

1. Information on the decision making process in determining the remuneration policy, including, if applicable, information on the mandate and composition of the remuneration committee, the names of the external consultants, whose services have been used in determining the remuneration policy

The remuneration policy for the members of the SB and the MB of “TRACE GROUP HOLD” PLC, as well as any amendments and supplements therein, is developed by the Supervisory Board of the entity and is approved by the General Meeting of Shareholders.

The currently effective Policy has been developed by the Supervisory Board of the entity and was adopted at the General Meeting of Shareholders, at an extraordinary meeting held on 06.11.2020 and was amended by the ordinary General Meeting of Shareholders, held on 30.06.2021.

All regulatory requirements, as well as the recommendations of the National Corporate Governance Code, have been taken into consideration when developing the Remuneration policy for the members of the SB and the MB of TRACE GROUP HOLD PLC.

No remuneration committee is established within the entity, in accordance with the currently enacting remuneration policy for the members of the SB and the MB of TRACE GROUP HOLD PLC.

The remuneration policy for the members of the SB and the MB of TRACE GROUP HOLD PLC aims at identifying objective criteria for determining the remunerations of the entity’s corporate management, in order to attract and retain qualified and loyal members of the Boards, and to motivate them to work in the interest of the entity and of the shareholders, avoiding potential and actual conflicts of interest.

During the financial reporting year, TRACE GROUP HOLD PLC has applied the “Remuneration policy for the remunerations of the members of the SB and MB” in compliance with the statutory requirements for public companies, the decisions of the GMS, the objectives, long-term interests and future development strategy of the entity, as well as its financial and economic position in the context of the national and the European economic reality, taking into account the recommendations of the National Code of Corporate Governance.

2. Information on the relative weight of the variable and fixed remuneration of the members of the Managing and Supervisory Bodies

Fixed remuneration refers to the fixed monthly remuneration that is determined in consideration of the economic conditions and management trends, the skills and professional experience and competences of each member of the Managing Body, the market salary levels, the basic salaries in entities with similar activity and of similar size, located in Bulgaria, and such engaging in international activities.

During the financial reporting year, the entity has paid to the members of the SB and the MB fixed remuneration, the specific amount of which has been approved by the General Meeting of Shareholders.

The Members of the SB and MB of the entity are entitled to variable remuneration, determined according to each Member’s obligations and personal contribution in the activity and the results, achieved by the entity.

Variable remuneration aims to stimulate the achievement of the entity’s annual financial and economic goals, and ensures focus on the key financial indicators and the implementation of the entity’s Business Programme. Variable remuneration is defined by a decision of the GMS, pursuant to the SB’s

proposal, and is paid to the members of the SB and MB given that the entity realises gross profit. The total variable remuneration of all members of the MB and the SB, can be up to 15% (fifteen percent) of the gross profit for the year for which it refers.

The ratio of the fixed to variable remuneration, paid for 2021, is 38,65/61,35. Variable remuneration for 2021 is defined on the basis of the 2020 indicators, and represents 6,60% of the gross profit for 2020.

3. Information on the performance criteria (criteria for achieved results), based on which options on shares, shares of the entity or other types of variable remuneration are granted, and an explanation of how the criteria under Art. 14, paragraph 2 and 3 of Ordinance 48 contributes to the long-term interest of the entity

The entity does not envisage payment of any variable remuneration, in the form of shares, to the members of the Managing and Supervisory Bodies.

4. Clarification of the applied methods, used to assess whether the performance criteria have been met

The assessment methods on whether the performance criteria have been met, include: Review and audit of the separate financial statements, performed by a registered auditor; Review and discussion of the audit findings; Discharge of the members of the MB and SB under Art. 240, paragraph 3 of the Commercial Act; Amount of net profit for the prior financial reporting year; Significant contribution of a member of the MB, or the SB, in the design and implementation of the management strategies and business plans of the parent and its subsidiaries in Bulgaria and abroad; Significant contribution in the organisation, management and execution of the production and construction activities, implemented by the public company and its subsidiaries; Exceptional contribution in the achievement of additional (over and above) financial results in the implementation of a given project.

5. Clarification on the interrelation of remuneration and the results achieved

Variable remuneration is determined given that net profit has been realised in the prior financial reporting year. Furthermore, the cumulative fulfilment of several of the following conditions is accounted for: significant contribution in the achievement of additional (over and above) financial results in the implementation of a specific project; significant contribution in the organisation, management and execution of the production and construction activities, implemented by the public company and its subsidiaries; significant contribution in the implementation of the business plans of the parent and its subsidiaries in Bulgaria and abroad. The more aforementioned conditions are met, the greater the amount of the respective variable remuneration shall be, the latter subject to the limitations of the in-force policy.

The financial indicators for 2020 reveal the following changes, compared to the same in the prior financial reporting year:

	<u>Indicators</u>	<u>2020</u>	<u>2019</u>	<u>Change</u>
1	Gross profit	19 779	15 726	26%
2	Net profit	16 521	14 365	15%
3	Current ratio	1.83	1.67	10%
4	Net profit margin	0.14	0.09	50%
5	Total assets	224 809	193 742	16%

6. Principal payments and substantiation of the annual bonus scheme and / or of all other additional non-cash remuneration

The variable remuneration, paid to the members of the Supervisory Board, amounts to BGN 720 thousand and represents 3,64% of the gross financial result for the financial reporting 2020.

The variable remuneration, paid to the members of the Managing Board, amounts to BGN 585 thousand and represents 2,96% of the gross financial result for the financial reporting 2020.

7. Description of the key characteristics of the supplementary voluntary pension insurance scheme and information on the contributions, paid by and / or due from the entity in respect of the members of the SB and the MB for the respective financial reporting year, when applicable

The entity has no commitments for supplementary voluntary pension insurance of the members of the SB and the MB, and the entity has no obligation to contribute instalments on behalf of the directors for the financial reporting year.

8. Information on the periods of deferral of variable remuneration payments

In accordance with the enacting Policy, the payment of 40% (forty percent) of the defined variable remuneration is deferred for a period of three years, with the deferred amount being paid by the entity proportionally, for each year, according to the terms and conditions determined by the GMS. The entity has the right to adjust the amount according to the actual results achieved. In such a case, the entity needs to timely notify the respective person concerned of its substantiated decision. Deferred variable remuneration may be refundable or may not be paid in the following cases:

- When the entity, for which the supplementary remuneration has been defined, suffers economic damages as a result of activities that fall within the competences of the respective person (i.e., due to reasons for which he / she is responsible);
- Upon a decrease of more than 50% (fifty percent) of the entity's profit before tax in two consecutive reporting years;
- Upon termination of the legal relations with the entity and engaging in activities, of any form, with a competitor within the period for which the remuneration has been deferred.
- In the event of hidden, and subsequently revealed, adverse amendments in the financial statements for the reporting period for which the remuneration refers (was paid), and for which adverse amendments the respective member is responsible.

9. Information on the termination benefits policy

In accordance with the requirement of Art. 16, paragraph 2 of Ordinance 48 and Section IV of the effective Remuneration policy for the members of the SB and the MB of TRACE GROUP HOLD PLC, the following terms and compensations have been stipulated upon termination of a contract, concluded with a member of the MB or the SB:

- The entity shall not owe any compensation upon termination of a contract, concluded with a member of the SB or the MB of Trace Group Hold PLC, when such a contract is terminated due to the expiration and non-renewal of the mandate, for which the member had been elected.

- No compensation is due in the event of an early termination of a contract, concluded with a member of the SB or the MB of Trace Group Hold PLC, when such a contract is terminated due to non-observance of the clause, prohibiting competitive activities
- No compensation is due in the event of an early termination of a contract, concluded with a member of the SB or the MB, when such a contract is terminated on the grounds of unsatisfactory results and / or culpable behaviour of the member of the Managing Board or the Supervisory Board, respectively.
- Compensation may be paid to the member of the MB, who is authorised to represent the entity, if the concluded with him / her contract terminated without cause. Such a compensation may be paid pursuant to a decision of the SB for the period, restricting engagement in any competitive activities for the respective number of years, and may sum up to 1/3 of his / her fixed annual remuneration. Such a compensation is paid insofar as all criteria for defining and paying variable remuneration have been met in the last reporting period.

10. Information on the non-transferability period of shares and of the periods in which stock options cannot be exercised for variable share-based remuneration

Not applicable

11. Information on the policy to retain a certain number of shares until the end of the mandate of the members of the Managing and Control Bodies and after the expiration of the period under item (10)

Not applicable

12. Information on the contracts of the members of the Managing and Control Bodies, including the expiry date of each contract, the notice period and details on compensations and / or other payables in the event of early termination

The management contracts, signed with all members of the SB and the MB, have been concluded for 5 years, effective as of the date on which the respective members have been elected. Details of the stipulated compensations and / or other payments due in the event of early termination are presented under item 9 of this report.

Contracts are terminated as of the date on which the respective person is discharged from his / her position held as a member of the SB or the MB in the following cases, whereby the parties are not held responsible (have no fault):

1. Upon the Entity's restructuring or termination;
2. In case of the person's death or placement under guardianship, or respectively – in case of declaring the Entity insolvent;
3. Pursuant to a decision of the GMS of the Entity, made in the best interest of business, for which the entity cannot be held responsible (has no fault);
4. At the written request of the person, presented before the Entity, with a notice period of three months;
5. Upon the occurrence of a circumstance, which pursuant to a legal act constitutes a prohibition or restriction for the person to act under the respective function.

Contracts are terminated as of the date on which the respective person is discharged as a member of the Supervisory or the Managing Board for his / her fault in the following cases:

1. Upon the person's violation of the law in the course of, or related with, the fulfilment of obligations under the management contract;
2. Pursuant to that person's actions, or inactions, that have led in deterioration of the Entity's financial result, or because of which the Entity suffers damages, or have resulted in unsatisfactory results according to the approved business plans and strategies of the Entity;
3. Upon submission of incorrect information on the Entity's state, presented by the person before the General Meeting or to the Managing / Supervisory Board, or his / hers compile and approval of documents of biased content;
4. Upon a crime, committed by the person, with an effective sentence imposed for that crime;
5. Upon the failure to implement of the decisions of the Entity's shareholders.

The persons, elected as members of the SB or the MB, are obliged to submit a guarantee for their management in the amount of their quarterly gross remuneration within 7 (seven) calendar days as of the decision of the GMS to elect them as members of the Supervisory Board or the Managing Board.

13. The full amount of the remunerations and other financial incentives for the members of the SB and the MB for the respective financial year

The full amount of the remuneration received by /paid to/ the members of the Managing and Supervisory Boards of the entity in 2021 are as follows:

- Nikolay Mihaylov, Chairman of the SB – BGN 2 728 thousand gross (BGN 2 445 thousand net)
- Manol Denev, Member of the SB – BGN 111 thousand gross (BGN 75 thousand net)
- Mariela Rounteva, Member of the SB – BGN 41 thousand gross (BGN 32 thousand net)
- Desislava Lyubenova, Chairman of the MB – BGN 500 thousand gross (BGN 448 thousand net)
- Boyan Delchev, Member of the MB and Executive Director – BGN 483 thousand gross (BGN 465 thousand net)
- Rositsa Dineva – Georgieva – Member of the MB – BGN 100 thousand gross (BGN 75 thousand net)

No shares of “Trace Group Hold” PLC have been provided to the members of the SB and the MB as part of the supplementary remuneration in 2021.

14. Information on the remuneration of each individual who has been a member of the Managing or Control Body of a public company for a specific period of time within the respective financial year:

In 2021, remunerations were accrued in respect of the following individuals, who have been members of the SB and the MB of “Trace Group Hold” PLC:

1. Nikolay Mihaylov, Chairman of the SB – BGN 2 960 thousand, including fixed remuneration in the amount of BGN 360 thousand, variable remuneration in the amount of BGN 720 thousand and remuneration under labour contract(s) (labour relations) in the amount of BGN 1 880 thousand;

2. Manol Denev, Member of the SB – BGN 111 thousand, including fixed remuneration in the amount of BGN 41 thousand, remuneration under labour contract(s) (labour relations) in the amount of BGN 70 thousand
3. Mariela Rounteva, Member of the SB – fixed remuneration in the amount of BGN 41 thousand
4. Desislava Lyubenova, Chairman of the MB – BGN 565 thousand, including fixed remuneration in the amount of BGN 120 thousand, variable remuneration in the amount of BGN 200 thousand and remuneration under labour contract(s) (labour relations) in the amount of BGN 245 thousand;
5. Boyan Delchev, Member of the MB and Executive Director – BGN 607 thousand, including fixed remuneration in the amount of BGN 222 thousand and variable remuneration in the amount of BGN 385 thousand;
6. Rositsa Dineva – Georgieva – Member of the MB – BGN 100 thousand, including fixed remuneration in the amount of BGN 39 thousand, remuneration under labour contract(s) (labour relations) in the amount of BGN 61 thousand.

The amount of the SSI (State Social Insurance) expenses, accrued for the members of the SB and the MB, amounts to BGN 30 thousand in 2021.

TRACE GROUP HOLD PLC does not owe any amounts, due for pension instalments or retirement benefits, at 31.12.2021.

b) Remuneration and other financial and non-financial incentives, received by the persons in the entities in the (same) group

No remunerations from subsidiaries have been paid to the members of the Supervisory and Managing Boards in 2021.

c) Remuneration, received by the individual in the form of profit distributions and / or bonuses, and the grounds for granting such.

Information on the variable remuneration, accrued in 2021:

1. Nikolay Mihaylov, Chairman of the SB – variable remuneration in the amount of BGN 720 thousand, representing 3,64% of the gross financial result (profit) for 2020,
2. Desislava Lyubenova, Chairman of the MB – variable remuneration in the amount of BGN 200 thousand, representing 1,01% of the gross financial result (profit) for 2020,
3. Boyan Delchev, Member of the MB and Executive Director – variable remuneration in the amount of BGN 385 thousand, representing 1,95% of the gross financial result for (profit) 2020,

The total amount of deferred variable remuneration amounts to BGN 421 thousand /gross/.

d) All additional payments for services, rendered by the individual, which are different from his / her ordinary duties, when such payments are eligible under the concluded with him / her contract

Not applicable

e) Paid and / or accrued compensation upon termination of his / her duties over the last financial year

No compensations have been accrued on the grounds of terminating the functions and duties of members of the SB and the MB of TRACE GROUP HOLD PLC in 2021.

f) An overall assessment of all non-cash benefits obtained as remuneration, other than those referred to under points (a) to (e)

No member of the SB and the MB of TRACE GROUP HOLD PLC has received non-cash benefits as remuneration, other than those disclosed under points (a) to (e) in 2021.

g) Information on all loans granted, payments of social and welfare expenses, and guarantees, placed by the entity or its subsidiaries or other entities that are subject to consolidation in its annual financial statements, including details on the outstanding portion and interest

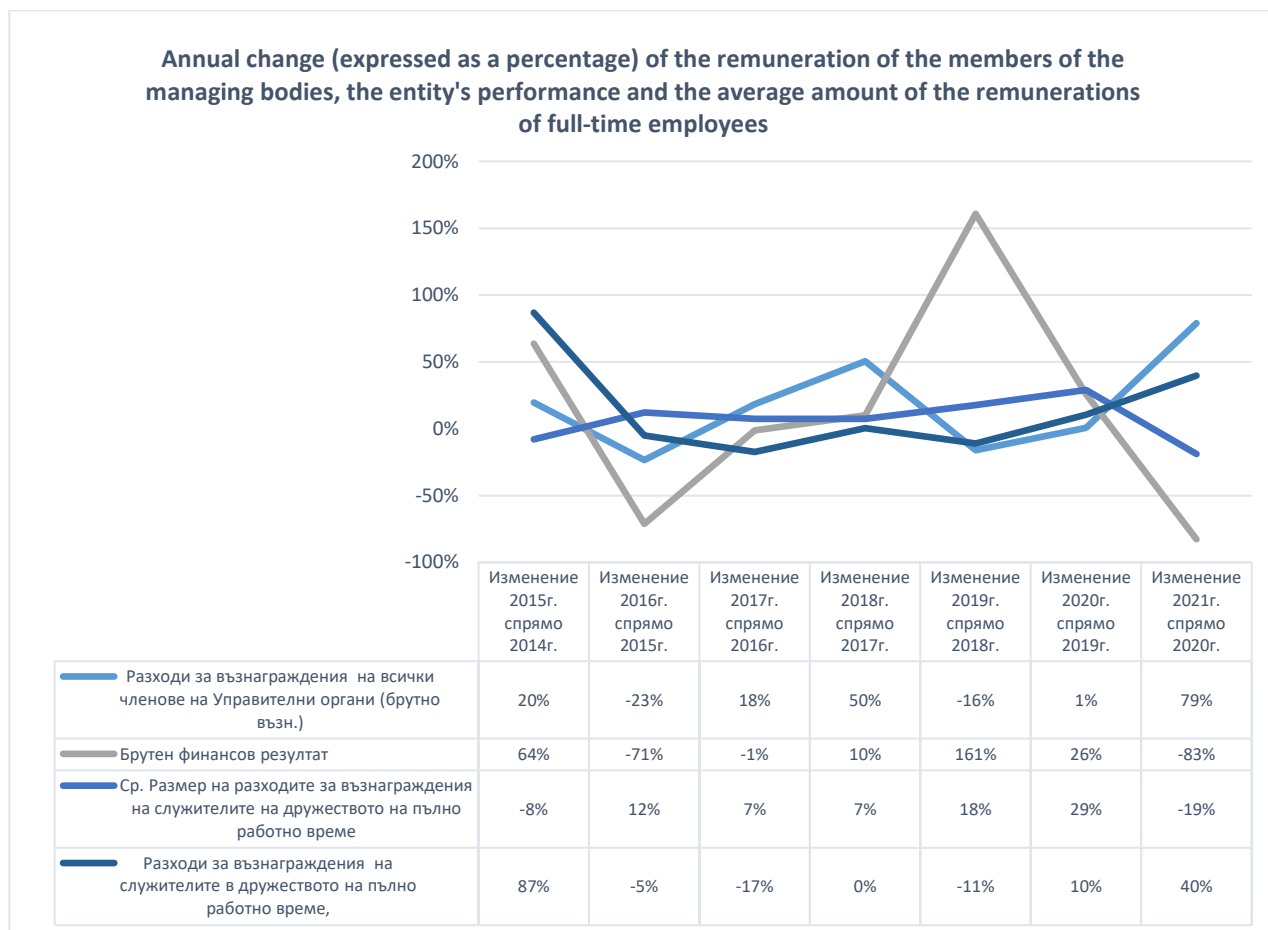
No member of the SB and the MB has received loans, payments of social and welfare expenses and guarantees by the entity or its subsidiaries, or other entities, subject to consolidation in its annual financial statements.

15. Information with regards to shares and / or share options and / or other share-based incentive schemes:

- a) The number of share options offered or shares granted by the entity during the respective financial reporting year and the conditions under which they were offered or granted;
- b) The number of options exercised over shares during the respective financial reporting year and for each of them – the number of shares and the price of the exercising the option or the value of the interest under the share-based incentive scheme at the end of the financial reporting year;
- c) The number of unexercised share options at the end of the financial reporting year, including information on their price and date on which they were exercised and significant conditions for exercising such the rights;
- d) Any changes to the terms and conditions of existing share options, adopted during the financial reporting year.

Not applicable

16. Annual change (increase / decrease) in remuneration, the entity’s performance and the average remuneration based on the remunerations of full-time employees, who are not appointed as directors in the entity, in the prior five financial reporting years or more, presented together in a way that allows comparison.



Indicators	Change in 2015 compared to 2014	Change in 2016 compared to 2015	Change in 2017 compared to 2016	Change in 2018 compared to 2017	Change in 2019 compared to 2018	Change in 2020 compared to 2019	Change in 2021 compared to 2020
Remuneration (expense, incurred) for all members of the Managing Bodies (gross remuneration)	20%	-23%	18%	50%	-16%	1%	79%
Gross financial result	64%	-71%	-1%	10%	161%	26%	-83%
Remuneration (expense, incurred) for the full-time employees, employed within the entity	87%	-5%	-17%	0%	-11%	10%	40%
Average amount of the remuneration expenses, incurred in respect of the full-time employees, employed within the entity	-8%	12%	7%	7%	18%	29%	-19%

17. Information on exercising the option to demand refund of the variable remuneration.

There have been no grounds for board member to exercise the option to demand refund of the variable remuneration in 2021.

18. Information on all cases of departure from the remuneration policy’s implementation procedure in connection with extraordinary circumstances, under Art. 11, paragraph 13,

including an explanation of the nature of the extraordinary circumstances and identifying the specific components not implemented (if the policy provides for extraordinary circumstances)

Not applicable

19. Information on the implementation of the remuneration policy for the members of the SB and the MB of TRACE GROUP HOLD PLC in the next financial reporting year

The Policy is adapted to the adopted management system and reflects the responsibilities and duties of the Managing and Supervisory Boards. The criteria for determining remuneration, defined in the Policy, comply with the statutory requirements and the good corporate governance principles. The Entity shall continue to follow the criteria and rules, set out in the current Policy, in 2022.

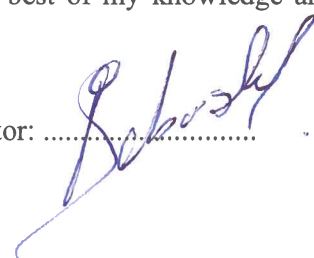
This report was approved by the entity's Managing Board on 31.03.2021.

Executive Director: Digitally Sign by Boyan Stoyanov Delchev

/Eng. Boyan Delchev/ Date: 2022.03.31 20:03:37 +03'00'

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Report on the implementation of the Remuneration Policy for remunerations of the members of the Managing Board and Supervisory Board of the entity, in 2021*, from Bulgarian to English language, consisting of 10 (ten) pages, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator:





**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS
OF "TRACE GROUP HOLD" PLC**

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements of "TRACE GROUP HOLD" PLC ("the Entity"), which comprise the separate statement of financial position as at 31 December 2021, the separate income statement and the separate statement of comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion the accompanying separate financial statements present fairly, in all material respects, the financial position of the Entity as at 31 December 2021, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (IAS). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report. We are independent of the Entity in accordance with the International Code of Ethics for Professional Accountants (IESBA Code) (including the International Independence Standards) of the International Ethics Standards Board, together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key audit matter	How this key audit matter was addressed in our audit
Revenue from contracts with customers – Revenue from construction contracts (BGN 64 773 thousand in 2021) Note I.2.22.1. and Note II.2.1.1. to the separate financial statements The Entity's revenue from contracts with customers comprise mainly revenue from construction contracts. Such amount to a total of BGN 64 773 thousand in 2021 and form 78% of the total revenue, realised by the Entity within the period. Assets that are controlled by the customers are created and / or enhanced in the implementation of construction contracts and the Entity identifies performance obligations satisfied over time, respectively. The Entity recognises the revenue that it expects to be entitled to in accordance with the satisfied performance obligations. The Entity recognises revenue from satisfied performance obligations under construction contracts, only if the Entity can reasonably measure the progress towards complete satisfaction of those performance obligations. Depending on the specific circumstances and the terms and conditions of the contracts, the Entity uses input methods and / or output methods to measure the progress towards complete satisfaction of performance obligations under construction contracts. Estimations of revenue from construction contracts involve significant uncertainty as it requires Management to make key judgements and subjective assumptions. Given the above-stated, we believe that the determination of revenue from construction contracts is a key audit matter.	• Our audit procedures in this field include, but are not limited to: • Assessment of whether the accounting policies, applied by the Entity in the recognition and measurement of revenue from construction contracts, are adequate and complete; • Evaluation of the methods used, their consistency and appropriateness given the specific type of contract, as well as the related input data and assumptions, by reviewing the available actual and forecast information, remeasurement and preparation of comparative analysis; • Comparison of the key assumptions, used in the estimation of revenue, with the terms of similar contracts, historical data and others; • Review selected data that have been used as a basis for assessment of progress towards complete satisfaction of performance obligations, including estimates and budgets, statements and reports, and direct assessment of transferred goods and services, in terms of their accuracy, reliability and completeness; • Review the adequacy and completeness of the disclosures to the separate financial statements of the Entity regarding the measurement of revenue from construction contracts, included under Note I.2.22.1. and Note II.2.1.1. to the separate financial statements.



Emphasis of matter paragraph

We draw attention to:

1. the disclosed under item II.6. "Events after the reporting period" of the Notes to the separate financial statements, regarding:

- the military conflict that has arisen between the Russian Federation and the Republic of Ukraine, in response to which various economic sanctions have been imposed on the Russian Federation and on related with it individuals and legal entities worldwide. According to the initial estimates of the Management, these events would not have a significant impact on the Entity currently, in so far as the Entity and the Group are not related and do not engage in transactions with individuals and legal entities, subject to the aforementioned sanctions. Nonetheless, due to the unpredictable dynamics of the circumstances and the potential pervasiveness of the conflict, it is currently practically impossible to make any reliable measurement and assessment of the potential long-term effect of the latter; and

- the announced on 04 January 2022 commencement of the next procedure to repurchase own shares of the capital of the Entity (treasury shares), under terms and conditions, defined by the General Meeting of Shareholders and beginning on 06 January 2022; as well as

2. the disclosed under item II.7. "Reclassifications" of the Notes to the separate financial statements regarding the reclassified cash that are not available to the Entity.

Our opinion is unmodified with regards to those matters.

Other matters

The separate financial statements of "TRACE GROUP HOLD" PLC for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those separate financial statements on 31 March 2021.

Information other than the separate financial statements and the auditor's report thereon

The Management is responsible for the additional information. The additional information, which we have obtained prior to the date of our auditor's report, comprises a separate management report, a statement on corporate governance and a report on the implementation of the remuneration policy, prepared by the Management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate financial statements and our auditor's report thereon.



Our opinion on the separate financial statements does not cover the additional information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

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

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

We have nothing to report in this regard.

Responsibilities of the Management and those charged with governance for the separate financial statements

The Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as the Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for monitoring the Entity's financial reporting process.

Auditor's responsibilities for the audit of the separate financial statements

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



As part of an audit in accordance with IAS, we exercise professional judgements and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misinterpretations, statements to mislead the auditor, or neglecting or overriding internal control.
- Obtain an understanding of internal control relevant to the audit, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other matters, we communicate with those charged with governance the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we have identified in the course of our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless any law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Report on other legal and regulatory requirements

Additional matters to be reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with IAS, described above in the “Information other than the separate financial statements and the auditor’s report thereon” section, we have also performed procedures with regards to the separate management report, the statement on corporate governance and the report on the implementation of the remuneration policy. Such procedures, in accordance with the “Guidelines on new and expanded auditor reporting and auditor communication” of the professional organisation of certified public accountants and registered auditors in Bulgaria – the Institute of Certified Public Accountants (ICPA)”, are additional to those required under IAS. These procedures refer to testing the existence, form and content of this additional information to assist us in forming an opinion on whether the additional information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100 (n), paragraph 10 of POSA in conjunction with Art. 100 (n), paragraph 8 (3) and (4) of POSA, and Art. 100 (n), paragraph 13 of POSA in conjunction with Art. 116 (c), paragraph 1 of POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the separate management report for the financial reporting year for which the separate financial statements have been prepared is consistent with those separate financial statements;
- b) The separate management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100 (n), paragraph 7 of the Public Offering of Securities Act;
- c) The statement on corporate governance for the financial reporting year for which the separate financial statements have been prepared provide the information, required in accordance with Chapter Seven of the Accountancy Act and Art. 100 (n), paragraph 8 of the Public Offering of Securities Act;
- d) The report on the implementation of the remuneration policy for the financial reporting year for which the separate financial statements have been prepared is presented and complies with the requirements, defined in the regulation under Art. 116 (c), paragraph 1 of the Public Offering of Securities Act.

Opinion in connection with Art. 100 (n), paragraph 10 in conjunction with Art. 100 (n), paragraph 8 (3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about the Entity’s activity and the environment in which it operates, the description of the main characteristics of the Entity’s internal control and risk management systems relevant to the financial reporting process, which is part of the separate management report (as a component of



the statement on corporate governance) and the information under Art. 10. paragraph 1 (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council, dated 21 April 2004, on Takeover Bids, do not contain, in our opinion, any material misrepresentations.

Additional reporting on the audit of the separate financial statements in connection with Art. 100 (n), paragraph 4 (3) of the Public Offering of Securities Act

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

Information on the related party transactions is disclosed under Note II.3.3 to the separate financial statements. Pursuant to the audit procedures on related party transactions, performed as part of our audit of the separate financial statements as a whole, no facts, circumstances or additional information have come to our attention based on which to conclude that the related party transactions are not disclosed in all material respects in the accompanying separate financial statements for the year ended 31 December 2021, in compliance 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 separate financial statements as a whole, and not for the purpose of expressing an opinion on related party transactions.

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

Our responsibilities for the audit of the separate financial statements as a whole, described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report include assessment of whether the separate financial statements present fairly the significant transactions and events. Pursuant to the performed audit procedures on the significant transactions, which are fundamental to the separate financial statements for the year ended 31 December 2021, no facts, circumstances or additional information have come to our attention based on which to conclude that there are cases 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 separate financial statements, were reviewed in the context of forming an opinion on the separate financial statements as a whole, and not for the purpose of expressing a separate opinion on these significant transactions.

Reporting on compliance of the electronic reporting format of the separate financial statements, included in the annual separate financial statements for the activities under Art. 100 (n), paragraph 4 of POSA, with the requirements of the ESEF Regulation

In addition to our responsibilities and reporting in compliance with IAS, described in the "Auditor's responsibilities for the audit of the separate financial statements" section hereabove, we have performed procedures in accordance with the "Guidelines on expressing an audit opinion



on the implementation of the European Single Electronic Format (ESEF) for the financial statements of entities, whose securities are admitted to trading on a regulated market in the European Union (EU)” of the professional organisation of certified public accountants and registered auditors in Bulgaria – the Institute of Certified Public Accountants (ICPA)”. These procedures require review of the separate financial statements’ format and verification whether the human-readable part of this electronic format corresponds to the audited separate financial statements, and require expressing an opinion regarding the conformity of the electronic reporting format of the separate financial statements of “TRACE GROUP HOLD” PLC for the year ended 31 December 2021, attached in the electronic file “TRACE GROUP HOLD Reporting package.zip”, with the requirements of the Commission’s Delegated Regulation (EU) 2019/815 of 17 December 2018, supplementing Directive 2004/109/EC of the European Parliament and of the Council by means of regulatory technical standards for the determination of the single electronic reporting format (“ESEF Regulation”). Based on these requirements, the electronic reporting format of the separate financial statements, included in the annual separate report on the activities under Art. 100n, paragraph 4 of POSA, must be presented in a XHTML format.

The Entity’s Management is responsible for complying with the requirements of the ESEF Regulation in preparing separate financial statements in a XHTML electronic reporting format.

Our opinion is limited only to the electronic reporting format of the separate financial statements, attached in the electronic file “TRACE GROUP HOLD Reporting package.zip” and does not cover the additional information, included in the annual separate financial statements for the activities under Art. 100n, paragraph 4 of POSA.

In our opinion and based on the procedures that we have performed, the electronic reporting format of the separate financial statements of the Entity for the year ended 31 December 2021 that are part of the attached electronic file “TRACE GROUP HOLD Reporting package.zip” have been prepared, in all material respects, in compliance with the ESEF Regulation requirements.

Reporting in accordance with Art. 10 of Regulation (EU) № 537/2014 with regards to the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act with regards to Art. 10 of Regulation (EU) № 537/2014, we further report the disclosed hereafter information.

- We are appointed as statutory auditor of the separate financial statements of “TRACE GROUP HOLD” PLC (“the Entity”) for the year ended 31 December 2021. We were appointed by the General Meeting of Shareholders, held on 30 June 2021, for a period of one year;
- The audit of the Entity’s separate financial statements for the year ended 31 December 2021 is the first complete, continuous, statutory audit engagement, which we have conducted for this entity.
- We hereby confirm that the audit opinion expressed is consistent with the additional report, submitted to the Audit Committee of the Entity in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.



- We confirm that other than the audit services rendered, we have not provided any prohibited services as stated under Art. 64 of the Independent Financial Audit Act;
- We hereby confirm that in conducting our audit we have remained independent from the Entity.
- In the period, subject to the conducted by us statutory audit, we have not rendered any services to the Entity, including such which are to be disclosed in the separate management report and / or the separate financial statements of the Entity, other than the performed audit.

Registered Auditor (CPA) Digitally Sign by Kalin Apostolov Apostolov

Kalin Apostolov Date: 2022.03.31 20:59:18 +03'00'

31 March 2022

Sofia

I, the undersigned Sunny Mileva – Paneva, sworn and accredited translator, hereby certify that this is a true and accurate translation of this original *Independent Auditor's Report on the separate financial statements of "Trace Group Hold" PLC for the year ended 31 December 2021*, from Bulgarian to English language, consisting of 9 (nine) pages, presented to the best of my knowledge and abilities.

Signature of the sworn and accredited translator: