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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of TRACE GROUP HOLD PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of TRACE GROUP HOLD PLC and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and consolidated income statement and other comprehensive income , consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)(IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue under construction contract 198 283 thousand BGN

See Note II 2.1.1 to the financial statements.

Key Audit Matter	*How this key audit matter was addressed in our audit*
Revenue under construction contract We identified the revenue under construction contract as a key audit matters, insofar as it is:	Our audit procedures related to the revenue under construction contracts comprise: • We evaluated the adequacy of the Company's accounting policy related

- Significant, they form 88.15 % of total income of the company;
- Sensitive to estimates

According to the company accounting policy, revenue under construction contracts was recognised to the stage of the incurred costs, proportionally to the stage of completion of the construction contract, based on the incurred cost method.

This policy suggest significant estimates:

- Estimation of physical progress under the respective construction contract
- The estimation of total costs on the contracts, including contingencies and claims.

to recognition of revenue under construction contracts as written in Note 2.22.1.4 art i

- We tested effectiveness of key management's controls, over the estimation of total costs of the construction contracts and project management
- We sighted, based on sampling, documents for certification of the incurred costs under construction contracts, reports of technical staff and management, reporting construction contracts' progress;
- We tested the correctness of input data used for calculation of percentage of progress and corresponding revenues recognised
- We reviewed the relevance, adequacy and completion of the Company's disclosures in Note 2.1.1 of the individual annual financial report concerning revenue under construction contracts.

Other Matters

The consolidated financial statement of TRACE GROUP HOLD Plc. For the year ending on 31st December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on June 2nd 2020.

This audit report is issued on a translation of the original Bulgarian annual consolidated financial statements of the Group. In event of any discrepancies between the original Bulgarian version of the consolidated financial statement and the above mentioned translation, the Bulgarian version shall prevail.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information, which we have obtained prior the date of our auditor's report, comprises the consolidated management report, including the consolidated corporate governance statement, the non-financial statement and the report on payments to governments prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 Company'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Financial Statements and Auditor's Report Thereon* section, in relation to the consolidated management report, the consolidated corporate governance statement, the non-financial statement and the report on payments to governments, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100n, paragraph 10 of the POSA in conjunction with Art. 100n, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the consolidated management report referring to the financial year for which the financial statements have been prepared is consistent with those consolidated financial statements.
b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(n), paragraph 7 of the Public Offering of Securities Act.
c) The consolidated corporate governance statement referring to the financial year for which the financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (n), paragraph 8 of the Public Offering of Securities Act.
d) The non-financial statement referring to the financial year for which the financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.
e) The report on payments to governments referring to the financial year for which the financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100(n), paragraph 10 in conjunction with Art. 100 n, paragraph 8(3) and (4) of the Public Offering of Securities Act

Based on the procedures performed and the knowledge and understanding obtained about entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) 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 of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

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

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

The information about related party transactions is disclosed in Note 3.2 to the consolidated financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the consolidated financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying consolidated financial statements for the year ended 31 December 2020, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the consolidated financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

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

Our responsibilities for the audit of the consolidated financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report include an evaluation as to whether the financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the financial statements for the year ended 31 December 2020, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRSs as adopted by the European Union. The results of our audit procedures on Company's transactions and events significant for the financial statements were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Teodora Tsvetanova was appointed as a statutory auditor of the consolidated financial statements of TRACE GROUP HOLD Plc. (the Company) for the year ended 31 December 2020 by the general meeting of shareholders held on 10th July 2020] for a period of one year.
- The audit of the consolidated financial statements of the Group for the year ended 31st December 2020 represents first total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Group's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Group.

Certified Public Accountant:

0771 Теодора Цветанова Регистриран одитор

Teodora Tsvetanova

29th April 2021
Sofia

Address:
Sofia
3, Buntovnik Str. Office 1a

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31.12.2020

The Consolidated Financial Statements for the year ended 31.12.2020, pages 1 to 117, have been approved by the Managing Board and have been signed on behalf of "Trace Group Hold" PLC on 28 April 2021 by:

Executive Director:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

CONSOLIDATED MANAGEMENT REPORT AND CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS FOR THE YEAR ENDED AS AT 31.12.2020

The Consolidated Management Report, pages 118 to 157, and the Consolidated Report on Payments to Governments, pages 184 to 185, have been approved by the Managing Board and have been signed on behalf of "Trace Group Hold" PLC on 28 April 2021 by:

Executive Director:
Eng. Boyan Delchev

TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION as at 31.12.2020

ASSETS	Note	31.12.2020 BGN'000	31.12.2019 BGN'000
Non-current assets			
Property, plant, machinery and equipment	1.1.	72 863	77 612
Investment property	1.2.	7 168	7 006
Non-current intangible asset	1.3.	1 442	1 606
Non-current financial assets	1.4.	10	19
Investments recognized under equity method	1.5.	410	25
Non-current trade receivables	1.6.	2 097	1 140
Other non-current receivables and assets	1.7.	1 284	248
Deferred tax assets	1.8.	4 150	3 536
Total non-current assets		89 424	91 192
Current assets			
Inventories	1.10.	10 022	8 774
Current trade receivables	1.11.	104 270	117 241
Other current receivables and assets	1.12.	9 360	4 392
Current financial assets	1.13.	702	1 492
Cash and cash equivalents	1.14.	40 467	32 960
Total current assets		164 821	164 859
Total assets		254 245	256 051

The accompanying notes on pages 7 to 117 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 1 to 116 were approved for issue by the Board of Directors and signed on 28 April 2021 by:

Represented by:
Eng. Boyan Delchev

TRACE
•ТРЕЙС ГРУП ХОЛД•АД 1

Compiler:
Boyan Hristov

Audited by:
Teodora Tsvetanova, CPA № 771
Date: 29th April 2021

0771 Теодора Цветанова
Регистриран одитор

EQUITY AND LIABILITIES	Note	31.12.2020 BGN'000	31.12.2019 BGN'000
Equity			
Share capital	1.15.1.	**24 179**	**24 184**
Registered capital		24 200	24 200
Shares redeemed		(21)	(16)
Share premium	1.15.2.	**21 739**	**21 739**
Translation reserve	1.15.3.	**(191)**	**(794)**
Reserves	1.15.4.	**74 426**	**55 888**
Financial result	1.15.5.	**11 991**	**18 210**
Accumulated profit / (loss)		(293)	(212)
Current year's profit / (loss)		12 284	18 422
Equity attributable to shareholders of the parent company		132 144	119 227
Non-controlling interests		(100)	132
Total equity		132 044	119 359
Non-current liabilities			
Non-current financial liabilities	1.17.	5 215	6 853
Non-current trade payables	1.18.	1 066	5 308
Non-current provisions	1.19.	11 843	1 196
Deferred tax liabilities	1.20.	926	1 110
Other non-current payables and liabilities	1.21.	2 290	906
Total non-current liabilities		21 340	15 373
Current liabilities			
Current financial liabilities	1.22.	2 345	3 087
Current trade payables	1.23.	81 904	97 491
Tax liabilities	1.24.	3 952	5 376
Employee benefits payables	1.25.	2 987	2 938
Current provisions	1.26.	8 347	9 430
Other current payables and liabilities	1.27.	1 326	2 997
Total current liabilities		100 861	121 319
Total equity and liabilities		254 245	256 051

The accompanying notes on pages 7 to 117 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 1 to 116 were approved for issue by the Board of Directors and signed on 28 April 2021 by:

Represented by:
Eng. Boyan Delchev

TRACE
ТРЕЙС ГРУП ХОЛДИНГ АД

Compiler:
Boyan Hristov

Audited by:
Teodora Tsvetanova, CPA № 771
Date: 29th April 2021

0771 Теодора Цветанова
Регистриран одитор

TRACE GROUP HOLD PLC

CONSOLIDATED INCOME STATEMENT for 2020

	Note	2020 BGN'000	2019 BGN'000
Income			
Revenue from contracts with customers	2.1.1.	**221 635**	**312 812**
Revenue from construction contracts		198 283	285 760
Revenue from finished products		14 808	17 078
Revenue from sales of goods		8 270	9 283
Revenue from sales of services		274	691
Other operating income/(losses), net	2.1.2.	**2 437**	**3 838**
Financial income	2.1.3.	**858**	**1 042**
Total Income		224 930	317 692
Expenses			
Expenses per economic items		**(201 358)**	**(285 051)**
Raw materials, materials and consumables	2.2.1.	(36 773)	(56 782)
Cost of external services	2.2.2.	(116 004)	(177 526)
Depreciation and amortisation costs	2.2.3.	(6 017)	(5 848)
Employee benefits	2.2.4.	(26 822)	(30 846)
Impairment of assets	2.2.5.	(456)	(2 026)
Other costs	2.2.6.	(15 286)	(12 023)
Allowances	2.2.7.	**(6 632)**	**(8 811)**
Net book value of assets disposed (excluding production)		(6 995)	(8 654)
Changes in inventories of finished goods and work in progress		363	(157)
Finance costs	2.2.8.	**(1 283)**	**(1 509)**
Total expenses, excluding tax expenses		(209 273)	(295 371)
Gain/(Loss) from associates companies	2.2.9.	**513**	**(733)**
Profit / (Loss) before income tax		16 170	21 588
Tax expense	2.2.10.	**(3 916)**	**(3 285)**
Current tax expense		(4 793)	(2 970)
Deferred tax changes		877	(315)
Profit / (Loss) from continuing operations		**12 254**	**18 303**
Profit / (Loss)		12 254	18 303
to shareholders of the parent company		**12 284**	**18 422**
to non-controlling interests		**(30)**	**(119)**

		2020 BGN	2019 BGN
Primary Net Earnings per Share		0,51	0,76
from continuing operations	1.15.5	0,51	0,76

The accompanying notes on pages 7 to 117 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audited by:
Teodora Tsvetanova, CPA № 771
Date: 29th April 2021

TRACE ТРЕЙС ГРУП ХОЛД АД

0771 Теодора Цветанова
Регистриран одитор

TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for 2020

	Note	2020 BGN'000	2019 BGN'000
Profit / (Loss)		12 254	18 303
Other comprehensive income	2.3.1.	537	(85)
Items that are not subject to subsequent reclassification in profit or loss, including:		*81*	*23*
Actuarial gains / (losses)		81	23
Items that are not subject to subsequent reclassification in profit or loss, including:		*456*	*(108)*
Gains / (Losses) from translation of foreign currency		456	(108)
Total comprehensive income		12 791	18 218
to shareholders of the parent company		**12 821**	**18 337**
to non-controlling interests		**(30)**	**(119)**

The accompanying notes on pages 7 to 117 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

TRACE
•ТРЕЙС ГРУП ХОЛД•АД 1

Compiler:
Boyan Hristov

Audited by:
Teodora Tsvetanova, CPA № 771
Date: 29th April 2021

0771 Теодора Цветанова
Регистриран одитор

TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF CASH FLOWS for 2020

	2020 BGN'000	2019 BGN'000
Cash flows from operating activities		
Proceeds from contractors	290 191	314 182
Payments to contractors	(227 414)	(246 852)
Net cash flows to personnel and social insurance contributions	(26 691)	(31 006)
Tax paid (excluding income tax)	(10 796)	(7 421)
Proceeds from tax (excluding income tax)	1 726	2 223
Income tax paid	(4 409)	(630)
Payments under profit distribution	(1 125)	(2 125)
Payments of guarantees	(473)	(644)
Net foreign exchange gains / (losses)	(12)	(13)
Government grants received	1 113	-
Cash provided as collateral	(2 791)	-
Other cash flows from operating activities	137	(110)
Net cash flows from operating activities	19 456	27 604
Cash flows from investing activities		
Purchases from acquisitions of non-current assets	(2 967)	(6 570)
Proceeds from disposals of non-current assets	196	203
Proceeds from sales of financial assets, net of cash	366	742
Acquisition of subsidiaries, net of cash received	(14)	(248)
Payments of loans granted	(622)	(1 376)
Proceeds from loans granted	1 394	86
Proceeds from interest on loans granted	24	36
Payments under cession contracts	(6 282)	(15 894)
Net Cash flows from investing activities	(7 905)	(23 021)
Cash flows from financing activities		
Cash inflows from the issue of shares or other capital instruments	4	-
Payments for repurchases of shares and other capital instruments bought back in the entity	(10)	(4)
Proceeds under loans received	28	6
Payments under loans received	(1 432)	(3 949)
Payments of interest on loans received	(231)	(413)
Lease payments	(2 305)	(3 697)
Other cash flows from financing activities	12	(7)
Net Cash flows from Financing activities	(3 934)	(8 064)
Net cash increase / (decrease) in cash and cash equivalents	**7 617**	**(3 481)**
Cash and cash equivalents as at 1 January	32 960	36 437
Translation reserve	**-**	**29**
Effect of application of IFRS 9	**(110)**	**(25)**
Cash and cash equivalents as at 31 December	40 467	32 960

The accompanying notes on pages 7 to 117 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

TRACE
ТРЕЙС ГРУП ХОЛД АД

Compiler:
Boyan Hristov

Audited by:
Teodora Tsvetanova, CPA № 771
Date: 29th April 2021

0771 Теодора Цветанова
Регистриран одитор

TRACE GROUP HOLD PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY as at 31.12.2020

	Share capital	*Share premium*	*Translation reserve*	*General and other reserves*	*Accumulated profit / (loss)*	*Total Equity for the Group*	*Total Equity for Non-controlling interest*	*Total Equity*
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as at 31.12.2018	24 177	21 739	(798)	69 389	(13 624)	100 883	335	101 218
Changes in equity for the financial reporting 2019	7	-	4	(13 501)	31 834	18 344	(203)	18 141
Other comprehensive income	-	-	*(108)*	-	*23*	*(85)*	-	*(85)*
Actuarial gains / (losses)					23	*23*		*23*
Translation of foreign activities			(108)			(108)		(108)
Profit / (loss) for the period					*18 422*	*18 422*	*(119)*	*18 303*
Total Comprehensive Income for 2019	-	-	(108)	-	18 445	18 337	(119)	18 218
Treasury shares	*7*					*7*		*7*
Dividends						-	*(55)*	*(55)*
Profit distribution				*(13 501)*	*13 501*	-		-
Other changes at equity			*112*		*(112)*	-	*(29)*	*(29)*
Balance as at 31.12.2019	24 184	21 739	(794)	55 888	18 210	119 227	132	119 359
Changes in equity for the financial reporting 2020	(5)	-	603	18 538	(6 219)	12 917	(232)	12 685
Other comprehensive income	-	-	*456*	-	*81*	*537*	-	*537*
Actuarial gains / (losses)					81	*81*		*81*
Translation of foreign activities			456			*456*		*456*
Profit / (loss) for the period					*12 284*	*12 284*	*(30)*	*12 254*
Total Comprehensive Income for 2020	-	-	456	-	12 365	12 821	(30)	12 791
Treasury shares	*(5)*					*(5)*		*(5)*
Dividends						-	*(7)*	*(7)*
Reserves distribution				*18 478*	*(18 478)*	-		-
Acquired/Disposed subsidiaries						-	*(170)*	*(170)*
Changes in a parent's ownership interest in a subsidiary without losing control					*(2)*	*(2)*	*(25)*	*(27)*
Other changes at equity			*147*	*60*	*(104)*	*103*		*103*
Balance as at 31.12.2020	24 179	21 739	(191)	74 426	11 991	132 144	(100)	132 044

The accompanying notes on pages 7 to 117 are an integral part of these consolidated financial statements.

Represented by:
Eng. Boyan Delchev

Compiler:
Boyan Hristov

Audited by:
Teodora Tsvetanova, CPA № 771
Date: 29th April 2021

ТРЕЙС ГРУП ХОЛД АД 1

0771 Теодора Цветанова

Notes to the consolidated financial statements

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I. General information, accounting policies, baseline

1. General information on the Group

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

Parent

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

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

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

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

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

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

Subsidiaries, domiciled in Bulgaria	**31.12.2020** *Participating interest* %	**31.12.2019** *Participating interest* %	***Date of gaining control***	***Date of loss of control / merger***
Trace BG LTD (Trace Sofia LTD)	100.00	100.00	-	-
Trace – Road Construction JSC	-	99.86	-	22.06.2020
Trace Yambol JSC	99.48	99.48	-	-
Infra Commerce LTD	100.00	100.00	-	-
Himcolor JSC **	-	-	10.04.2019	03.08.2019
USM JSC	99.69	99.69	-	-
Metro Druzhba LTD	-	100.00	-	05.08.2020
Trace SOP LTD	-	-	-	06.11.2019
Trace Plovdiv – in liquidation	-	100.00	-	30.12.2020
Trace Properties LTD	100.00	100.00	-	-
Trace Ukraine LTD	-	100.00	-	29.10.2020

Trace Svilengrad LTD **	99.48	99.48	-	-
Trace Trans LTD	-	-	-	22.10.2019
Trace International LTD	-	100.00	-	14.01.2020
Aria Residence LTD	60.00	-	02.10.2020	-

** effective percentage of participating interest*

*** indirect participating interest*

Subsidiaries, domiciled abroad	**31.12.2020** ***Participating interest %***	**31.12.2019** ***Participating interest %***	***Date of gaining control***	***Date of loss of control / merger***
Trace Serbia, Serbia	100.00	100.00	-	-
Trace Build, Serbia **	100.00	-	03.12.2020	-
Vior Velika Morava, Serbia	-	-	-	25.09.2019
Trace Balkan, Serbia **	-	-	-	16.12.2019
Trace Al Junaibi, Oman **	-	70.00	-	14.01.2020
Trace Company, Moldova	100.00	-	01.04.2020	-

** effective percentage of participating interest*

*** indirect participating interest*

Subsidiaries

As at 31.12.2020, the subsidiaries with principal activities are:

- TRACE – BG LTD (TRACE SOFIA LTD), SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure;
- TRACE – ROAD CONSTRUCTION JSC, SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC, until its merger into Trace BG LTD on 22.06.2020
  Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- TRACE YAMBOL JSC, YAMBOL, BULGARIA – 99.48% owned by Trace Group Hold PLC
  Principal activity: Construction and reconstruction of roads and road facilities;
- INFRA COMMERCE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
  The entity has an established branch in the Republic of Serbia.
  Principal activity: Trade activities in Bulgaria and aboard, trade representation and trade intermediation;
- USM JSC, STARA ZAGORA, BULGARIA – 99.69% owned by Trace Group Hold PLC
  Principal activity: Rendering of services by means of building mechanisation;
- METRO DRUZHBA LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC, until its merger into Trace BG LTD on 05.08.2020
  Principal activity: Bridge and tunnel construction;
- TRACE PLOVDIV LTD – in liquidation as of 15.08.2019, PLOVDIV, BULGARIA – 100% owned by Trace Group Hold PLC, until its termination by liquidation on 30.12.2020
  Principal activity: Construction and reconstruction of roads and road facilities;

- TRACE PROPERTIES LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
  Principal activity: Property management, as well as all types of auxiliary services, and any other activities;
- TRACE UKRAINE LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC, until its merger into Trace BG LTD on 29.10.2020
  Principal activity: Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities, construction, trade in construction materials and products, trading activities in the country and abroad;
- TRACE SVILENGRAD LTD, SOFIA, BULGARIA – 100% owned by Trace Yambol JSC
  Principal activity: Construction, current repairs and maintenance of highways, roads, streets and the adjoining them infrastructure;
- TRACE INTERNATIONAL LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC, until its disposal on 14.01.2020
  Principal activity: Construction, trade in construction materials and products, trading activities in the country and abroad, trade representation and trade intermediation;
- ARIA RESIDENCE LTD, BOURGAS, BULGARIA – 60% owned by Trace Group Hold PLC
  Principal activity: Investments in property, with the purpose of realising projects in the real estate sector: purchase, construction and / or furnishing, and other;
- TRACE SERBIA LTD, NIS, SERBIA – 100% owned by Trace Group Hold PLC
  Principal activity: Construction and reconstruction of roads and road facilities, current repairs and winter maintenance;
- TRACE BUILD, SERBIA – 100% owned by Trace Serbia
  Principal activities: Investments in property, with the purpose of realising projects in the real estate sector: purchase, construction and / or furnishing, and other;
- TRACE AL JUNAIBI LTD, THE SULTANATE OF OMAN – 70% owned by Trace International LTD, until its disposal on 14.01.2020.
  Principal activity: Construction, repairs and maintenance of roads, highways, aircraft runways and buildings, trade in construction materials, services and equipment;
- TRACE COMPANY, MOLDOVA – 100% owned by Trace Group Hold PLC
  Principal activity: Construction, current repairs and maintenance of highways, roads, streets, urban and municipal communications and the adjoining them infrastructure, maintenance of roads, road accessories and facilities;

Entities and Alliances under the Law on Obligations and Contracts:

- METRO TRACE ALLIANCE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace Group Hold PLC and 15% participating interest of Trace – BG LTD
  Principal activity: Other specialised construction activities;
- METRO MLADOST ALLIANCE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace – BG LTD
  Principal activity: Construction of roads, aircraft runways and sports fields;

- MAGISTRALA TRACE (TRANSL. TRACE HIGHWAY), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 75% participating interest of Trace Group Hold PLC and 10% participating interest of Trace – BG LTD
  Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE – BG, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC and 49% participating interest of Trace – BG LTD
  Principal activity: Construction of residential and non-residential buildings;
- KARDZHALI 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participating interest of Trace – BG LTD and 24% participating interest of Trace Yambol JSC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- STARA ZAGORA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace – BG LTD
  Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE BOURGAS – SK-13 TRANSSTROY, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace – BG LTD
  Principal activity: Construction of electrical installations;
- SOFIA 2010, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 52% participating interest of Trace – BG LTD
  Principal activity: Construction of residential and non-residential buildings;
- EURO PARK 2011, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99% participating interest of Trace Yambol JSC
  Principal activity: Overall construction works on buildings and construction premises;
- HEMUS A2, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
  Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE SVOGE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE – APOLONIA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 100% participating interest of Trace – BG LTD
  Principal activity: Construction of other premises, not classified elsewhere;
- TRACE RADNEVO 2012, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Yambol JSC and 49% participating interest of Trace – BG LTD
  Principal activity: Construction of roads, aircraft runways and sports fields;
- TRACE SOP, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC and 20% participating interest of Trace – BG LTD
  Principal activity: Construction of roads, aircraft runways and sports fields;
- LYULIN TRACE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 55% participating interest of Trace Group Hold PLC and 5% participating interest of Trace – BG LTD

Principal activity: Construction of highways, roads and aircraft runways;

- METRO DRUZHBA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 98% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE – KORDEEL – PERNIK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA –100% participating interest of Trace – BG LTD
  Principal activity: Overall construction of buildings and construction premises;
- TRACE AIR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC and 15% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE OBHOD (TRANSL. BYPASS) MONTANA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Group Hold PLC and 10% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- YAMBOL, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 67% participating interest of Trace Yambol JSC and 1% participating interest of Trace – BG LTD
  Principal activity: Other specialised construction activities, not classified elsewhere;
- SMOLYAN – YUG (TRANSL. SOUTH), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace Group Hold PLC and 10% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- TRAPEZITSA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- PS 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- TMA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 100% participating interest of Trace – BG LTD
  Principal activity: Construction of other premises, which are not classified elsewhere;
- TSARIGRADSKO, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- CHEPELARE, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- TRACE PRIBOR, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace Group Hold PLC, 19% participating interest of Trace – BG LTD

Principal activity: Construction of highways, roads and aircraft runways;

- PB – MARK, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 51% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- MARKIROVKA (TRANSL. MARKING) 2014, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 84.99% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- SAMARA 2015, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace Group Hold PLC
  Principal activity: Construction of other premises, not classified elsewhere;
- GABROVO CENTAR (TRANSL. CENTER), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- EE KYUSTENDIL BLOCK 27, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 91% participating interest of Trace – BG LTD
  Principal activity: Construction of other premises, not classified elsewhere;
- EE KYUSTENDIL BLOCK 82 and BLOCK 83, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace – BG LTD
  Principal activity: Construction of residential and non-residential buildings;
- VIDELINA 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 75% participating interest of Trace – BG LTD
  Principal activity: Construction of residential and non-residential buildings;
- HEMUS 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
  Principal activity: Construction, engineering, design, copy right supervision;
- TRACE – ARCH, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 85% participating interest of Trace – BG LTD
  Principal activity: Construction of residential and non-residential buildings;
- TRACE ALFA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- ULITSI (TRANSL. STREETS) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC and 20% participating interest of Trace – BG LTD
  Principal activity: Construction of highways, roads and aircraft runways;
- STARA ZAGORA 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
  Principal activity: Design and execution of building and construction works in connection with the realisation of the National Program for Energy Efficiency of Multifamily Residential Buildings (NPEEMRB);
- EE 32 – 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
  Principal activity: Activities related with the realisation of investment projects on buildings;

- EE LUKOVIT, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace BG LTD
  Principal activity: Construction of residential and non-residential buildings;
- PIRGOS 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60% participating interest of Trace – BG LTD
  Principal activity: Other finishing building and construction works;
- ZDRAVE (TRANSL. HEALTH) 2015, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 70% participating interest of Trace Yambol JSC and 30% participating interest of Trace – Road Construction JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- ZELENA SREDA (TRANSL. GREEN ENVIRONMENT), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 93% participating interest of Trace Yambol JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- INZHENERING (TRANSL. ENGINEERING) 2016, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Yambol JSC
  Principal activity: Construction, engineering, design, copy right supervision;
- INZHENERING (TRANSL. ENGINEERING) 2017, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 95% participating interest of Trace Yambol JSC
  Principal activity: Construction, engineering, design, copy right supervision;
- ZHELEZOPATNA INFRASTUKTURA (TRANSL. RAILWAY INFRASTRUCTURE), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50.5% participating interest of Trace Group Hold PLC
  Principal activity: Construction of underground and overground railways;
- MARAZH (TRANSL. MARGIN) 2018, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 77% participating interest of Trace Yambol JSC
  Principal activity: Construction of highways, roads and aircraft runways;
- VIK (TRANSL. WATER SUPPLY AND SEWERAGE) STROY – GOURKOVO 2018, A COMPANY UNDER THE LAW ON OBLIGATION AND CONTRACTS, BULGARIA – 90% participating interest of Trace – BG LTD
  Principal activity: Construction of transmission and distribution pipelines;
- METRO STROITELSTVO (TRANSL. CONSTRUCTION), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 97.99% participating interest of Trace Group Hold PLC
  Principal activity: Construction of underground and overground railways;
- TRACE BUILD, A COMPANY UNDER THE LAW ON OBLIGATION AND CONTRACTS, BULGARIA – 80% participating interest of Trace Group Hold PLC
  Principal activity: Construction of highways, roads and aircraft runways;
- VODOPROVODI (TRANSL. WATER MAINS) KARLOVO 2019, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace – BG LTD
  Principal activity: Construction of other premises, not classified elsewhere;

- PROEKT (TRANSL. PROJECT) PLOVDIV, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 90% participating interest of Trace Group Hold PLC
  Principal activity: Construction of underground and overground railways;
- ULITSI (TRANSL. STREETS) IVAYLOVGRAD, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace BG LTD
  Principal activity: Other specialised construction activities, not classified elsewhere;
- TRACE ZONA (TRANSL. ZONE) 1, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99.99% participating interest of Trace Group Hold PLC
- Principal activity: Other specialised construction activities, not classified elsewhere;
- OBEDINENIE ULITSI BOROVAN (TRANSL. BOROVAN STREETS ALLIANCE), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 50% participating interest of Trace Group Hold PLC
  Principal activity: Participation in a public tender procedure for the appointment of a public tender for: "Repairs and rehabilitation of streets within the "Borovan" Municipality";
- VIK (TRANSL. WATER SUPPLY AND SEWERAGE) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 60.40% participating interest of Trace Group Hold PLC
  Principal activity: Engineering (Design, copy right supervision and construction) – Reconstruction of the water supply and sewerage network of Stara Zagora;
- SOD ZONA 3 (TRANSL. ZONE 3), A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 99.99% participating interest of Trace Group Hold PLC
  Principal activity: Other specialised construction activities, not classified elsewhere;

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

The sale of 100% of the shares of the capital of the limited liability sole proprietorship – "Trace International" LTD –, held by "Trace Group Hold" PLC was entered in the Commercial Registry on 14.01.2020. Through the aforementioned sale, the Group also disposed its subsidiary "Trace Al Junaibi", Oman.

"Trace Group Hold" PLC acquired 269 shares of the capital of "Trace Road Construction" JSC on 31.03.2020, thus becoming the sole (100%) capital owner of the entity. The acquisition was entered in the Commercial Registry on 20.05.2020.

A limited liability company – "Trace Company" ("Trace Company" SLR) – was registered in the Registry of the Republic of Moldova on 01.04.2020. The entity's capital amounts to 20 000 (twenty thousand) Moldovan Lei and is 100% (one hundred percent) owned by Trace Group Hold PLC. The principal activity of "Trace Company" S.L.R. relates to construction, current repairs and maintenance of highways, roads, streets, urban and municipal communications and the adjoining them infrastructure, road maintenance, maintenance of road accessories and facilities; construction of underground and overground railways, construction of tunnels; construction of railway and road facilities; design-engineering and trading activities; performing all types of services with construction and other equipment, cargo and other activities.

Changes in the details of "Trace – Sofia" LTD – namely change in the corporate name and representation – were entered in the Commercial Registry on 19.06.2020. The new corporate name of the entity is "Trace BG" LTD.

The merger of "Trace – Road Construction" JSC into "Trace BG" LTD was registered in the Commercial Registry on 22.06.2020. "Trace Group Hold" PLC is the sole capital owner of both entities. All assets, rights, obligations and activities of the restructured entity were taken over the acquirer "Trace BG" LTD. Pursuant to the merger, the acquirer becomes the universal successor of the merging entity. The restructured entity is terminated without liquidation proceedings.

The merger of "Metro Druzhba" LTD into "Trace BG" LTD, both with sole capital owner "Trace Group Hold" PLC, was entered in the Commercial Registry on 05.08.2020. All assets of the merging entity are taken over the acquirer, which becomes the universal successor of the prior. The merging entity is terminated without liquidation proceedings.

A limited liability company – "Aria Residence" LTD – domiciled in Bourgas, was registered in the Commercial Registry of the Registration Agency on 02.10.2020. The entity's capital amounts to BGN 1 000, distributed along 100 equal shares at nominal value of BGN 10 each, distributed among the following shareholders / partners: "Trace Group Hold" PLC, holding 60 shares at nominal value of BGN 10 each, equivalent to 60% of the capital of the entity, and "Terex Investments" LTD, holding 40 shares at nominal value of BGN 10 each, equivalent to 40% of the capital of the entity. The principal activity of the newly registered entity involves investments in property with the purpose of realising projects in the real estate sector; purchase, construction and / or furnishing of real estates.

The merger of "Trace Ukraine" LTD in "Trace BG" LTD was entered in the Commercial Register at the Registry Agency and the Register of Non-Profit Legal Entities on 29.10.2020. All the assets of the restructuring entity were transferred to the receiving entity, with the later becoming universal successor of the prior. The merging entity was terminated without liquidation proceedings.

The entity "Trace Build", Belgrade, with principal activity: construction of residential and non-residential buildings, was entered in the Commercial Registry of the Republic of Serbia on 03.12.2020. The capital of "Trace Build" LTD amounts to 100 Serbian Dinars and is owned (100%) by "Trace Serbia" JSC – a subsidiary of "Trace Group Hold" PLC. The entity has its registered address at 9/5, "Knyaz Milos" Str., Belgrade, Republic of Serbia.

Pursuant to the completed liquidation proceedings of "Trace Plovdiv" LTD, the entity was deleted from the Commercial Register and the Register of Non-Profit Legal Entities on 30.12.2020. As of that date, the entity is considered terminated.

Joint ventures

The Group does not hold any participating interest in joint ventures as at 31.12.2020.

- TRACE – M INVEST, GERMANY – 50% participating interest of Trace Group Hold PLC, until its disposal on 16.07.2020.
  Principal activity: Specialised building works, related with the construction and repairs of highways, engineering facilities, high-class roads and others;

"Trace Group Hold" PLC concluded a sale agreement with "M – Strong" LTD on 16.07.2020 for the sale of the held by it 12 500 (twelve thousand five hundred) corporate shares, representing 50% of the capital

of "Trace M Invest" LTD – an entity, registered at the Commercial Registry at Wiesbaden, Federal Republic of Germany.

Associates

As at 31.12.2020, associates are the following entities with principal activity:

- REDKO TRACE INTERNATIONAL, QATAR – 49% participating interest of Trace International LTD, until its disposal on 14.01.2020
  Principal activity: Construction of buildings, roads, bridges, railway and metro (subway) lines;
- VODEN PROEKT (TRANSL. WATER PROJECT) STARA ZAGORA, A COMPANY UNDER THE LAW ON OBLIGATIONS AND CONTRACTS, BULGARIA – 30% participating interest of Trace Group Hold PLC and 4% participating interest of Trace – Road Construction JSC
  Principal activity: General construction of buildings and construction premises;
- GT TRANS BG LTD (TRACE TRANS LTD), BULGARIA as of 22.10.2019 – 36.75% participating interest of Trace Group Hold PLC
  Principal activity: Transport activities, repairs and maintenance of transport vehicles, rental of transport vehicles and complex transport services;

1.1. Ownership and management of the parent

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

As at 31.12.2020, the ownership is distributed as follows:

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

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

Members of the Supervisory Board at 31.12.2020 are:

Nikolay Mihaylov	Chairman
Manol Denev	Member
Mariela Rounteva	Member

Members of the Managing Board at 31.12.2020 are:

Desislava Lyubenova	Chairman
Boyan Delchev	Member
Rositsa Dineva – Georgieva	Member

As at 31.12.2020, the parent is managed and represented by the Executive Director – Eng. Boyan Delchev.

Members of the Audit Committee at 31.12.2020 are:

Hristo Savchev	Chairman
Hristina Nikolova	Member
Diana Deyanova – Rangelova	Member

1.2. Other information

Compiler of the consolidated annual financial statements: Boyan Hristov

Lawyers: Hristina Arihteva

Auditor: Teodora Tzvetanova

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

At the date of these consolidated annual financial statements, the personnel employed within the Group amounts to 890 workers and employees.

2. Accounting policies

2.1. Basis of preparation of the financial statements

The consolidated financial statements for the year ending 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union Committee. These are comprised of the financial reporting standards and interpretations of the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC Interpretations), endorsed by the International Accounting Standards Committee (IASC). IFRS adopted by the EU is the common name of the conceptual framework – accounting base, equivalent to the "International Accounting Standards" (IAS) framework introduced by the definition under § 1, item 8 of the Additional Provisions of the Accountancy Act.

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

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

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

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

There have been no changes in the accounting policies of the Group since the adoption of these standards and / or interpretations, practically applicable for annual reporting periods beginning at the earliest on 1 January 2019 for the entities domiciled in the Republic of Bulgaria, except for some new, or expansion of already established disclosures, without this leading to other changes – in the classification or measurement of separate reporting items and transactions.

The new and / or revised standards and interpretations include:

Amendments to the **Conceptual Framework for financial reporting** and the respective amendments to References in the Conceptual Framework in IFRS (effective for annual periods beginning on or after 01.01.2020 – adopted by the EC). These amendments to the Framework include wholly revised definitions for "assets" and "liabilities", as well as new guidelines for their measurement, derecognition, presentation and disclosure. The amendments in the Conceptual Framework are accompanied by amendments to some references to the Conceptual Framework in International Financial Reporting Standards, including IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC 32. Some pronouncements only indicate which version of the Conceptual Framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010 or the new revised framework of 2018), while others explicitly indicate that definitions in the standard have not been updated with the new amendments in the framework.

IFRS 3 (amended) – Business combinations, effective for annual periods beginning on or after 01.01.2020 – adopted by the EC

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

Amendments to **IAS 1 Presentation of Financial Statements** and **IAS 8 Accounting Policies, Changes in Estimates and Errors,** effective for annual periods beginning on or after 01.01.2020 – adopted by the EC.

These amendments concern the refinement of the definition of "materiality", set out in the two Standards. According to them, the new definition of materiality is: "information is material if omitting, misstating or obstructing it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

Amendments to **IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement** and **IFRS 7 Financial Instruments: Disclosures**, effective for annual periods beginning on or after 01.01.2020 – adopted by the EC

The amendments are related to the uncertainty arising from the interest rate benchmark reform, undertaken by the G20 Financial Stability Board. This reform is intended to replace the existing interbank interest rates, used as a base rate in transactions with financial instruments (for instance: Libor, Euribor, Tibor), with alternative base interest rates based on interbank markets, as well as to develop alternative base interest rates that are nearly risk-free.

Amendments to **IFRS 16 Leases**, changes in rent concessions in the context of COVID-19, effective as from 01.06.2020 – adopted by the EC

Rent concessions have been provided to lessees as a result of the COVID-19 pandemic. Such concessions can take a variety of forms, including payments holidays and deferral of lease payments for a period of time. In May 2020, IASB amended IFRS 16 Leases to provide lessees with the option to treat certain lease concessions in the

same way as they would have done had it not been for the lease modifications. In many cases this will result in concessions being recognised as variable lease payments in the period in which they are granted.

Entities, applying the practical expedient should disclose that fact regardless of whether it has been applied to all identified rent concessions or, if not – information about the nature of the contracts to which the practical expedient has been applied and the amount recognised in profit or loss, arising from the rent concessions.

At the date of issue for approval of these consolidated financial statements, several new standards and interpretations, and amendments to standards and interpretations, have been issued, but are not yet effective for annual periods beginning on or after 1 January 2020, as well as amended standards and interpretations that have not been early adopted by the Group. The Management has determined that the following standards and interpretations could have a potential effect in future periods – for changes in the accounting policies and classification and values of reporting items in the consolidated financial statements of the Group for the future periods, namely:

IAS 1 Presentation of Financial Statements, effective date: 1 January 2022 (possibly deferred for 1 January 2023).

These amendments focus on the criteria for classifying liabilities as current and non-current. According to them, the entity classifies its liabilities as current or non-current depending on the rights that exist at the end of the reporting period and is not affected by the probability of whether it will exercise its right to defer the settlement of these liabilities or not. The amendments specify that "settlement" of liabilities refers to the transfer of cash, equity instruments, other assets or services to a third party.

IAS 16 Property, plant and equipment effective date: 1 January 2022

These 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 date: 1 January 2022

These amendments update IFRS 3, replacing a reference to an old version of the Conceptual Framework for Financial Reporting with its latest version, dated 2018. They also add and an exemption to the principle of recognising liabilities and contingent liabilities that fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, and IFRIC 12 Liabilities for Taxes and Fees, also explicitly clarifying that contingent assets are not recognised as the acquisition date. The amendments are applied in perspective.

IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective date: 1 January 2022

The amendments specifically clarify that the costs of fulfilling the obligations under an onerous contract are the costs that are directly related to it, including: a) direct labour costs and direct material costs; and b) additional

costs that are directly attributable to the performance of the contract through allocation, such as the allocation of depreciation costs for property, plant and equipment used to perform that contract. Administrative and other general expenses are not included, unless they are explicitly invoiced to the contractor under the contract. The changes also make a minor adjustment to the clarifications on the recognition of impairment losses on assets before creating a separate provision for onerous contract, emphasising that these are assets used in performance of the contract and not assets intended for the contract, as required until the amendment takes effect.

In addition, for the stated hereafter amended standards that have been issued but are not yet effective for annual periods beginning on or after 1 January 2020, the Management has determined that the following would not have a potential effect for changes in the accounting policies and the classification and values of reporting items in the separate annual financial statements of the Group, namely:

IFRS 17 Insurance Contracts, effective for annual periods beginning on or after 01.01.2021, extended to 01.01.2023 – not adopted by the EC.

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

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

These amendments are aimed at resolving the accounting treatment of sales or contributions in-kind between an investor and its associates or joint ventures.

Annual improvements to the IFRS 2018 – 2020 Cycle – effective date: 1 January 2022, not adopted by the EC.

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 parents, 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 which fees should be included in the 10% test for derecognition of financial liabilities (to determine whether in a change of a financial liability, the terms of the new or modified financial liability differ significantly from those of the initially recognised financial liability).

- IFRS 16 Leasing – amendment to Illustrative Example 13 targeting to remove the illustration of lessor payments related to enhancement of the lease rights, to remove any confusion regarding the treatment of lease incentives.

- IAS 41 Agriculture – elimination of the requirement for entities to exclude cash flows from taxation when measuring fair value under IAS 41. This amendment seeks to bring it into compliance with the requirement of the standard for discounting cash flows on a post-tax basis.

Amendments to **IFRS 4 Insurance Contracts**, effective for annual periods beginning on or after 01.01.2022 – adopted by the EC

The amendments permit entities, primarily engaging in insurance activities, to defer the effective date of IFRS 9 Financial Instruments from 1 January 2021 to 1 January 2023; instead, these 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.

2.2. Going concern

The financial statements of the Group for the year ended at 31 December 2020 have been prepared on a going concern basis.

The Management has taken into consideration the state of emergency in which the Republic of Bulgaria is currently at and has disclosed this in detail under *Note №3.13*.

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

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

2.3. Changes in the accounting policies

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

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

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

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

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

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

2.5. Comparative information

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

2.6. Consolidated financial statements

Parent

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

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

Subsidiary

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

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

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

Joint venture

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

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

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

Associate

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

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

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

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

Non-controlling interest

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

2.7. Consolidation principles

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

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

2.7.1. Consolidation of subsidiaries

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

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

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

2.7.2. Acquisition of subsidiaries

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

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

2.7.3. Sale of subsidiaries

In the sale or in other form of loss of control over a subsidiary:

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

2.7.4. Non-controlling transactions

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

2.7.5. Consolidation of associates and joint ventures

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

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

Internal accounts between the Group and the associates and joint ventures are not eliminated. Unrealised gains or losses on transactions between them are eliminated to the percentage of the group interest in the associates and joint ventures, and in the event of losses – impairment reviews are performed too. The deferred tax effect in such consolidation procedures is also accounted for.

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

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

2.8. Current and non-current assets and liabilities

2.8.1. Current and non-current assets

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

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

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

2.8.2. Current and non-current liabilities

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

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

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

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

2.9. Property, plant and equipment

The property, plant and equipment of the Group include assets that satisfy the recognition criteria of IAS 16 and have an acquisition cost equal to, or higher than BGN 700.00. In compliance with the accounting policies adopted, assets that have a lower than the above stated acquisition cost are recognised as current expense in the period of acquisition. On acquisition, each item of property, plant and equipment is measured at its acquisition cost, as determined in compliance with the requirements of IAS 16 (*Note №1.1*).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.10. Investment property

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

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

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

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

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

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

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

Group	Year
Buildings	50

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

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

2.11. Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Amortisation ceases at the earlier of:

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

Intangible assets are derecognised on disposal / sale, or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Proceeds from the sale of such assets are recognised as revenue in accordance with IFRS 15 – Revenue from Contracts with Customers, when the customer receives control over those assets and the performance obligation is thereby satisfied. IFRS 16 applies to disposals by entering into a finance lease or a sale and leaseback.

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

2.12. Impairment of non-current assets

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

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

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

2.13. Goodwill

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

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

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

Any recognised goodwill is identified as being attributable to a cash-generating unit when a business combination is realised and that unit is applied during impairment tests. In determining cash-generating units, consideration is given to the units from which future economic benefits were expected on acquisition of the business combination and in respect of which the goodwill had arisen.

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

2.14. Inventories

Inventories are assets:

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

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition (*Note №1.10*).

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

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

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

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

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

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

2.15. Assets held for sale

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

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

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

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

2.16. Financial instruments

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

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

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

2.16.1. Financial assets

2.16.1.1. Recognition and classification of financial assets

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

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

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

2.16.1.2. Initial recognition

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

2.16.1.3. Subsequent measurement and presentation

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

i. Financial assets at amortised cost

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

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

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

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

ii. Financial assets at fair value through other comprehensive income

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

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

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

This category of instruments is subsequently measured at fair value and changes are recognised in other comprehensive income. Fair value is determined on the basis of quoted prices in an active market, and in the absence of such a market – fair value is determined based on valuation techniques, 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; usually there is no available up-to-date information and / or a wide range of possible evaluations under certain circumstances are available.

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

iii. Financial assets at fair value though profit or loss

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

The Group may apply the exemptions under IFRS 9 and at initial recognition irrevocably designate a financial asset as measured at fair value though profit or loss, including contracts for delivery of non-financial assets, if in doing so it eliminates or significantly reduces the financial asset's measurement or recognition inconsistency that would otherwise arise from recognising results and changes on different bases. Such financial assets are disclosed in the notes to the financial statements, separately from the other instruments for which this measurement approach is mandatory.

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

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

iv. Composition of the financial assets

The financial assets of the Group include:

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

2.16.1.4. Impairment of financial instruments

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

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

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

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

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

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

The Group applies a simplified approach, in accordance with IFRS 9, for trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 and that do not contain a significant financing

component, or when the Group applies the practically expedient measure under IFRS 15, measuring loss allowance at an amount equal to lifetime ECLs for the instrument at each reporting date. For the purpose, a practically expedient measure under IFRS 9 has been used and a provision matrix has been created to measure the expected credit losses on trade receivables and assets under contracts with customers. Receivables are classified in arrears and are grouped by type and customer segments with different credit loss models.

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

Trade receivables and contract assets (from contracts with customers) are not interest-bearing and are usually settled in 60 to 180 days, and in 180 to 360 days, respectively. The Group considers a trade receivable or a contract (with customers) asset as defaulted when such are past due for more than 360 days and more than 540 days, respectively. However, in specific cases, a receivable or a contract asset may be considered as defaulted if the internal or external information demonstrates that it is unlikely that the Group will receive the full amount of the contractual considerations. Additionally, the Group considers all reasonable and supportable information, available without undue cost or effort, to eliminate the possibility of unreliable presentation of credit risk on individual or collective basis.

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

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

2.16.1.5. Derecognition, gains and losses

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

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

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

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

When financial assets measured at fair value through other comprehensive income, for which this model is applied, are derecognised, the cumulative gains or losses, previously recognised in other comprehensive income,

are reclassified to profit or loss. When assets measured at fair value through other comprehensive income are derecognised, the cumulative gains and losses on such are transferred to retained earnings, within equity.

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

2.16.2. Financial liabilities

2.16.2.1. Recognition and classification

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

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

2.16.2.2. Initial recognition

At initial recognition, all financial liabilities are measured at their fair value plus or minus, in the case of financial liabilities not at fair value though profit or loss, direct transaction costs. At initial recognition, the Group regards the respective transaction price as best evidence of the fair value of all financial liabilities, acquired in market conditions. When there is a difference between the two amounts, instruments with quoted prices or relevant observable data are measured at fair value, and the difference to the transaction price is recognised in profit or loss, and for all other cases – at fair value, adjusted to differ the difference that is recognised to the extent of a change in a factor that market participants would take into account.

2.16.2.3. Subsequent measurement

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

i. Financial liabilities at amortised cost

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

"Financial liabilities measured at amortised cost" include borrowings, trade payables and other payables under which the Group has become party to a contract or a commitment, and which should be settled in net cash.

Subsequent measurement is carried out using the "effective interest rate" method. Amortised cost is calculated by taking into account any discounts or premiums on acquisition, as well as any fees or costs that are an integral part of the effective interest rate.

ii. Financial guarantee contracts

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

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

Financial guarantee contracts are subsequently measured at the higher of the amount of the loss allowance, determined in a similar manner as a financial asset measured at amortised cost in accordance with the "Impairment of financial instruments" section or the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

iii. Financial liabilities, measured at fair value through profit or loss

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

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

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

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

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

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

Commitments to provide a loan at below-market interest rate are subsequently measured at the higher of the amount of the loss allowance, determined in a similar manner as a financial asset measured at amortised cost in accordance with the "Impairment of financial instruments" section and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

vi. Composition of the financial liabilities

The financial liabilities of the Group include:

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

2.16.2.4. Derecognition, gains and losses

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

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

2.17. Cash and cash equivalents

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

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

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

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

For the purposes of the Cash Flow Statement preparation:

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

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

2.18. Equity and reserves

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

2.18.1. Share capital

The share capital of the Group comprises:

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

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

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

2.18.2. Share premium

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

2.18.3. Translation reserve

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

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

2.18.4. General and other reserve

General reserve is 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 reserve is formed pursuant a decision of the General Meeting of Shareholders.

2.18.5. Financial result

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

2.19. Earnings per share

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

The weighted average number of shares is the number of ordinary shares held at the beginning of the period, adjusted by the number of redeemed ordinary shares and the newly issued shares during the period, multiplied by the average time factor. This factor reflects the number of days for which those shares were held, compared with the total number of days within the period.

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

2.20. Employee benefits

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

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

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

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

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

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

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

2.20.1. Short-term employee benefits

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

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

i. Bonus schemes

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

2.20.2. Long-term employee benefits

ii. Defined benefit plans

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

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

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

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

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

iii. Share-based payments

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

iv. Termination benefits

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

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

2.21. Effects of changes in foreign exchange rates

2.21.1. Foreign currency transactions

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

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

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

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

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

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

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

2.21.2. Translation of foreign operations

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

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

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

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

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

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

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

Goodwill and adjustments to fair value, arising in the acquisition of foreign (based abroad) entities, are treated in the same ways as are the assets and liabilities of that entity, and are translated in the presentation currency at the closing exchange rate.

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

2.22. Revenue, other income, finance income

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

The Group accounts for a contract with a customer only when: the parties to the contract have approved the contract, the party's rights regarding the goods or services to be transferred and the payment terms are identified,

the contract has commercial substance, and it is probable that the Group will collect the consideration which it expects to be entitled.

2.22.1. Revenue from contracts with customers

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

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

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

2.22.1.1. Identifying a contract

v. Construction contracts

Construction services for building and construction, repairs and reconstruction of infrastructure, and other projects and sites, are performed on assets that are not owned by the Group, it does not have control over them and they cannot be alternatively used by it. Goods and services under such contracts are sold together, typically constituting a single promise to the customer, and respectively a single performance obligation, which are not executed at once and continue for more than one reporting period. Some contracts for repairs and maintenance are framework agreements; the goods and services are transferred in series and are part of one or more performance obligations that are satisfied over time.

vi. Sales of output, goods or services

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

2.22.1.2. Identifying performance obligations

i. Construction contracts

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

ii. Sales of output, goods or services

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

2.22.1.3. Transaction price – determination and allocation

i. Construction contracts

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

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

ii. Sales of output, goods or services

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

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

2.22.1.4. Recognising revenue

i. Construction contracts

The Group recognises revenue associated with construction contracts on the basis of the performance obligation satisfied over time only if the Group can reasonably measure the progress towards complete

satisfaction of the performance obligation. Progress towards completion satisfaction is remeasured at the end of each reporting period.

A single method of measuring progress for each performance obligation satisfied over time is applied consistently to similar performance obligations and in similar circumstances. Output methods, based on direct estimates of the goods or services transferred and (which estimates are) conducted by research of the performance completed as at the respective reporting dates and / or achieved stages, are typically applied, and when appropriate, in compliance with the respective accounting framework, to measure the progress of contracts for repairs and reconstruction. The Group believes that the output methods, used to measure the progress under these contracts, are appropriate in so far as estimated and reliable actual information is available on the value and amount of the goods and services transferred to customers. Output methods, through direct estimates of the performed activities and / or delivered units at the respective reporting dates, are applied for framework agreements for repairs and maintenance as and when appropriate given the specific type of the contract in question and the applicable accounting framework. The Group believes that such provide reliable information in so far as the obligations under tasks, including specific parameters that are subject to identification and reliable measurement, are satisfied.

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

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

ii. Sales of output, goods or services

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

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

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

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

2.22.1.5. Contract costs

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

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

2.22.1.6. Contract balances

The Group recognises and presents any unconditional rights to considerations as contact receivables from contracts with customers. If the customer pays consideration or the Group has a right to an amount of consideration that is unconditional before the goods and services are transferred, the amounts are presented as contract liabilities from contracts with customers. When the Group fulfils its obligation and transfers goods and services to customers before they pay, the amounts, other than the unconditional receivables, are presented as contract assets from contracts with customers. Contract assets and contract liabilities from contracts are presented in the Statement of Financial Position under receivables and / or payables, respectively. Assets and liabilities arising from / incurred under a contract are presented in the Statement of Financial Position, at their net amount.

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

The typical time of payment under contracts with customers in terms of satisfying performance obligations and the dependencies in this respect, differ substantially under construction contracts and under contracts for sales of output, goods or services. Under construction contracts, the Group satisfies the performance obligations over time, typically more than one period, recognising revenue at the end of each period by reference to the contract's progress towards complete satisfaction, and customer approval is usually not necessary at this stage. However, given that the projects and sites, and the related to such activities, are subject to specific legislative provisions, certain official actions – including acceptance and / or approval by the customer and / or a third party – are provided and required upon completion of the contract's activities, on the basis of which part of the contract receivables from contracts with customers become unconditional and are paid subsequently. It is possible to unambiguously determine that the goods or services under the contract have been transferred, and respectively recognise revenue from the already satisfied obligations, in so far an asset that is controlled by the customer is enhanced through construction. As a result of these circumstances, there is a discrepancy between the time when revenue from construction contracts is recognised, and respectively the unconditional receivables and contract assets from contracts with customers are recognised, and the time of the payment receipt, with the ordinary payment term varying between 60 – 180 days and 180 – 360 days. Typically, sales of output, goods or services are not subject to specific regulations, with control over most of them being transferred to the customer immediately and / or consumed by the customer when such are delivered, thereby satisfying the performance obligations. Customer acceptance and approval is required for some sales of goods and services, under which

the performance obligation is satisfied over time, with this approval and acceptance being either in stages or upon completion of the contract. The time of payment of such supplies vary, but are within the ordinary business practice.

Typically, payments under construction contracts, which are most significant to the financial statements and to the Group as a whole, are defined in terms of timing and amounts (and in some cases – according to the type and size of the project or site) and depending on the assignor and the source of financing such, and consist of an advance payment in the amount of 10% – 20%, interim payments of 60% – 80% and a final payment. When the entity is a subcontractor, the direct or ultimate assignors are public entities / organisations and the main contracts and conditions vary, it is possible different conditions to be applicable to similar projects and sites, or vice versa, resulting in varying amounts and time of payments too. Pursuant to the statutory requirements, performance bonds are usually issued for construction contracts. Such performance bonds are in fact amounts, part of the unconditional receivables of the Group, retained by the assignor for a certain period – typically between 12 and 24 months. The Group believes that there is no significant component of funding for the retained amounts in so far as they are legally established and provide customer protection, as defined under IFRS 15, but also since in most cases the direct or ultimate party under these contracts are state authorities that cannot engage in funding, in the context of the content of the transactions, but and in principle.

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

Advance payments are stipulated mainly under construction contracts. The Group believes that there is no significant component of financing under such contracts in so far as the contracts with customers do not contain such clauses and the price is fixed, and there are no discrepancies between the promised consideration and the selling price in cash. Furthermore, performance obligations are satisfied over time and the advance payments are agreed, and deducted, (typically) within one year and such represent 10% - 20% of the transaction price, and do not exceed the value of the goods or services transferred for a given period, which makes the potential effect of a component of financing insignificant to the contracts. In some cases, the deadlines of contracts (especially construction contracts) are prolonged for reasons beyond the Group's control, and payments 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 perspectively, when the expectation of the new term is more than one year.

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

2.22.2. Other revenue

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

accounting policies and the relevant standards. Other income also comprises the derecognised and non-payable liabilities, including financial liabilities and others that are terminated or have expired, as well as differences and from write-offs related to provisions, recognised in accordance with IAS 37, and surpluses of assets and inventories, others.

2.22.3. Finance income

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

2.23. Expenses

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

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

2.23.1. Operating expenses

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

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

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

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

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

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

2.23.2. Finance costs

Interest expenses on all financial instruments of the Group, recognised using the effective interest rate method, and the effects under contracts with customers that include significant components of financing are recognised as finance costs. Finance costs include and interest on leases, net losses from transactions in financial

instruments and investments, as well as translation losses and foreign exchange losses in accordance with IAS 21, and other costs associated with financial instruments, including bank fees and commissions.

2.24. Profit or loss for the period

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

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

2.25. Corporate income tax

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

2.25.1. Current taxes

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

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

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

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

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

The current income tax of the Group's entities, domiciled in the Republic of Bulgaria, are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Tax Act. The tax rate, applicable in Bulgaria for the reporting 2020, is 10% (2019: 10%).

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

Country	Tax rate 2020
Serbia	15%
Ukraine	18%
Czech Republic	19%
North Macedonia	10%
Moldova	12%

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

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

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

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

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

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

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

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

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

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

2.26. Government grants

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

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

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

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

2.27. Provisions, contingent assets and contingent liabilities

2.27.1. Provisions

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

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

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

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

2.27.2. Contingent assets and contingent liabilities

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

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

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

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

2.28. Leases

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

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

2.28.1. The Group as a lessee

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

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

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

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

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

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

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

• Fixed payments less the lease incentives payable;

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

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

• Payments of penalties for terminating the lease;

• Residual value guarantee.

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

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

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

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

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

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

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

2.28.2. The Group as a lessor

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

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

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

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

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

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

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

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

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

2.29. Segment reporting

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

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

the risks and rewards, associated with the principal activity of the Group cannot be distinguished due to the similarity in the nature of the activities performed, the characteristics of the environment and the customers of the entities, as well as due to the same resources used in these processes, including equipment, subcontractors and personnel. Thus, the Group has approved to account for its activities, by distinguishing activities solely on a geographical basis.

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

- ✓ Bulgaria;
- ✓ Serbia;
- ✓ The Czech Republic;
- ✓ Moldova;
- ✓ Ukraine; and
- ✓ North Macedonia;

2.30. Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

2.31. Accounting assumptions and accounting estimates, errors

2.31.1. Accounting assumptions and accounting estimates

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

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

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

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

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

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

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

2.31.2. Errors

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

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

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

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

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

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

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

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

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

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

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

2.32.2. Impairment of investments in associates and joint ventures

Joint ventures are those entities over which the Group and the other parties have joint control and have rights over the entity's net assets. Associates are those entities over which the Group has significant influence and contingently holds between 20% and 50% of their capital, but which are not subsidiaries or joint ventures.

Such investments are valued at cost less impairment losses. At the date of each set of financial statements, the Management conducts an analysis and assesses whether there are indications for impairment of its investments and what is the possible amount of the impairment loss. The Management regards the following as indications for impairment of investments in other entities: a negative value of net assets, a significant excess of payables over receivables, significant limitations in activity. When the Management assesses investments, the Management follows an individual approach for each investment and the respective indicators. The Management has approved that a review of the conducted assessment is required upon the establishment of more than one such indicator.

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

2.32.3. Impairment of inventories

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

Indications for impairment of inventories have been established in such a review as at 31.12.2020 and an amount of BGN 9 thousand was accrued (*Note №0*).

2.32.4. Inventories. Normal production capacity.

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

2.32.5. Impairment of financial assets

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

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

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

The simplified approach, in accordance with IFRS 9, and a provisions matrix are applied in the measurement of the expected credit losses for trade receivables. Receivables are accounted for on a collective basis against the probability of default events and the resulting potential losses, computed based on the Group's historical data for a 5-year period. Objective external information and the accrued credit impairment are taken into account for receivables for which there is sufficient information (*Note №1.11*).

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

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

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

2.32.6. Revenue from contracts with customers

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

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

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

2.32.7. Provisions

The Group recognises the following types of provisions:

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

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

Provisions are restated at each consolidation year-end (date of the consolidated financial statements) based on the current best estimate of the settlement of the liability. Changes in estimates may result from changes in the amounts or timing of cash outflows, or from changes in the interest rates (discounting factors).(*Notes №1.19 and 1.26*)

2.32.7.1. Provisions for construction contracts

In accordance with the concluded contracts for building and construction works, the Group has assumed a commitment to remove, at its own cost, possible defaults on behalf of the assignor within time frames, defined under the respective contracts. Upon completion of each construction project and / or site in respect of which the Group has assumed such a commitment, provisions for construction contracts are estimated based on prior experience with similar projects and / or sites by internal specialists, who have the requisite qualifications and experience. When determining provisions for construction contracts, the Management is required to assess the costs to remove possible defaults on behalf of the assignor at the date of the consolidated financial statements. The best estimate of the requisite provision for construction contracts with regard to the provided guarantees to remove possible defaults and other related costs, amounts to BGN 2 375 thousand at 31.12.2020 (31.12.2019: BGN 988 thousand).

2.32.7.2. Provisions for obligations relating to building and construction works

At the end of each reporting period, the Group computes an approximate estimate of the accrued costs under obligations relating to buildings and construction works for the completion of works and elimination of defects. The Management, together with internal specialists, assesses the amounts and timing of these costs, as well as the degree of uncertainty in recognising them. Provisions for obligations relating to building and construction works include costs that can be measured reliably and carry a high degree of certainty that they will be recognised. Most often, these are amounts for the completion of construction contracts, obligations to pay for goods or services received that have not yet been paid, invoiced or are the subject of a formal agreement with the supplier, including and payables to employees and others. The best estimate for the necessary provisions for obligations relating to buildings and construction works amount to BGN 16 542 thousand at 31.12.2020 (31.12.2019: BGN 7 873 thousand).

2.32.7.3. Provisions for land reclamation

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

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

The measurement of provisions for land reclamation in the extraction of underground natural resources and the exploitation of mineral raw materials after completion of the activities requires the Management to make an assessment of the costs of reclamation and post-exploitation care of the land at the date of the Consolidated Statement of Financial Position. The best estimate of the necessary provisions for land reclamation amounts to BGN 559 thousand at 31.12.2020 (31.12.2019: BGN 537 thousand).

2.32.7.4. Provisions for obligations under litigations and lawsuits

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

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

There are no accrued provisions for litigation claims, filed against the Group at 31.12.2020 (31.12.2019: BGN 245 thousand).

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

The financial reporting of property, plant and equipment includes the use of estimates of their expected useful life and residual values, which are based on judgements of the Group's Management. Information on the useful life of assets is disclosed in *Notes 2.9, 2.10 and 2.11*.

No changes in the defined useful life and residual values of property, plant and equipment, and of investment property have been made in 2020.

2.32.9. Actuarial valuations

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

2.32.10. Deferred tax assets

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

Based on this approach, the Management has decided to recognise a deferred tax asset for the tax loss that is to be carried forward in the amount of BGN 520 thousand at 31.12.2020 (31.12.2019: BGN 231 thousand) in so far as the conducted estimates and forecasts provide a level of certainty that the Group will be able to generate sufficient taxable profits over the next five years against which the tax loss, incurred in prior periods, to be utilised (*Notes №0 and 1.20*).

2.32.11. Impairment of goodwill

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

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

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

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

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

2.32.12. Leases

Determining whether a contract contains lease or lease elements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.32.13. Events after the reporting period

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

Two types of events are distinguished:

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

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

The Group does not adjust the amounts, recognised in the consolidated financial statements, to reflect non-adjusting events after the reporting period. When the non-adjusting events after the reporting period are so significant that their non-disclosure would affect the ability of the users of the consolidated financial statements

to make economic decisions, the Group discloses the following information for each significant category of non-adjusting events:

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

2.32.14. COVID-19 pandemic

The COVID-19 pandemic and its economic effects create uncertainty and risks that will continue to have an impact in the foreseeable future. In 2020, the Group has been acting promptly and decisively to protect its employees, the company and its financial situation. Despite the second wave of the pandemic, the Group's activities in the "Construction" sector remain stable. The Group does not believe that COVID-19 pandemic will affect its ability to operate in future; in other words, the Group is still considered to be a going concern.

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

1. Statement of Financial Position

1.1. Property, plant and equipment

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2018	**17 257**	**12 752**	**6 842**	**63 628**	**29 698**	**4 721**	**2 662**	**137 560**
Effects of changes	**-**	**1 443**	**-**	**-**	**352**	**1**	**-**	**1 796**
Revalued balance as at 01.01.2019	**17 257**	**14 195**	**6 842**	**63 628**	**30 050**	**4 722**	**2 662**	**139 356**
Additions	3 830	681	539	4 025	828	153	1 172	11 228
Disposals	-	-	(364)	(3 194)	(392)	(163)	(798)	(4 911)
Additions under business combinations	51	31	5	72	52	-	14	225
Disposals under business combinations	-	-	-	-	(4)	-	-	(4)
Effects of foreign currency translations	16	43	20	(3)	23	18	-	117
Transfer of assets	(9)	(264)	-	-	-	-	-	(273)
Balance as at 31.12.2019	**21 145**	**14 686**	**7 042**	**64 528**	**30 557**	**4 730**	**3 050**	**145 738**
Additions	1	720	144	892	1 217	29	6 426	9 429
Disposals	(2 717)	(16)	(319)	(1 675)	(2 254)	(292)	(4 587)	(11 860)
Effects of foreign currency translations	1	(1)	(26)	20	(34)	(11)	-	(51)
Balance as at 31.12.2020	**18 430**	**15 389**	**6 841**	**63 765**	**29 486**	**4 456**	**4 889**	**143 256**
Depreciation								
Balance as at 31.12.2018	**-**	**1 982**	**3 344**	**34 306**	**20 227**	**3 245**	**-**	**63 104**
Additions	-	484	651	2 316	1 526	474	-	5 451
Disposals	-	-	(42)	(220)	(257)	(82)	-	(601)
Additions under business combinations	-	15	2	63	53	-	-	133
Disposals under business combinations	-	-	-	-	(3)	-	-	(3)
Effects of foreign currency translations	-	10	9	9	1	13	-	42
Balance as at 31.12.2019	**-**	**2 491**	**3 964**	**36 474**	**21 547**	**3 650**	**-**	**68 126**
Additions	-	574	573	2 395	1 647	376	-	5 565
Disposals	-	(61)	(200)	(766)	(1 672)	(545)	-	(3 244)
Effects of foreign currency translations	-	1	(27)	(4)	(8)	(16)	-	(54)
Balance as at 31.12.2020	**-**	**3 005**	**4 310**	**38 099**	**21 514**	**3 465**	**-**	**70 393**
Net book value								
Net book value as at 31.12.2019	**21 145**	**12 033**	**3 078**	**28 054**	**9 010**	**1 080**	**3 212**	**77 612**
Net book value as at 31.12.2020	**18 430**	**12 384**	**2 531**	**25 666**	**7 972**	**991**	**4 889**	**72 863**

- The presented values of property, plant and equipment at 31.12.2020 and 31.12.2019 include land and buildings, owned by the subsidiary "Trace Serbia" AD (JSC), for which the entity has title documents. In

accordance with the Act on Legalisation of the Sites of the Republic of Serbia, dated 2015, these real estates are subject to legitimation / legalisation. Pursuant to this Act, sites that have been built without a use permit are granted such a permit after the completion of the procedure for obtaining one. This use permit is submitted to the Real Estate Cadastre. Pursuant to the Land Conversion Act, effective as of July 2015, and the official instructions of the State Administration in early 2016, the entity has submitted requests for conversion of the owned by it land. According to these procedures, "Trace Serbia" AD (JSC) has legalised part of its sites in the period 2015-2019 and has filled applications for the remaining sites. These applications are currently being processed. Buildings / land with carrying amounts of BGN 3 185 thousand and BGN 5 488 thousand, respectively, have not been legalised and / or converted as at 31.12.2020.

- Leased / Right-of-use assets are disclosed in *Note №1.16 Leases*

- The presented values of non-current tangible assets at 31.12.2020 include fully depreciated buildings, plant, machinery and equipment, transport vehicles and other assets with book values: BGN 34 thousand, BGN 506 thousand, BGN 7 581 thousand, BGN 6 0056 thousand and BGN 2 152 thousand, respectively that are used in activities of the Group.

- The presented values of non-current tangible assets at 31.12.2020 include land, buildings, plant, machinery and equipment, transport vehicles, others and cost to acquire non-current tangible assets with book values: BGN 5 222 thousand, BGN 6 867 thousand, BGN 2 109thousand, BGN 14 708 thousand, BGN 3 541 thousand, BGN 0 thousand and BGN 1 157 thousand, respectively that have mortgages and pledges in favour of commercial banks under loan agreements and issued bank guarantees.

- The capitalised costs at year-end include:
    - Costs of non-commissioned properties, amounting to BGN 3 334 thousand (including such located in Sofia, amounting to BGN 1 500 thousand;
    - BGN 1 095 thousand – costs incurred for the construction of an office and residential building;
    - BGN 179 thousand – costs of ERP software under construction; and
    - BGN 281 thousand – others;

1.2. Investment property

	Land	Buildings	Total
Book value			
Balance as at 31.12.2018	**4 325**	**2 591**	**6 916**
Additions	49	284	333
Disposals	(37)	(279)	(316)
Transfer of assets	9	264	273
Balance as at 31.12.2019	**4 346**	**2 860**	**7 206**
Additions	857	76	933
Disposals	(317)	(248)	(565)
Balance as at 31.12.2020	**4 886**	**2 688**	**7 574**
Depreciation			
Balance as at 31.12.2018	**-**	**66**	**66**
Additions	-	252	252
Disposals	-	(118)	(118)
Balance as at 31.12.2019	**-**	**200**	**200**
Additions	-	245	245
Disposals	-	(39)	(39)
Balance as at 31.12.2020	**-**	**406**	**406**
Net book value			
Net book value as at 31.12.2019	**4 346**	**2 660**	**7 006**
Net book value as at 31.12.2020	**4 886**	**2 282**	**7 168**

- Investment property refers to agricultural land, landed properties, buildings and the adjoining them land, specifically detached parts of buildings for independent use, intended for long-term rental to related entities and third parties.
- The presented values of investment property at 31.12.2020 include land and buildings with carrying amount of BGN 3 217 thousand and BGN 2 130 thousand, respectively, which have mortgages and pledges in favour of commercial banks under loan agreements and issued bank guarantees.

1.3. Intangible assets

	Rights	Software	Other assets	Total
Book value				
Balance as at 31.12.2018	**2 242**	**247**	**137**	**2 626**
Additions	-	356	-	356
Disposals	-	(9)	(31)	(40)
Effects of foreign currency translations	2	(3)	-	(1)
Balance as at 31.12.2019	**2 244**	**591**	**106**	**2 941**
Additions	7	39	-	46
Disposals	(14)	(8)	-	(22)
Effects of foreign currency translations	-	(6)	-	(6)
Balance as at 31.12.2020	**2 237**	**616**	**106**	**2 959**
Amortisation				
Balance as at 31.12.2018	**942**	**204**	**82**	**1 228**
Additions	106	27	12	145
Disposals	-	(9)	(31)	(40)
Effects of foreign currency translations	1	1	-	2
Balance as at 31.12.2019	**1 050**	**222**	**63**	**1 335**
Additions	110	88	9	207
Disposals	(11)	(7)	-	(18)
Effects of foreign currency translations	-	(5)	(2)	(7)
Balance as at 31.12.2020	**1 149**	**298**	**70**	**1 517**
Net book value				
Net book value as at 31.12.2019	**1 194**	**369**	**43**	**1 606**
Net book value as at 31.12.2020	**1 088**	**318**	**36**	**1 442**

1.4. Non-current financial assets

Non-current financial assets	31.12.2020	31.12.2019
Financial assets measured at amortised cost	-	8
Financial assets measured at fair value through OCI	10	11
Total	**10**	**19**

1.4.1. Loans and receivables – non-current

Type	31.12.2020	31.12.2019
Loans	-	8
Total	**-**	**8**

1.4.1.1. Loans – non-current

Type	31.12.2020	31.12.2019
Loan receivables from unrelated parties (net)		
Loan receivables from unrelated parties	-	10
Impairment of loan receivables from unrelated parties	-	(2)
Total	**-**	**8**

1.4.2. Financial assets measured at fair value through OCI

Type	31.12.2020	31.12.2019
Non-controlling stake in the capital of other entities	10	11
Total	**10**	**11**

Non-controlling stake in the capital of other entities

Type	31.12.2020		31.12.2019	
	Volume	Amount	Volume	Amount
GCF-SK-13-Trace Railinfra Consortium JSC, in liquidation	20%	10	20%	10
Srpska Voda (Transl. Serbian Water), Belgrade, in liquidation		-		1
Total		**10**		**11**

- These assets are presented at cost in the Statement of Financial Position as at 31.12.2020 and 31.12.2019.
- The initiation of liquidation proceedings for "GCF-SK-13-Trace Railinfra Consortium" JSC was entered in the Commercial Registry on 26.11.2018. Eduardo Rossi was appointed as the entity's liquidator. "GCF-SK-13-Trace Railinfra Consortium" JSC was established in connection to a contract for an awarded public tender, executed by "GCF-SK-13-Trace Railinfra" – a Company under the Law on Obligations and Contracts
- The liquidation proceedings for Srpska Voda (Transl. Serbian Water), Belgrade have been concluded and the entity was deleted from the Central Registry of the Republic of Serbia at year-end.

1.5. Investments, carried under the equity method

Investments, carried under the equity method	31.12.2020	31.12.2019
Investments in associates	410	1
Investments in joint ventures	-	24
Total	**410**	**25**

1.5.1. Investments in associates

Investments	31.12.2020		31.12.2019	
	Volume	Amount	Volume	Amount
Redko Trace International	-	-	49%	83
Redko Trace International – impairment	-	-	-	(83)
Voden Proekt (transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	34%	1	34%	1
G T Trans BG LTD	36,75%	409	36,75%	-
Total		**410**		**1**

- The Group measures investments in associates under the equity method.
- The Group disposed its investment "Redko Trace International", Qatar, on 14.01.2020. The disposal was concluded through the sale of the entity holding the investment, namely: "Trace International" LTD.

The modifications in investments in associates are presented hereafter:

Indicators	Voden Proekt (Transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	G T Trans BG LTD
Carrying amount at the beginning of the period	**1**	**-**
Share in the current period's profit / loss	-	513
Less accumulated losses	-	(104)
Sale of shares	-	-
Carrying amount at year-end	**1**	**409**

Summarised financial information on associates as at 31.12.2020

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

Summarised financial information on associates as at 31.12.2019

Indicators	Voden Proekt (Transl. Water Project) Stara Zagora – a Company under the Law on Obligations and Contracts	Redko Trace International LTD
Current assets	-	11
Non-current assets	-	11
Current liabilities	-	8
Revenue	-	-
Profit / (loss) from continuing operations	-	-
Total comprehensive income	-	-

1.5.2. Investments in joint ventures

Investments in joint ventures	31.12.2020	31.12.2019
Investments in joint ventures	-	24
Total	**-**	**24**

Investments in joint ventures under the equity method

Investments	31.12.2020		31.12.2019	
	Volume	Amount	Volume	Amount
Trace – M Invest, Germany	-	-	50%	24
Total		**-**		**24**

- The Group measures investments in joint ventures under the equity method.
- "Trace Group Hold" PLC concluded a contract for the sale of its investment in the joint venture "Trace – M Invest" on 16.07.2020. The entity was registered on 08.09.2017 with principal place of business in Germany. The principal activity of the entity relates to infrastructure construction and high-rise construction. The joint venture has not engaged in any activities until the disposal date.

1.6. Non-current trade receivables

Type	31.12.2020	31.12.2019
Contract receivables from contracts with customers (net)	**2 097**	**1 140**
Contract receivables from contracts with customers	2 157	1 140
Impairment of contract receivables from contracts with customers	(60)	-
Total	**2 097**	**1 140**

- Retention bonds under construction contracts that are expected to be realised in more than 12 months after the end of the reporting period are presented as non-current trade receivables.
- Retention bonds under construction contracts, amounting to BGN 1 794 thousand (2019: BGN 543 thousand), are included under the presented contract receivables from contracts with customers at year-end.
- The modification in the adjustment for impairment of contract receivables from contracts with customers is disclosed in detail in *Note №1.11*.

1.7. Other non-current receivables and assets

Type	31.12.2020	31.12.2019
Guarantees issued and deposits placed	1 098	248
Advance payments	186	-
Receivables from CCB AD (insolvent)	-	5 349
Impairment of receivables from CCB AD (insolvent)	-	(5 349)
Total	**1 284**	**248**

- Non-current guarantees issued are cash collaterals on performance bonds, issued by banks for projects and sites with validity until 2036.
- The change in the adjustment for impairment of contract receivables from contracts with customers is disclosed in detail in *Note №1.11*.

1.8. Deferred tax assets

Temporary difference	31 December 2019		Disposed in the sale of a subsidiary		Modification in deferred tax in 2020				31 December 2020	
					Increase		Decrease			
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Deferred tax assets										
Impairment	17 462	1 744	(204)	(21)	391	40	(6 878)	(558)	10 771	1 205
Leave benefits	741	70	-	-	643	66	(724)	(72)	660	64
Loss	2 316	231	(426)	(42)	3 364	337	(52)	(6)	5 202	520
Income of individuals	623	64	-	-	412	42	(590)	(58)	445	48
Provisions	13 003	1 299	-	-	16 115	1 609	(7 135)	(715)	21 983	2 193
Long-term employee benefits	340	33	-	-	92	9	(17)	(1)	415	41
Intra-group profits	279	36	-	-	-	-	-	-	279	36
Right-of-use assets	192	19	-	-	2 086	210	(2 087)	(210)	191	19
Expired payables	402	40	(158)	(16)	-	-	-	-	244	24
Total assets:	**35 358**	**3 536**	**(788)**	**(79)**	**23 103**	**2 313**	**(17 483)**	**(1 620)**	**40 190**	**4 150**

- The probability that differences will have a reversal in the future and the ability of the Group to generate sufficient tax profit are taken into account when recognising deferred tax assets.
- Deferred tax assets in the amount of BGN 20 thousand (31.12.2019: BGN 115 thousand), relating to a taxable loss that was realised in the present year by the Group in Bulgaria and Moldova, has not been recognised at 31.12.2020.

1.9. Goodwill

Goodwill amounts to BGN 447 thousand at the time incurred and arises from the acquisition of 70% of the capital of "Vior Velika Morava" AD (JSC) – Belgrade, Serbia (merged into Trace Serbia, Serbia on 25.09.2019) from "Trace International" LTD in 2008.

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

1.10. Inventories

Type	31.12.2020	31.12.2019
Materials (net), including:	**7 623**	**7 723**
Direct materials	5 808	4 853
Spare parts	893	1 379
Fuel, oil and lubricants	770	902
Ancillary materials	110	110
Other materials	42	46
Road signs	-	433
Output (net)	**1 309**	**1 017**
Output	1 309	1 017
Goods (net)	**355**	**34**
Goods	355	34
Work in progress (net)	**735**	**-**
Work in progress	735	-
Total	**10 022**	**8 774**

1.11. Current trade receivables

Type	31.12.2020	31.12.2019
Receivables from related parties outside the Group (net)	**3 861**	**10 573**
Contract receivables from contracts with customers	3 905	10 582
Impairment of contract receivables from contracts with customers	(161)	(157)
Contract assets from contracts with customers	111	131
Advance payment receivables	6	-
Operating lease receivables	-	3
Impairment of operating lease receivables	-	(3)
Other trade receivables	-	17
Contract receivables from contracts with customers (net)	**63 951**	**86 277**
Contract receivables from contracts with customers	69 271	92 096
Impairment of contract receivables from contracts with customers	(5 320)	(5 819)
Contract assets from contracts with customers (net)	**21 067**	**15 158**
Contract assets from contracts with customers	21 067	15 158
Advance payment receivables (net)	**13 423**	**4 200**
Advance payment receivables	14 465	4 806
Impairment of advance payment receivables	(1 042)	(606)
Operating lease receivables (net)	**11**	**58**
Operating lease receivables	11	58
Other trade receivables (net)	**1 957**	**975**
Other trade receivables	2 197	1 283
Impairment of trade receivables	(240)	(308)
Total	**104 270**	**117 241**

▪ Retention bonds under construction contracts, amounting to BGN 614 thousand and BGN 1 064 thousand, respectively, are included in the disclosed contract receivables from contracts with customers – related parties and contract receivables from contracts with customers at year-end (2019: BGN 5 346 thousand and BGN 14 633 thousand).

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

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

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

	Amount	Relative share
Up to 60 days	60 471	63%
61 – 120 days	16 187	17%
121 – 180 days	6 477	7%
181 – 360 days	5 930	6%
Over 360 days	7 270	8%
Impairment	(5 721)	-
Total	**90 614**	**100%**

▪ A significant portion of the overdue receivables arise from budgetary funds managers. The Group's policy is to accrue, invoice and collect additional default interest on some of the overdue receivables, which to fully compensate the delay in payments and incurred costs / losses. Such default interest is accrued, invoiced and collected both through special agreements for the respective debtor and through lawsuits.

▪ The Group has applied the simplified approach of IFRS 9 for measuring the expected credit losses on trade receivables, recognising thus the expected credit losses for the entire term of the instrument for all trade receivables (*Note №2.16.1.4*) in 2020. By using this basis, the loss allowance at 31 December 2020 and 31 December 2019 is determined as follows:

Modifications of loss allowance

Type	31.12.2019	Modification in 2020			31.12.2020
		Increase	Decrease	Transfer / others	
Impairment of contract receivables from contracts with customers	(5 976)	(325)	146	614	(5 541)
Impairment of advance payment receivables	(606)	-	18	(454)	(1 042)
Impairment of operating lease receivables	(3)	-	-	3	-
Impairment of other trade receivables	(308)	-	1	67	(240)
Impairment of other receivables and assets	(155)	-	-	1	(154)
Impairment of litigation receivables	(1 375)	(2)	29	492	(856)
Impairment of financial assets leases	(323)	(15)	101	85	(152)
Impairment of cash and cash equivalents	(25)	(105)	19	1	(110)
Impairment of receivables from CCB	(5 349)	-	325	5 024	-
Total	**(14 120)**	**(447)**	**639**	**5 833**	**(8 095)**

1.12. Other current trade receivables and assets

Type	31.12.2020	31.12.2019
Receivables from related parties outside the Group (net)	**1**	**1**
Dividend receivables	1	1
Other receivables	72	72
Impairment of other receivables and assets	(72)	(72)
Litigation receivables (net)	**843**	**491**
Litigation receivables	1 699	1 866
Impairment of litigation receivables	(856)	(1 375)
Social insurance receivables	**43**	**1**
Social insurance	43	1
Other current receivables	**7 264**	**1 322**
Guarantees issued and deposits placed	501	254
Advance payments	1 236	739
Insurance receivables	17	14
Restricted cash	4 746	-
Tax receivables in a subsequent tax period	-	52
Other receivables	846	346
Impairment of other receivables	(82)	(83)
Recoverable taxes	**1 209**	**2 577**
Value Added Tax	1 146	2 534
Corporate Income Tax	61	40
Other taxes	2	3
Total	**9 360**	**4 392**

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

- The restricted cash include BGN 441 thousand seized in connection with an enforcement case and BGN 4 305 thousand seized under current accounts as additional collateral on bank guarantees / counter-guarantees issued with validity until the bank's release of its commitments.

- Modifications the adjustment for impairment of contract receivables under contracts with customers is disclosed in *Note №1.11*.

1.13. Current financial assets

Current financial assets	31.12.2020	31.12.2019
Financial assets measured at amortised cost	702	1 492
Total	**702**	**1 492**

1.13.1. Financial assets measured at amortised cost

Type	31.12.2020	31.12.2019
Loans	540	1 335
Bearer security	162	157
Total	**702**	**1 492**

- On 23.07.2019, the Group acquired bearer security with nominal of EUR 100 thousand and purchase price of EUR 78 thousand, with the fixed interest rate being of 2,5% per annum. Payments of interest (amounting to

BGN 10 thousand) on the bearer security are due currently every year and payments of the principal (amounting to BGN 152 thousand) – in 2023. The seller has the option to repurchase the bearer security by a deferred payment.

1.13.1.1. Loans – current

Type	31.12.2020	31.12.2019
Loan receivables from related parties outside the Group (net)	**-**	**1 310**
Loan receivables from related parties outside the Group	-	1 384
Interest receivables, accrued under loans from related parties outside the Group	25	52
Impairment of loan receivables from related parties outside the Group	(25)	(126)
Loan receivables from unrelated parties (net)	**540**	**25**
Loan receivables from unrelated parties	645	124
Interest receivables, accrued under loans from unrelated parties	22	13
Impairment of loan receivables from unrelated parties	(127)	(112)
Total	**540**	**1 335**

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

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

Balance of loans to unrelated parties at 31.12.2020

Borrower	Current portion at amortised cost	
	Principal	Interest
Todorov AD	81	-
Todorov AD – impairment	(81)	-
FC Vereya NGO	7	-
FC Vereya NGO	17	7
FC Vereya NGO – impairment	(24)	(7)
Road Safety Bulgarian Branch Association	10	-
Road Safety Bulgarian Branch Association – impairment	(2)	-
BTF Association	80	5
FK Dinamo Vranja	-	8
FK Dinamo Vranja – impairment	-	(8)
Smart Build Digital EOOD (LTD)	450	2
Smart Build Digital EOOD (LTD) – impairment	(5)	-
Total	**533**	**7**

▪ *Modifications* in the adjustment for impairment of contract receivables from contracts with customers is disclosed in *Note №1.11*.

1.14. Cash and cash equivalents

Type	31.12.2020	31.12.2019
Cash in hand	**39**	**53**
Denominated in Bulgarian Lev (BGN)	31	45
Denominated in foreign currencies	8	8
Cash at bank (in current accounts)	**40 133**	**32 080**
Denominated in Bulgarian Lev (BGN)	21 237	25 179
Denominated in foreign currencies	18 896	6 901
Cash equivalents	**76**	**107**
Receivables from employees	76	107
Other cash equivalents	-	-
Restricted cash	**216**	**632**
Current deposits	**113**	**113**
Impairment of cash	**(110)**	**(25)**
Total	**40 467**	**32 960**

▪ Pursuant to the conducted analysis and the applied methods to measure the estimated credit losses on cash and cash equivalents, the Management has determined that it is necessary to impair the cash and cash equivalents by BGN 110 thousand at the end of the reporting period.

▪ Restricted cash include BGN 216 thousand under a specially created account in connection to a concession received.

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

Type	31.12.2020	31.12.2019
Cash and cash equivalents in the Consolidated Statement of Financial Position	**40 467**	**32 960**
Impairment of cash	110	25
Cash and cash equivalents in the Consolidated Statement of Cash Flows	**40 467**	**32 960**

1.15. Equity

1.15.1. Share capital

Type of shares	31.12.2020			31.12.2019		
	Number of shares	Value	Nominal	Number of shares	Value	Nominal
Ordinary						
Repurchased and paid	24 200 000	24 200 000	1	24 200 000	24 200 000	1
Redeemed (treasury) shares	(6 279)	(21 084)	3,36	(3 977)	(15 955)	4,02
Total:	**24 193 721**	**24 178 916**		**24 196 023**	**24 184 005**	

Shareholder	31.12.2020				31.12.2019			
	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%	16 205 831	16 205 831	16 205 831	66.97%
Desislava Lyubenova	1 202 056	1 202 056	1 202 056	4.97%	1 202 056	1 202 056	1 202 056	4.97%
Manol Denev	-	-	-	-	33 941	33 941	33 941	0.14%
Boyan Delchev	-	-	-	-	10 068	10 068	10 068	0.04%
Rositsa Dineva – Georgieva	-	-	-	-	7 100	7 100	7 100	0.03%
Other shareholders	4 536 910	4 536 910	4 536 910	18.74%	4 559 027	4 559 027	4 559 027	18.84%
Trace Group Hold PLC – treasury shares at cost	6 279	6 279	6 279	0.03%	3 977	3 977	3 977	0.02%
Total	**24 200 000**	**24 200 000**	**24 200 000**	**X**	**24 200 000**	**24 200 000**	**24 200 000**	**X**
Trace Group Hold PLC – treasury shares at cost	(6 279)	(21 084)	(21 084)		(3 977)	(15 955)	(15 955)	
Total:	**24 193 721**	**24 178 916**	**24 178 916**	**100%**	**24 196 023**	**24 184 005**	**24 184 005**	**100%**

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

1.15.2. Share premium

Share premium, amounting to BGN 21 739 thousand at year-end, is formed from the capital, issued by the Parent in 2007 (BGN 21 763 thousand) and from the issue and repurchase of treasury shares within the period and until 31.12.2020 (BGN 24 thousand).

1.15.3. Translation reserve

Translation reserve from the translation of foreign activities into the presentation currency, amounting to BGN 191 thousand (loss), is formed from foreign exchange gains / (losses) arising in the translation of the financial statements of the foreign-based entities from their functional currency to the presentation currency of the Group.

1.15.4. Reserves

	General reserve	Other reserve	Total reserve
Reserves as at 31.12.2018	**2 420**	**66 969**	**69 389**
Decreased by:	**-**	**(13 501)**	**(13 501)**
Covering losses	-	(13 389)	(13 389)
Others	-	(112)	(112)
Reserves as at 31.12.2019	**2 420**	**53 468**	**55 888**
Increased by:	**-**	**18 538**	**18 538**
Transfer of profits	-	18 478	18 478
Others	-	60	60
Reserves as at 31.12.2020	**2 420**	**72 006**	**74 426**

▪ Statutory reserves, amounting to BGN 2 420 thousand (31.12.2019: BGN 2 420 thousand), are formed from profit distribution of the parent and fully include the amounts for the "General reserve" Fund.

▪ Other reserves, amounting BGN 72 006 thousand (31.12.2019: BGN 53 468 thousand), are formed from profit distribution and other changes in the entities within the Group, and fully include the amounts for the "General Reserve" Fund.

1.15.5. Financial result

Financial result	Value
Profit as at 31.12.2018	**(2 247)**
Increased by:	**20 457**
Profit for the financial reporting 2019	18 422
Profit and reserves, used to cover losses	2 012
Others	23
Profit as at 31.12.2019	**18 210**
Increased by:	**12 365**
Profit for the financial reporting 2020	12 284
Actuarial gains and losses	81
Decreased by:	**(18 584)**
Allocation of profits to reserves	(18 478)
Others	(106)
Profit as at 31.12.2020	**11 991**
Loss as at 31.12.2018	**(11 377)**
Decreased by:	**-**
Profit and reserves, used to cover losses	11 377
Loss as at 31.12.2019	**-**
Financial result as at 31.12.2018	**(13 624)**
Financial result as at 31.12.2019	**18 210**
Financial result as at 31.12.2020	**11 991**

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

▪ The undistributed profit at 31.12.2020 amounts to BGN 11 991 thousand (31.12.2019: BGN 18 210 thousand) and it includes and the recognised accumulated actuarial loss of BGN (293) thousand, recognised in the subsequent valuations of the defined retirement benefit plans pursuant to the amendment in IAS 19 – Pension and other income of employees.

Net earnings per share	2020	2019
Weighted average number of shares	24 194 266	24 128 022
Net profit for the year, referring to the owners of the equity of the parent	12 254	18 303
Net earnings per share (Bulgarian Lev)	0,51	0,76

1.16. Leases

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

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

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

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

1.16.1. The Group as a lessee

Right-of-use assets (operating lease and finance lease) are included in the Property, plant and equipment as at 31.12.2020, as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2018	**-**	**-**	**-**	**3 878**	**2 529**	**-**	**-**	**6 407**
Effects of application of IFRS 16	-	1 443	-	-	337	16	-	1 796
Revalued balance as at 01.01.2019	**-**	**1 443**	**-**	**3 878**	**2 866**	**16**	**-**	**8 203**
Additions	-	4	-	989	474	-	-	1 467
Disposals	-	-	-	(679)	(162)	(16)	-	(857)
Balance as at 31.12.2019	**-**	**1 447**	**-**	**4 188**	**3 178**	**-**	**-**	**8 813**
Additions	-	-	-	598	307	150	-	1 055
Disposals	-	(128)	-	(817)	(1 132)	-	-	(2 077)
Effects of foreign currency translations	-	-	-	-	-	-	-	-
Balance as at 31.12.2020	**-**	**1 319**	**-**	**3 969**	**2 353**	**150**	**-**	**7 791**
Depreciation								
Balance as at 31.12.2018	**-**	**-**	**-**	**419**	**660**	**-**	**-**	**1 079**
Additions	-	331	-	241	458	-	-	1 030
Disposals	-	-	-	(142)	(108)	-	-	(250)
Balance as at 31.12.2019	**-**	**331**	**-**	**518**	**1 010**	**-**	**-**	**1 859**
Additions	-	314	-	317	252	5	-	888
Disposals	-	(116)	-	(282)	(538)	-	-	(936)
Effects of foreign currency translations	-	-	-	-	-	-	-	-
Balance as at 31.12.2020	**-**	**529**	**-**	**553**	**724**	**5**	**-**	**1 811**
Net book value								
Net book value as at 31.12.2019	**-**	**1 116**	**-**	**3 670**	**2 168**	**-**	**-**	**6 954**
Net book value as at 31.12.2020	**-**	**790**	**-**	**3 416**	**1 629**	**145**	**-**	**5 980**

1.16.2. Right-of-use assets

Right-of-use assets (operating lease) are included in the Property, plant and equipment as at 31.12.2020, as follows:

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2020	**-**	**1 319**	**-**	**-**	**338**	**-**	**-**	**1 657**
Depreciation								
Balance as at 31.12.2020	**-**	**529**	**-**	**-**	**155**	**-**	**-**	**684**
Book value								
Balance as at 31.12.2020	**-**	**790**	**-**	**-**	**183**	**-**	**-**	**973**

1.16.3. Lease payables

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

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

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

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

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

1.16.4. Amounts in the Statement of Profit or Loss

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

Type of expense	31.12.2020	31.12.2019
Depreciation cost of "right-of-use assets"	888	1 030
Interest and fees on lease payables	101	140
Short-term lease costs	267	605
Expenses, related with low-value leased assets	63	98
Total	**1 319**	**1 873**

1.16.5. Other information

The Group has obligations under leases (right-of-use assets), amounting to BGN 1 657 thousand, as at 01.01.2020. These are only the capitalised rents that the Group has recognised as right-of-use assets and as lease payables, respectively.

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

	31.12.2020	31.12.2019
Short-term leases	419	419
Leases of low-value assets	84	84
Total	**503**	**503**

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

The total cash outflow for leases amounts to BGN 2 305 thousand in 2020 (2019: BGN 3 697 thousand).

1.16.6. The Group as a lessor

Operating lease

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

	Land	Buildings	Plant	Machinery and equipment	Transport vehicles	Other assets	Capitalised costs	Total
Book value								
Balance as at 31.12.2019	**7**	**23**	**129**	**366**	**116**	**1**	**-**	**642**
Balance as at 31.12.2020	**19**	**72**	**1**	**566**	**165**	**37**	**-**	**860**
Depreciation								
Balance as at 31.12.2019	**-**	**10**	**50**	**191**	**108**	**1**	**-**	**360**
Balance as at 31.12.2020	**-**	**30**	**1**	**462**	**160**	**31**	**-**	**684**
Net book value								
Net book value as at 31.12.2019	**7**	**13**	**79**	**175**	**8**	**-**	**-**	**282**
Net book value as at 31.12.2020	**19**	**42**	**-**	**104**	**5**	**6**	**-**	**176**

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

Type of expense	31.12.2020	31.12.2019
Revenue from fixed lease payments under operating leases	485	537
Including revenue from leases of right-of-use assets (as per IFRS 16)	*22*	*28*

1.17. Non-current financial liabilities

Non-current financial liabilities	31.12.2020	31.12.2019
Lease payables	2 281	2 939
Financial liabilities measured at amortised cost	2 934	3 914
Total	**5 215**	**6 853**

1.17.1. Lease payables – non-current

Type	31.12.2020	31.12.2019
Lease payables to related parties outside the Group	541	799
Lease payables to unrelated parties	1 740	2 140
Total	**2 281**	**2 939**

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

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

Type	31.12.2020	31.12.2019
Loan payables	2 934	3 914
Total	**2 934**	**3 914**

1.17.2.1. Loans – non-current

Type	31.12.2020	31.12.2019
Loan payables to financial institutions	2 934	3 914
Total	**2 934**	**3 914**

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

1.18. Non-current trade payables

Type	31.12.2020	31.12.2019
Supply payables	**1 066**	**5 308**
Total	**1 066**	**5 308**

- Retention bonds from subcontractors under construction contracts, amounting to BGN 1 060 thousand (2019: BGN 5 306 thousand) are presented as non-current supply payables to related and unrelated parties.

1.19. Non-current provisions

Type	31.12.2020	31.12.2019
Provisions for non-current employee benefits	576	570
Provisions for obligations under construction contracts	11 019	626
Provisions for reclamation obligations	248	-
Total	**11 843**	**1 196**

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

1.19.1. Provisions for long-term employee benefits

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

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

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

Type	31.12.2020	31.12.2019
Present value of the payable at the beginning of the period	**570**	**677**
Payable, recognised in the Balance Sheet at the beginning of the period	**570**	**677**
Interest expense	1	2
Current service cost	92	87
Other changes	34	-
Payments, conducted within the period	(39)	(174)
Actuarial profit, recognised within the period	(82)	(22)
Present value of the payable at year-end	**576**	**570**
Unrecognised actuarial profit / loss at year-end	**-**	**-**
Payable, recognised in the Balance Sheet at year-end	**576**	**570**

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 0,34% (2019: 0,68%) is used to determine the discounting factor. The assumption is based on data about the earnings of long-term government securities, with a 10-year maturity as average for the last two years, based on the information from the European Central Bank on Long-term Interest Rate for Convergence Purposes;
- The assumption for the future level of salaries and wages is based on the expected inflation of salaries and wages within the entity and amounts to 5% annual increase compared to the prior reporting period (2019: 5%);
- Mortality – based on the mortality table of NSI for the total mortality of the Bulgarian population for the period 2017 – 2019 (2019: 2016-2018);
- Early retirement due to illness / disability – the assumption that mortality and disability develop on the same pattern over time, that they have similar nature and are interrelated is made in determining the probability of disability. The stated hereabove mortality table, with an adjustment of 50% in the mortality probability, is used to determine disability obligations.
- Personnel turnover rate – based on the provided information on the personnel turnover and the historic data of the entity, the used in prior assessments probability of leaving or forthcoming redundancy with a normal distribution of NORMDIST (t; 10; 4; 1) has been revised and has been retained, where t- is time to retirement (in years);

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

The table below presents an elasticity analysis to the significant assumptions at 31.12.2020, 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 in Bulgaria.

Significant assumptions	Change	Effect	Effect %
Discounting rate	0,50%	-8	-4,46%
Discounting rate	-0,50%	8	4,71%
Personnel turnover, annually	-1	27	17,91%
Personnel turnover, annually	1	-28	-17,26%
Remuneration	1,00%	12	6,18%
Remuneration	-1,00%	-12	-6,18%
Change in the mortality probability	-10,00%	-9	-4,55%
Change in the mortality probability	10,00%	8	4,04%

The expected payments for retirement benefit payables are stated hereafter:

Term	Payable	Payment	Number
1	57	57	19
2	13	20	6
3	18	35	7
4	8	26	8
5	18	49	8
50	169	8 228	375

1.20. Deferred tax liabilities

Temporary difference	31 December 2019		Foreign exchange		Modification of deferred tax in 2020				31 December 2020	
					Increase		Decrease			
	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax	Temporary difference	Deferred tax
Deferred tax liabilities										
Amortisation	11 083	1 083	-	-	1 059	106	(2 612)	(290)	9 530	899
Intra-group profits	266	27	-	-	-	-	-	-	266	27
Total liabilities:	**11 349**	**1 110**	**-**	**-**	**1 059**	**106**	**(2 612)**	**(290)**	**9 796**	**926**

1.21. Other non-current payables and liabilities

Type	31.12.2020	31.12.2019
Deposit and guarantee payables	**926**	**72**
Concession payables	**758**	**834**
Other payables and liabilities	**606**	**-**
Total	**2 290**	**906**

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

1.22. Current financial liabilities

Type	31.12.2020	31.12.2019
Lease payables	1 339	1 661
Financial liabilities measured at amortised cost	1 006	1 426
Total	**2 345**	**3 087**

1.22.1. Lease payables – current

Type	31.12.2020	31.12.2019
Lease payables to related parties outside the Group	258	251
Lease payables to unrelated parties	1 081	1 410
Total	**1 339**	**1 661**

1.22.2. Financial liabilities measured at amortised cost

Type	31.12.2020	31.12.2019
(Obtained) Loan payables	1 006	1 426
Total	**1 006**	**1 426**

1.22.2.1. Loans – current

Type	31.12.2020	31.12.2019
Loan payables to financial institutions	980	1 424
Interest payables on loans from financial institutions	-	2
Loan payables to unrelated parties	26	-
Total	**1 006**	**1 426**

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

Bank / Creditor	Contracted loan amount	Interest %	Maturity	Securities / Guarantees
Eurobank Bulgaria AD	BGN 245 thousand	3m.RIR+3%	30.06.2021	Mortgage on real estate, pledge of receivables
UniCredit Bulgaria AD	BGN 13 000 thousand	1m.ADI+2.95%	02.02.2021	Mortgage on real estate, pledge of non-current tangible assets and receivables
DSK Bank AD (Expressbank AD)	EUR 401 thousand	1m. Euribor+2.25%	28.02.2021	Pledge of non-current tangible assets
UBB AD	BGN 900 thousand	1m.RIR+3.15%	20.10.2023	Mortgage on real estate, pledge of receivables
UBB AD	BGN 3 000 thousand	1m.RIR+2% for BGN /1m. Euribor+2.5% for EUR	30.09.2021	Mortgage on real estate, pledge of non-current tangible assets and receivables, co-debtor related party
DSK Bank AD	BGN 5 000 thousand	1m.Euribor+2.869% for BGN	25.06.2025	Mortgage on real estate, pledge of non-current tangible assets, pledge of receivables
UniCredit Bulgaria AD	EUR 500 thousand	2,7%	26.03.2021	Mortgage on real estate, corporate guarantee
DK Infra Invest EOOD (LTD)	BGN 75 thousand	3%	Up to 30 days post advance payment	None

Balance of loans obtained as at 31.12.2020, excluding related parties

Bank / Creditor	Current portion at amortised cost		Non-current portion at amortised cost	
	Principal	Interest	Principal	Interest
DSK Bank AD (Expressbank AD)	44	-	-	-
UBB AD	138	-	256	-
Eurobank Bulgaria AD	24	-	-	-
DSK Bank AD	774	-	2 678	-
DK Infra Invest EOOD (LTD)	26	-	-	-
Total	**1 006**	**-**	**2 934**	**-**

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

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

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

- Credit line 1, with a maximum credit amount (overdraft) of up to BGN 13 000 thousand at an interest rate of 1 m.ADI+2.95% and maturity 02.02.2021. No funds have been utilised under it as at 31.12.2020. The contract is secured by mortgages on real estate, pledge of non-current tangible assets and receivables. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees (counter-guarantees) letters of credit with a maximum amount of up to BGN 65 000 thousand. Commitments under the credit line and against cash amount to BGN 29 223 thousand as at 31.12.2020. Their maturity is on 03.09.2037. The commitment is disclosed in detail in *Note №3.6*.

- Credit line 2, with a maximum credit amount (overdraft) up to BGN 3 000 thousand at an interest rate of 1 m.RIR+2% for BGN / 1 m.Euribor+2.5 for EUR and maturity 30.09.2021. No funds have been utilised under it as at 31.12.2020. The contract is secured by mortgages on real estate, pledge of non-current tangible assets and receivables. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees with a maximum amount of up to BGN 17 000 thousand. Commitments under the credit line amount to BGN 5 137 thousand as at 31.12.2020. Their maturity is on 15.05.2023. The commitment is disclosed in detail in *Note №3.6*.

- Credit line 3, with a maximum credit amount (overdraft) up to BGN 978 thousand (EUR 500 thousand) at an interest rate of 2.7% and maturity 26.03.2021. No funds have been utilised under it as at 31.12.2020. The contract is secured by mortgages on real estate and movable property, corporate guarantee. A conditional bank credit has been agreed under the same credit line in connection with a credit commitment in the form of guarantees (counter-guarantees) letters of credit with a maximum amount of up to BGN 11 735 thousand (EUR 6 000 thousand). Commitments under the credit line amount to BGN 9 450 thousand (EUR 4 832 thousand) as at 31.12.2020. Their maturity is on 19.12.2022. The commitment is disclosed in detail in *Note №3.6*.

Changes in liabilities, arising from the financing activities

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

Liabilities, arising from financing activities	31.12.2019	Cash flow from financing activities		Changes of non-monetary nature – non-cash			31.12.2020
		Proceeds	Payments	New and accrued interest	Effect of changes in foreign exchange rates	Other changes	
Long-term bank loans	**3 914**	-	-	-	-	(980)	**2 934**
Short-term bank loans	**1 426**	2	(1 663)	231	-	984	**980**
Lease liabilities	**4 600**	-	(2 305)	981	-	344	**3 620**
Short-term trade loans	**-**	26	-	-	-	-	**26**
Total liabilities from financing activities:	**9 940**	**28**	**(3 968)**	**1 212**	**-**	**348**	**7 560**

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

1.23. Current trade payables

Type	31.12.2020	31.12.2019
Payables to related parties outside the Group	**1 798**	**8 762**
Supply payables	1 798	7 808
Contract liabilities from contracts with customers	-	861
Other trade payables	-	57
Supply payables	**47 045**	**78 888**
Contract liabilities from contracts with customers	**31 722**	**8 190**
Advances received payables	**1 132**	**1 565**
Other trade payables	**207**	**122**
Total	**81 904**	**97 91**

- Retention bonds under construction contracts, amounting to BGN 241 thousand and BGN 7 406 thousand, respectively (2018: BGN 363thousand and BGN 15 672 thousand) are included in the presented payables to related parties and supply payables at year-end.

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

1.24. Tax payables

Type	31.12.2020	31.12.2019
Value Added Tax	1 082	2 734
Corporate tax	2 579	2 184
Corporate tax – interest	35	-
Personal Income Tax	236	316
Withholding tax	-	33
Tax on expenses	7	19
Other taxes	13	90
Total	**3 952**	**5 376**

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

Entity	Complete tax audit	VAT audit	Social insurance legislation audit
Trace Group Hold PLC	31.12.2012	None	None
Trace BG LTD	None	None	None
Trace Yambol JSC	31.12.2014	31.12.2014	31.12.2014
Infra Commerce EOOD (LTD)	31.12.2015	None	None
USM JSC	31.12.2018	01.03.2016	None
Trace Properties LTD	None	None	None
Trace Svilengrad LTD	None	None	None
Aria Residence LTD	None	None	None
Trace Serbia (Serbia)	31.12.2017	31.12.2019	31.12.2017
Trace Build (Serbia)	None	None	None
Trace Company (Moldova)	None	None	None

- Tax audits on entities in Bulgaria are performed for a period of five years back as of the end of the year in which the tax return for the respective liability is submitted. The tax audit confirms the tax liability of the

respective entity – taxable person, except for the cases that are explicitly provided for in the law. Tax audits in Serbia review for a period of ten years.

1.25. Employee benefit payables

Type	31.12.2020	31.12.2019
Employee benefit payables	2 081	2 047
Including payables of unused compensated annual leaves (leave benefits)	528	629
Social insurance payables	689	602
Including payables of unused compensated annual leaves (leave benefits)	114	135
Payables to the key management personnel – remunerations	216	279
Payables to the key management personnel – social insurance	-	3
Payables under non-labour relations – remunerations	1	7
Total	**2 987**	**2 938**

1.26. Current provisions

Type	31.12.2020	31.12.2019
Provisions for legal obligations, including:	**8 347**	**9 430**
Provisions for obligations under litigations and lawsuits	-	245
Provisions for obligations under construction contracts	487	362
Provisions for obligations under building and construction works	7 411	7 873
Provisions for reclamation obligations	311	537
Provisions for other obligations	138	413
Total	**8 347**	**9 430**

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

Type of provisions	31.12.2019	Provisions, recognised within the period	Provisions, utilised within the period	Provisions, recovered / written off within the period	Other changes, including foreign exchange	31.12.2020
Provisions for obligations under building and construction works	**7 873**	10 311	(51)	(1 517)	(74)	**16 542**
Provisions for other payables	**413**	50	-	(324)	(1)	**138**
Provisions for obligations under construction contracts	**988**	1 646	(254)	(4)	(1)	**2 375**
Provisions for obligations under litigations and lawsuits	**245**	-	(245)	-	-	**-**
Provisions for reclamation obligations	**537**	22	-	-	-	**559**
Total:	**10 056**	**12 029**	**(550)**	**(1 845)**	**(76)**	**19 614**

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

Type	31.12.2020	31.12.2019
Non-current provisions	11 267	626
Current provisions	8 347	9 430
Total	**19 614**	**10 056**

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

1.27. Other current payables and liabilities

Type	31.12.2020	31.12.2019
Payables to related parties outside the Group	**372**	**1 931**
Deposit and guarantee payables	174	636
Including guarantees of the SB (Supervisory Board), MB (Managing Board), BD (Board of Directors)	174	634
Dividend payables	194	1 285
Other payables and liabilities	4	10
Deposit and guarantee payables	**507**	**322**
Concession payables	**115**	**143**
Dividend payables	**120**	**160**
Insurance payables	**98**	**55**
Other payables and liabilities	**114**	**386**
Total	**1 326**	**2 997**

▪ Bank guarantee payables, insurance payables and other costs under construction contracts, completed in 2019 and 2020, are included in the "other payables".

2. Statement of Profit or Loss

2.1. Revenue

2.1.1. Revenue from contracts with customers

Type of revenue	2020	2019
Revenue from construction contracts, including:	**198 283**	**285 760**
Revenue, recognised within the period	198 007	285 694
Including and by decreasing the opening balances of contract liabilities	*2 614*	*3 067*
Under already satisfied performance obligations	276	66
Revenue from sales of output (production), including:	**14 808**	**17 078**
Sales of asphalt mixtures	12 050	12 816
Sales of aggregates	2 247	3 876
Sales of road marking paints	495	297
Sales of road construction output	13	18
Sales of others	3	71
Revenue from sales of goods, including:	**8 270**	**9 283**
Sales of fuel and oil	4 267	3 611
Sales of road construction goods	2 181	1 556
Sales of goods for reinforced concrete structures	393	1 341
Sales of goods for winter maintenance	381	810
Sales of aggregates	339	108
Sales of other construction materials	12	28
Sales of machinery and equipment	-	723
Sales of goods for railway construction	-	953
Other goods	697	153
Revenue from sales of services, including:	**274**	**691**
Services with mechanisation	114	231
Transport services	61	77
Laboratory services	35	44
Consulting services	21	124
Geodetic services	2	-
Design services	-	4
Road marking	-	1
Work completed with materials, supplied by the client	-	131
Other services	41	79
Total	**221 635**	**312 812**

2.1.2. Other operating income / (loss)

Type of revenue	2020	2019
Payables written-off	786	760
Reversed provisions under contracts for building and construction works and other payables	485	939
Operating lease income	463	509
Unutilised provisions written-off	293	367
Reversed impairment of receivables	251	448
Writs and compensations awarded	199	5
Insurance claims received	93	75
Sales of industrial waste	52	11
Revenue from subleased of right-of-use assets	22	28
Surplus inventories	18	-
Penalties	-	83
Other revenue (net)	270	406
Revenue from sales of materials	**69**	**161**
Revenue from sales of materials	602	1 651
Carrying amount of materials sold	(533)	(1 490)
Gains / (Losses) on disposals of non-current assets	**(1 745)**	**46**
Gains on disposals of non-current assets	598	371
Carrying amount of disposed assets	(2 343)	(325)
Gains / (Losses) on reversed lease transactions	**-**	**-**
Gains on disposals of non-current assets	-	89
Carrying amount of disposed assets	-	(89)
Grants, including:	**1 181**	**-**
Revenue grants	1 181	-
Total	**2 437**	**3 838**

▪ The Group has recognised payments from Governments under "Grants". The Group has benefited from certain financial support schemes provided by the governmental institutions in Bulgaria and Serbia in response to the COVID-19 pandemic and the Group has received by those governmental institutions BGN 270 thousand and BGN 911 thousand, respectively.

2.1.3. Finance income

Type of income	2020	2019
Interest income, including interest income accrued:	**443**	**282**
Under trade loans	9	10
Under deposits	5	-
Under trade receivables	290	267
Others	139	5
From transactions with financial instruments	**335**	**428**
Foreign exchange gains	**67**	**321**
Other finance income	**13**	**11**
Total	**858**	**1 042**

▪ "Transactions with financial instruments" include and the gains / (losses) on the disposal of a subsidiary and an associate, as well as the acquisition of a subsidiary that are disclosed in detail in *Notes № 3.8, 3.9 and 3.10*.

2.2. Expenses

2.2.1. Cost of materials

Type of expense	2020	2019
Direct materials	29 904	47 042
Fuel and lubricants	3 980	5 312
Spare parts and consumables	1 107	1 459
Electricity	576	822
Waste	294	417
Other overheads	163	70
Ancillary materials	103	255
Stationery and cleaning materials	95	102
Uniforms, protective equipment and medications	95	124
Road signs	80	437
Tires	72	374
Instruments and consumables	48	64
Materials for repairs of non-current tangible assets	47	32
Marketing materials	34	45
Water	25	46
Office equipment consumables	18	29
Natural gas	10	16
Heating	9	11
Tender documents	3	1
Other materials	110	124
Total	**36 773**	**56 782**

2.2.2. Cost of external services

Type of expense	2020	2019
Subcontractors under building and construction works	95 683	147 029
Transport services	3 692	7 228
Operating leases / Rent	2 779	6 141
Contract services	2 187	3 879
Consulting and other contracts	1 784	1 545
Security	1 546	1 714
Insurance	1 241	1 500
Taxes and fees	1 100	1 136
Design	1 026	1 244
Repairs and servicing of assets	975	1 178
Laboratory tests	914	995
Blasting works	602	987
Judicial services and legal services	590	788
Telecommunication and communication services	268	307
Storage fee	243	52
Audit	165	216
Concession fees	154	159
Advertising, ads	144	217
Custom services	90	110
Subscriptions	84	138
Geodetic services	53	54
Membership fee	42	47
Trainings, seminars	41	69
Accreditations, ISO, licences	21	31
Other external services	580	762
Total	**116 004**	**177 526**

- The accrued, within the year, amounts for services provided by registered auditors in the Group, are as follows:
  - The cost of statutory audits of the separate and consolidated annual financial statements for the year amount to BGN 20 thousand.
  - The cost of statutory audit of the annual financial statements of the entities within the Group for the year amounts to BGN 49 thousand.
  - Other services in the amount of BGN 35 thousand.

2.2.3. Depreciation and amortisation costs

Type of expense	2020	2019
Depreciation and amortisation of own assets	**5 129**	**4 818**
Non-current tangible assets for the (used in) the principal activity	4 000	3 919
Non-current intangible assets for the (used in) the principal activity	112	114
Non-current tangible assets for the (used in) administration	677	502
Non-current intangible assets for the (used in) administration	95	31
Investment property	245	252
Depreciation and amortisation of right-of-use assets	**888**	**1 030**
Non-current tangible assets for the (used in) the principal activity	313	687
Non-current tangible assets for the (used in) administration	575	343
Total	**6 017**	**5 848**

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

Expenses, incurred for:	2020	2019
Salaries and wages, including salaries and wages of:	**23 280**	**26 582**
Production personnel	14 771	17 314
Administrative personnel	8 509	9 268
Social insurance contributions, including contributions paid in respect of:	**3 542**	**4 264**
Production personnel	2 713	3 367
Administrative personnel	829	897
Including expenses of the key management personnel	**3 362**	**4 868**
Including expenses related to unused compensated leaves (leave benefits)	**124**	**(12)**
Total	**26 822**	**30 846**

2.2.5. Impairment losses

Type of expense	2020	2019
Loss on impairment of cash	105	29
Loss on impairment of inventories	9	33
Loss on impairment of receivables	327	1 963
Loss on impairment of financial assets	15	1
Total	**456**	**2 026**

2.2.6. Other costs

Type of expense	2020	2019
Provisions under contracts for building and construction works	11 954	5 992
Donations and grants	813	1 824
Receivables written-off	651	810
Cost of deficits and retirement	407	68
Social costs, presented in kind	306	364
Business trips	295	459
Entertainment expenses	182	599
Withholding tax expense	177	279
Provisions for other payables	143	514
Labour medicine	76	85
Penalties and fines	73	81
Expenses under Article 209 of CITA	62	166
Expense with no supporting documentation	24	142
Provisions for reclamation	22	38
Alternative tax cost	16	14
Interest expense and fees on state receivables	8	19
Interest expense on trade payables	5	-
Provisions for litigation proceedings	-	245
Other costs	72	324
Total	**15 286**	**12 023**

- The donations to the "Trace for People" Foundation amount to BGN 780 thousand for the period.
- Provisions for construction contracts / contracts for building and construction works include accrued expected forthcoming costs under construction contracts, including building and construction work payables in

the amount of BGN 10 131 thousand. The main portion of these amounts is an estimate of upcoming costs under construction contracts, which are to be incurred for completion of works and elimination of defect.

2.2.7. Allowances

Type of expenses	2020	2019
Carrying amount of disposed assets (net)	**6 995**	**8 654**
Carrying amount of disposed assets	6 995	8 654
Changes in the output inventories (net)	**(363)**	**157**
Changes in the output inventories	(363)	157
Total	**6 632**	**8 811**

2.2.8. Finance costs

Type of expenses	2020	2019
Interest expense, including interest expense incurred:	**334**	**473**
Under loans from financial institutions	115	166
Under leases	101	140
Under trade payables	44	128
Others	74	39
Expenses, related to bank guarantees	**506**	**521**
Losses from transactions in financial instruments	**6**	**-**
Foreign exchange losses	**174**	**235**
Other finance costs	**263**	**280**
Total	**1 283**	**1 509**

2.2.9. Share in associates and joint ventures

	2020	2019
Profit / (Loss) from associates, net	513	(733)
Profit / (Loss) from joint ventures, net	-	-
Total	**513**	**(733)**

- The joint venture "Trace – M Invest" (50%) has not engaged in any activities until 16.07.2020 when the contract for its sale was concluded.

Profit from joint ventures, net, include:

Associate	2020	2019
Share of the Group in the joint ventures' profit / (loss) for the current year	513	(733)
Total	**513**	**(733)**

Associate	2020	2019
Technostroy-Inzhenering 99 JSC (until its disposal)	-	(733)
GT Trans BG LTD	513	-
Total	**513**	**(733)**

2.2.10. Tax expenses

Type of expense	2020	2019
Corporate income tax	4 793	2 970
Others	(877)	315
Total	**3 916**	**3 285**

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

Consolidated Statement of Profit or Loss (profit and loss for the year)	2020	2019
Taxable profit / (loss) for the year of the entities within the Group	25 624	18 979
Taxable profit / (loss) for the year	**25 624**	**18 979**
Current income tax expense for the year – 10%, 15%	(4 793)	(2 972)
Deferred income tax	*877*	*(313)*
Occurrence and reversal of temporary difference	817	296
Prior period's tax expense and other changes	60	(609)
Total income tax expense, recognised in the Consolidated Statement of Profit or Loss	**(3 916)**	**(3 285)**

Reconciliation of the income tax expense, determined based on the consolidated accounting result	2020	2019
Accounting profit for the year	*23 037*	*22 833*
Current income tax expense for the year – 10%, 15%	(3 905)	(3 186)
From amounts, unrecognised in tax statements	*(11)*	*(99)*
Associated with increases	(883)	(1 110)
Associated with decreases	1 017	1 715
Prior period's tax expense and other changes	60	(591)
Amounts, in respect of which no deferred tax assets and written-off tax have been recognised	(205)	(113)
Total income tax expense, recognised in the Consolidated Statement of Profit or Loss	**(3 916)**	**(3 285)**

2.3. Statement of Comprehensive Income

Components	2020	2019
Other comprehensive income	**537**	**(85)**
Items that are not subject to subsequent reclassification in profit or loss, including:	**81**	**23**
Actuarial gains / (losses)	81	23
Items that are not subject to subsequent reclassification in profit or loss, including:	**456**	**(108)**
Translation of foreign activities	456	(108)
Other comprehensive income	**537**	**(85)**

3. Other disclosures

3.1. Construction contracts

The cumulative revenue under construction agreements for 2020 and the allocation – over time – of the remaining price under significant, incomplete construction contracts as at 31.12.2020, is as follows:

Contracts in progress	Revenue, recognised under the contract (cumulative)	Transaction price, allocated to the remaining performance obligations	Expected periods of recognition of the remaining transaction price			Changes in the expected (time) terms to satisfy the performance obligation	
			Up to 1 year	1 year – 2 years	Over 2 years	Initial term	Actual term
Contract 1	7 534	401	401	-	-	2019	2021
Contract 2	9 992	1 874	1 874	-	-	2018	2021
Contract 3	3 879	1 100	1 100	-	-	2019	2021
Contract 4	4 320	4 027	4 027	-	-	2020	2021
Contract 5	-	6 429	-	6 429	-	2018	2022
Contract 6	4 426	3 374	3 374	-	-	2019	2021
Contract 7	2 339	4 451	4 451	-	-	2020	2021
Contract 8	1 560	167	167	-	-	2020	2021
Contract 9	-	2 023	2 023	-	-	2020	2021
Contract 10	2 475	1 871	1 871	-	-	2021	2021
Contract 11	4 452	4 691	4 691	-	-	2021	2021
Contract 12	2 475	6 800	6 800	-	-	2021	2021
Contract 13	1 013	91 998	13 198	71 924	6 876	2023	2023
Contract 14	4 976	3 886	3 886	-	-	2020	2021
Total construction contracts	**49 442**	**133 091**	**47 863**	**78 352**	**6 876**	**-**	**-**

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

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

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

3.2. Related parties and related party transactions

The Group discloses the following related parties:

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

Associates

Technostroy-Inzhenering 99 JSC *until 18.04.2019*

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

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

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

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

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

Joint ventures

Trace-M Invest, Germany *until 16.07.2020*

Other related parties:

Entities, related through the principal shareholder

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

Entities, related through the key Management personnel

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

Entities in which the Group has joint or significant control

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

on Obligations and Contracts, RPM Kardzhali 2014 – a Company under the Law on Obligations and Contracts, PIM-T – a Company under the Law on Obligations and Contracts, Metro Stroitelstvo (transl. Metro Construction) – a Company under the Law on Obligations and Contracts – *until 14.11.2019*, Patno Poddarzhane (tranls. Road Maintenance) Bourgas 2014 – a Company under the Law on Obligations and Contracts, GCF SK-13 Trace Railinfra Cons. JSC (in liquidation proceedings), GCF SK-13 Trace Railinfra Consortium, Obedinenie Evropeyski Zheleznitsi (transl. European Railway Alliance) – a Company under the Law on Obligations and Contracts, Gorna banya – a Company under the Law on Obligations and Contracts, Traffic Management Sofia – a Company under the Law on Obligations and Contracts, Sredets 2018 – a Company under the Law on Obligations and Contracts and others

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

Key Management personnel of the entity:

Nikolay Mihaylov – Chairman of the Supervisory Board

Manol Denev – Member of the Supervisory Board

Mariela Rounteva – Member of the Supervisory Board, as of 08.10.2020

Desislava Lyubenova – Chairman of the Managing Board (MB)

Boyan Delchev – Chief Executive Director and Member of the MB

Rositsa Dineva – Georgieva – Member of the MB

Related party transactions and balances

Sales

Customer	Type of transaction	2020	2019
Associates and joint ventures	Services, assets	17 292	49 490
Entities and persons, related via the principal shareholder	Services	4	66
Key Management personnel	Services, assets	14	8
Total		**17 310**	**49 564**

Purchases

Supplier	Type of transaction	2020	2019
Principal shareholder	Services	2 039	3 713
Associates and joint ventures	Services, materials	-	20
Entities and persons, related via the principal shareholder	Services, materials	248	1 405
Total		**2 287**	**5 138**

- The donations to the "Trace for People" Foundation amount to BGN 780 thousand for the period.

Receivables

Customer	31.12.2020	31.12.2019
Associates and joint ventures	3 421	10 130
Entities and persons, related via the principal shareholder	441	438
Key Management personnel	-	6
Total	**3 862**	**10 574**

Payables

Supplier	31.12.2020	31.12.2019
Associates and joint ventures	843	6 663
Entities and persons, related via the principal shareholder	-	1 678
Key Management personnel	1 072	1 527
Associates and joint ventures	174	789
Total	**2 089**	**10 657**

Loans granted

Balances of Loans granted (principal and interest)

Debtor	Current portion at amortised cost	
	Principal	Interest
Galin Mihaylov	-	25
Galin Mihaylov – impairment	-	(25)
Total	**-**	**-**

Interest income, accrued on loans granted

Debtor	Receivable as at 31.12.2019	Accrued in 2020	Received in 2020	Receivable as at 31.12.2020
Galin Mihaylov	25	-	-	25
Galin Mihaylov – impairment	(25)	-	-	(25)
GT Trans BG LTD	9	2	11	-
Total	**9**	**2**	**11**	**-**

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

Key Management's remuneration

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

Employee benefits – key Management personnel of subsidiaries	
Type	Amounts accrued for: Remunerations and social insurance contributions within the period
Manager	407
Executive Director	441
Board of Directors	22
Total:	**870**

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

Employee benefits – key Management personnel of the parent	
Type	**Amounts accrued for:**
	Remunerations and social insurance contributions within the period
Executive Director	491
Managing Board	477
Supervisory Board	1 524
Total:	**2 492**

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

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

3.3. Capital management

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

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

Type	31.12.2020	31.12.2019
Total debt capital, including:	**88 125**	**105 687**
Liabilities – related parties	2 597	9 719
Liabilities – unrelated parties	85 528	95 968
Decreased by: **Cash and cash equivalents**	**(40 467)**	**(32 960)**
Net debt capital	**47 658**	**72 727**
Total equity	132 044	119 359
Total capital	**179 702**	**192 086**
Leverage ratio	**0,27**	**0,38**

3.4. Financial risks

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

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

Credit risk

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

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

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

31.12.2020	Overdue		With time to maturity		
	Impaired	Not impaired	Impaired	Not impaired	Total
Non-current assets	**-**	**-**	**-**	**3 381**	**3 381**
Non-current trade and other receivables	-	-	60	3 381	3 441
Non-current trade and other receivables – impairment	-	-	(60)	-	(60)
Current assets	**81**	**4 833**	**-**	**93 501**	**98 415**
Current financial assets from related parties	32	-	-	-	32
Current financial assets from related parties – impairment	(32)	-	-	-	(32)
Current financial assets	144	247	-	447	838
Current financial assets – impairment	(136)	-	-	-	(136)
Current trade and other receivables from related parties	670	1 469	-	1 717	3 856
Current trade and other receivables from related parties – impairment	(597)	-	-	-	(597)
Current trade and other receivables	6 110	3 117	-	91 337	100 564
Current trade and other receivables – impairment	(6 110)	-	-	-	(6 110)
Total financial assets	**81**	**4 833**	**-**	**96 882**	**101 796**

Liquidity risk

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

31.12.2020	Immediate	1 - 3 months	4 - 12 months	1 - 5 years	Over 5 years	With no maturity	Total
Non-current assets	**-**	**-**	**-**	**2 842**	**-**	**539**	**3 381**
Non-current financial assets	-	-	-	-	-	-	-
Non-current trade and other receivables from related parties	-	-	-	-	-	-	-
Non-current trade and other receivables	-	-	-	2 842	-	539	3 381
Non-current liabilities	**-**	**-**	**-**	**7 383**	**110**	**542**	**8 035**
Non-current lease payables to related parties	-	-	-	431	110	-	541
Non-current financial liabilities	-	-	-	2 934	-	-	2 934
Non-current lease payables	-	-	-	1 740	-	-	1 740
Non-current trade and other payables	-	-	-	2 278	-	542	2 820
Net liquid imbalance – non-current	**-**	**-**	**-**	**(4 541)**	**(110)**	**(3)**	**(4 654)**
Cumulative liquid imbalance – non-current	**-**	**-**	**-**	**(4 541)**	**(4 651)**	**(4 654)**	**(4 654)**
Current assets	**44 055**	**878**	**98 339**	**98**	**-**	**2 786**	**146 156**
Current financial assets from related parties	-	-	7 158	-	-	7	7 165
Current financial assets	335	-	447	-	-	29	811
Current trade and other receivables from related parties	-	-	3 856	-	-	-	3 856
Current trade and other receivables	3 469	878	86 878	98	-	2 534	93 857
Cash and cash equivalents	40 251	-	-	-	-	216	40 467
Current liabilities	**11 304**	**14 041**	**105 936**	**4 493**	**-**	**1 454**	**137 228**
Current financial liabilities to related parties	421	-	1 867	-	-	-	2 288
Current lease payables to related parties	-	-	258	-	-	-	258
Current financial liabilities	117	-	889	-	-	-	1 006
Current lease payables	-	39	1 042	-	-	-	1 081
Current trade and other payables from related parties	1 626	4 467	41 106	3 952	-	1 454	52 605
Current trade and other payables	9 140	9 535	60 774	541	-	-	79 990
Net liquid imbalance – current	**32 751**	**(13 163)**	**(7 597)**	**(4 395)**	**-**	**1 332**	**8 928**
Cumulative liquid imbalance – current	**32 751**	**19 588**	**11 991**	**7 596**	**7 596**	**8 928**	**8 928**
Total financial assets	**44 055**	**878**	**98 339**	**2 940**	**-**	**3 325**	**149 537**
Total financial liabilities	**11 304**	**14 041**	**105 936**	**11 876**	**110**	**1 996**	**145 263**
Total Net liquid imbalance	**32 751**	**(13 163)**	**(7 597)**	**(8 936)**	**(110)**	**1 329**	**4 274**
Total Cumulative liquid imbalance	**32 751**	**19 588**	**11 991**	**3 055**	**2 945**	**4 274**	**4 274**

Interest risk

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

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

31.12.2020	Interest-free	With floating interest %	With fixed interest %	Total
Non-current assets	**3 381**	**-**	**-**	**3 381**
Non-current financial assets	-	-	-	-
Non-current trade and other receivables	3 381	-	-	3 381
Non-current liabilities	**2 838**	**1 522**	**3 675**	**8 035**
Non-current lease payables to related parties	8	-	533	541
Non-current financial liabilities	-	-	2 934	2 934
Non-current lease payables	10	1 522	208	1 740
Non-current trade and other payables	2 820	-	-	2 820
Long-term risk exposure	**543**	**(1 522)**	**(3 675)**	**(4 654)**
Current assets	**106 760**	**847**	**38 549**	**146 156**
Current financial assets from related parties	596	-	6 569	7 165
Current financial assets	344	-	467	811
Current trade and other receivables from related parties	3 856	-	-	3 856
Current trade and other receivables	93 857	-	-	93 857
Cash and cash equivalents	8 107	847	31 513	40 467
Current liabilities	**135 029**	**1 247**	**952**	**137 228**
Current financial liabilities to related parties	2 288	-	-	2 288
Current lease payables to related parties	19	176	63	258
Current financial liabilities	117	-	889	1 006
Current lease payables	10	1 071	-	1 081
Current trade and other payables to related parties	52 605	-	-	52 605
Current trade and other payables	79 990	-	-	79 990
Short-term risk exposure	**(28 269)**	**(400)**	**37 597**	**8 928**
Total financial assets	**110 141**	**847**	**38 549**	**149 537**
Total financial liabilities	**137 867**	**2 769**	**4 627**	**145 263**
Total exposure to interest risk	**(27 726)**	**(1 922)**	**33 922**	**4 274**

Analysis of the interest rate elasticity

Effect on profit / loss, net of taxes	31.12.2019
In an increase of interest rates by 0.5%	(9)
In a decrease of interest rates by 0.5%	9

Currency risk

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

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

31.12.2020	Denominated in RSD	Denominated in EUR	Denominated in CZK	Denominated in BGN	Other currencies	Total
Non-current assets	**2 290**	**184**	**-**	**907**	**-**	**3 381**
Non-current financial assets	-	-	-	-	-	-
Non-current trade and other receivables	2 290	184	-	907	-	3 381
Non-current liabilities	**1 234**	**712**	**-**	**6 089**	**-**	**8 035**
Non-current lease payables to related parties	23	518	-	-	-	541
Non-current financial liabilities	-	-	-	2 934	-	2 934
Non-current lease payables	-	194	-	1 546	-	1 740
Non-current trade and other payables	1 211	-	-	1 539	-	2 820
Long-term risk exposure	**1 056**	**(528)**	**-**	**(5 182)**	**-**	**(4 654)**
Current assets	**68 291**	**5 459**	**3 109**	**69 291**	**6**	**146 156**
Current financial assets from related parties	4 320	-	-	2 845	-	7 165
Current financial assets	-	-	-	811	-	811
Current trade and other receivables from related parties	-	1 139	-	2 717	-	3 856
Current trade and other receivables	49 379	66	3 106	41 304	2	93 857
Cash and cash equivalents	14 592	4 254	3	21 614	4	40 467
Current liabilities	**48 147**	**4 780**	**930**	**83 371**	**-**	**137 228**
Current lease payables to related parties	10	-	-	248	-	258
Current financial liabilities	-	-	-	3 294	-	3 294
Current lease payable	850	46	-	185	-	1 081
Current trade and other payables to related parties	11 439	3 508	-	37 658	-	52 605
Current trade and other payables	35 848	1 226	930	41 986	-	79 990
Short-term risk exposure	**20 144**	**679**	**2 179**	**(14 080)**	**6**	**8 928**
Total financial assets	**70 581**	**5 643**	**3 109**	**70 198**	**6**	**149 537**
Total financial liabilities	**49 381**	**5 492**	**930**	**89 460**	**-**	**145 263**
Total exposure to currency risk	**21 200**	**151**	**2 179**	**(19 262)**	**6**	**4 274**

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

Analysis of the currency elasticity to the RSD

Effect on profit / loss, net of taxes	31.12.2020
In an increase of the exchange rate by 10%	1 908
In an decrease of the exchange rate by 10%	(1 908)

Analysis of the currency elasticity to the CZK

Effect on profit / loss, net of taxes	31.12.2020
In an increase of the exchange rate by 10%	196
In an decrease of the exchange rate by 10%	(196)

3.5. Fair value

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

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

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

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

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

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

3.6. Contingent assets and contingent liabilities

Guarantees and warrantees issued

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

Bank guarantees

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

Contingent liabilities					
Issuer	**Value (BGN '000)**	**In favour of:**	**Purpose**	**Maturity**	**Security**
UBB AD	5 137	Bulgarian State Agency and Bulgarian Municipalities	Securing performance obligations under contracts	30.09.2026	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts

DSK BANK EAD	5 437	Bulgarian Ministry, Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and / or State Enterprises; TD of NRA, Regional Traffic Management	Securing performance obligations under contracts and VAT obligations	30.12.2031	Real estate, non-current tangible assets, pledges of receivables, pledges of accounts
DSK BANK AD (EXPRESSBANK AD)	12 959	Bulgarian Ministry; Bulgarian State: Agency and Municipalities; Bulgarian Municipal and / or State Enterprises; Serbian State Enterprise; private entities, registered in Bulgaria	Securing performance obligations under contracts	30.08.2031	Non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BULBANK AD	29 106	Bulgarian Ministry; Bulgarian State Agency and Bulgarian Municipalities; Bulgarian Municipal and State Enterprises; Serbian State Enterprises; Czech State Enterprise; private entity, registered in Bulgaria; Serbian Ministry, UniCredit Bank Serbia AD	Securing performance obligations under contracts, state receivables due pursuant to the law	02.08.2026	Real estate, non-current tangible assets, cash, pledges of receivables, pledges of accounts
UNICREDIT BANK, SERBIA	9 450	Serbian State Enterprises; Serbian Ministries; Serbian Municipalities	Securing performance obligations under contracts, state receivables due pursuant to the law and participation in tenders	19.12.2022	Corporate guarantee, real estate, movables, promissory note, cash
Total:	**62 089**				

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

Contingent assets

Type	Guarantee issued, pledge of a counterparty	Insured amount, in thousands of BGN
Insurance guarantees	JSIC EUROINS AD	13 621
Insurance guarantees	JSIC OZK – Insurance AD	8 533
Insurance guarantees	IC OZK INS EAD	4 739

Contingent assets

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

Contingent liabilities

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

Lawsuits

The Management, based on the facts and circumstances available at the end of the period and the estimations, presented by lawyers and jurists, has recognised impairment of lawsuit obligations in the amount of BGN 856 thousand at year-end (31.12.2019: BGN 1 375 thousand).

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

The Group (per entities) is a plaintiff and / or defendant under the following lawsuits at 31.12.2020, in respect of which there may be an inflow / outflow of resources:

"Trace Group Hold" PLC

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 1 439 thousand as at 31.12.2020.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 2 085 thousand at 31.12.2020.

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

"Trace BG" LTD

The entity is a plaintiff under commercial lawsuits with financial interest in the amount of BGN 2 550 thousand at 31.12.2020.

The entity is a defendant under commercial lawsuits with financial interest in the amount of BGN 3 650 thousand at 31.12.2020.

The Management has assessed, together with internal legal experts and external lawyers, that the probability and risks of a negative outcome is currently still below 50% for some of the lawsuits filed against the entity and therefore for most of those no provisions for lawsuit obligations have been recognised in the Statement of Financial Position as at 31.12.2020.

3.7. Operating segments

The Group operates in a single business sector. The main services performed and the output produced by all entities are related with the principal activity, and are part of it in different stages. The materials obtained and goods produced form a significant share of the input materials used in building and construction works. Also, the risks and rewards, associated with the principal activity of the Group cannot be distinguished due to the similar nature of the services performed, the characteristics of the environment and the customers of the entities. Hence, the Group has adopted the policy to account for its activities, by distinguishing them (i.e., the activities) only on a geographical basis.

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

Operating segments As at 31 December 2019	Bulgaria	Serbia	Czech Republic	Oman	Total	Consolidation	Group
Revenue from contracts with customers	**224 346**	**101 746**	**-**	**-**	**326 092**	**(13 280)**	**312 812**
Revenue from construction contracts	204 207	94 833	-	-	299 040	(13 280)	285 760
Including from other segments	*13 280*	-	-	-	*13 280*	*(13 280)*	-
Revenue from sales of outputs	12 114	4 964	-	-	17 078	-	17 078
Revenue from sales of goods	7 393	1 890	-	-	9 283	-	9 283
Revenue from sales of services	632	59	-	-	691	-	691
Other income	**3 086**	**627**	**125**	**-**	**3 838**	**-**	**3 838**
Finance income	**738**	**171**	**133**	**-**	**1 042**	**-**	**1 042**
Including interesting income	267	15	-	-	282	-	282
Costs, including	**(213 105)**	**(72 397)**	**(130)**	**-**	**(285 632)**	**581**	**(285 051)**
Cost of materials	(45 540)	(11 242)	-	-	(56 782)	-	(56 782)
Cost of external services	(138 070)	(40 003)	(34)	-	(178 107)	581	(177 526)
Depreciation / Amortisation cost	(1 870)	(3 975)	(3)		(5 848)	-	(5 848)
Employee benefits (salaries and wages)	(21 809)	(9 037)	-	-	(30 846)	-	(30 846)
Impairment losses	1 256	(3 282)	-	-	(2 026)	-	(2 026)
Other costs	(7 072)	(4 858)	(93)	-	(12 023)	-	(12 023)
Allowances	**(16 597)**	**(1 851)**	**-**	**-**	**(18 448)**	**9 637**	**(8 811)**
Finance costs	**(1 020)**	**(489)**	**-**	**-**	**(1 509)**	**-**	**(1 509)**
Including interest expense	(459)	(14)	-	-	(473)	-	(473)
Share in associates	**(733)**	**-**	**-**	**-**	**(733)**	**-**	**(733)**
Tax expenses	**(581)**	**(2 704)**	**-**	**-**	**(3 285)**	**-**	**(3 285)**
Profit / Loss	**(3 866)**	**25 103**	**128**	**-**	**21 365**	**(3 062)**	**18 303**
Segment assets	186 319	82 805	6	566	269 696	(13 645)	256 051
Segment liabilities	83 041	56 277	14 241	-	153 559	(16 867)	136 692
Investments under the equity method	25	-	-		25	-	25
Deferred tax assets	3 536	-	-	-	3 536	-	3 536

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

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

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

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

3.8. Disposal of associates

The Group has disposed its entire participation interest in the associate "Redko Trace International", Qatar, on 14.01.2020. The disposal of the associate was concluded through the sale of the entity holding the investment, amounting to 49%, namely: "Trace International" LTD. The investment in the entity (associate), amounting to BGN 83 thousand, was fully (100%) impaired at the disposal date and no profit / loss from the transaction has been recognised.

3.9. Disposal of joint ventures

The Group concluded a contract for sale of its share, amounting to 50%, in the joint venture "Trace M Invest", Germany on 16.07.2020.

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

	BGN '000
Fair value of the consideration received	**19**
Decreased by:	
Disposed share of the net assets (50%)	(24)
Gain / (Loss) on the disposal of a joint venture	**(5)**

3.10. Disposal of subsidiaries

The Group recognised the sale of 100% of the capital of "Trace International" LTD on 14.01.2020. Through the aforementioned sale, the Group also disposed its participating interest (in the amount of 70%) in the subsidiary "Trace Al Junaibi", Oman.

The financial result (gain / loss) on the disposal of "Trace International" LTD and its subsidiary "Trace Al Junaibi", Oman, is presented to the Group as follows:

	BGN '000
Cash proceeds	1
Decreased by:	
Net assets for the Group written-off	(334)
Gain on the disposal of a subsidiary	**335**

	BGN '000
Net cash flows from the disposal of a subsidiary	
Cash proceeds	1
Decreased by:	
Cash of the disposed subsidiary	(4)
Net cash flows from the disposal of a subsidiary	**(3)**

The net assets of the disposed entity – "Trace International" LTD – are presented as follows:

	14.01.2020
Trade and other receivables	332
Cash and cash equivalents	2
Investments in subsidiaries	489
Deferred tax assets	78
Trade and other payables	(750)
Financial liabilities	(562)
Net assets	**(411)**

The net assets of the disposed entity – "Trace Al Junaibi", Oman – are presented as follows:

	14.01.2020
Trade and other receivables	564
Cash and cash equivalents	2
Net assets	**566**

3.11. Transactions with non-controlling interest (NCI)

Subsidiaries with non-controlling interest

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

	Total for NCI, BGN '000
Book value of the NCI at the beginning of the period	**132**
Profit / Loss, attributable to the NCI for the period	(30)
Dividends	(7)
Acquired / (Disposed) activities	(170)
Changes in the participating interests in subsidiaries without loss of control	(25)
Net book value of the NCI at year-end	**(100)**

3.12. Events after the reporting period

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

▪ The transformation of "USM" JSC – subsidiary of "Trace Group Hold" PLC – through separation with the establishment of a new entity, was registered in the CRRNPLE on 04.03.2021. The capital of "USM" JSC has been reduced to BGN 918 925. "Trace Group Hold" PLC is the sole capital owner of the newly established entity, whose principal activity of the newly established entity involves: lease of mechanisation, rendering of mechanisation services, as well as other activities that are not prohibited by the law. The capital of "Trace Mechanisation" JSC amounts to BGN 50 000 (fifty thousand).

▪ A branch of "Trace Group Hold" PLC was established in Bucharest (Romania) on 23.04.2021. The branch is domiciled at 9 Parincele Galeriu, Sector 2, Bucharest. The principal activity of the branch involves construction of roads and highways, and railway construction.

3.13. COVID-19 pandemic – impact, effects, adopted measures and undertaken actions

The World Health Organization announced a pandemic from the spread of COVID-19 on March 11, 2020. The National Assembly voted on a state of emergency in the Republic of Bulgaria on March 13, 2020, resulting in a number of restrictive measures being taken.

The Law on the State of Emergency was promulgated on March 24, 2020, leading to different measures being adopted for the time of the pandemic state of emergency in various areas, including measures in terms of the labour relations and social security, taxation and annual financial closure, non-compliance and enforcement, deadlines and others. Decisions and orders of the Council of Ministers and the Ministry of Health were adopted to introduce anti-epidemic measures on the territory of the Republic of Bulgaria in an attempt to protect and preserve the life and health of the population, with such decisions and orders relating to: entry bans and measures (quarantine and / or provision of a negative laboratory PCR test result prior to entering the territory of the country) in respect of countries with an established high numbers of COVID-19 cases and significant epidemic spread; compliance with requirements for physical distance, hand hygiene, disinfection and wearing of face masks in closed public places; temporary suspension or restriction of the operation or the mode of operation of public facilities and / or other facilities or services provided to citizens, and other similar.

Pursuant to the imposed restrictions, the normal functioning of businesses in a number of sectors of the economy was disrupted both in Bulgaria and worldwide. The supply of raw materials and materials from suppliers, expeditions to customers and labour supply were challenged. Almost all entities had to take certain actions and measures to readjust the organisation of their business, work schedule, business communication and other aspects of their relationship with contractors, partners and governmental institutions to one degree or another.

Impact on the activity and the financial position of the Group

The Group mainly operates on the territory of Bulgaria, Serbia and the Czech Republic.

The Group continues to execute its business activities without encountering significant difficulties in securing the supply of assets, as well as in completing sales to its customers. There are no terminated contracts with key suppliers and / or clients. There are no changes in the structure of the rendered services.

The Group continues to execute its business activities without encountering significant difficulties in securing the supply of assets and in the execution of its transactions. The Group has sufficient cash to meet its liquidity needs.

Adopted measures and undertaken actions

In an attempt to minimise the possible negative impact on the Group's activity, the Management has taken measures and actions to react and limit the negative consequences on the Group's activity and to protect its employees. Such are focused on:

- identifying the critical processes and defining specific steps to overcome critical situations;

- initiating remote work processes, with employees working on a rotation schedule, thus minimising the risks to the acceptable minimum in such an environment;
- organising conditions for remote working processes;
- conducting numerous information and awareness campaigns on how to prevent infection / restrict the spread of COVID-19;
- providing personal protective equipment to its employees;

Despite the fact that the operational efficiency of the holding is nearly fully restored and the impact of the pandemic on the customer supply and sales chains seems limited at present, the Group continues to closely monitor the development of the COVID-19 pandemic and to assess the risks, and possible future impacts on its financial results, exposures and cash flows – in terms of construction delays, new safety requirements, additional requirements for the personnel and workforce planning, new or additional communication means, increasing project costs and others, by closely monitoring, analysing and implementing appropriate actions immediately when deemed necessary.

"TRACE GROUP HOLD" PLC

CONSOLIDATED MANAGEMENT REPORT

For the financial reporting 2020

Contents:

I. General information on the Group

II. Principal activity review

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

III. Financial and non-financial indicators analysis

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

1. Treasury shares. Share redemption

2. Information on the members of the entity's Management Bodies

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

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

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

The Annual Consolidated Management Report presents commentary on and analysis of the Consolidated Financial Statements, and other significant information with regards to the financial position and the operating results of the Group. It comprises information under Article 39 of the Accountancy Act and Art. 100 (n), paragraph 7 of the Public Offering of Securities Act (POSA), as well as Art. 32, paragraph 1 (2) and (4) of Decree № 2 of the Financial Supervision Commission, Art. 187 (e) and Art. 247 of the Commercial Act.

I. General information on the entity

"Trace Group Hold" PLC has been established in the Republic of Bulgaria according to the Bulgarian legislation as a joint stock company and has been registered in the district court of Stara Zagora, under company file №255/2005. The entity is a public limited company since 2007, as per the meaning of Art. 110 of the Public Offering of Securities Act (POSA).

Domicile and registered address: № 12, "Nikola Obrazopisov" Str., 1408, Sofia;

Mailing address: № 12, "Nikola Obrazopisov" Str., 1408, Sofia.

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

Fax: +359 2 80 66 711

E-mail: tracegroup@tracebg.com

Website: www.tracebg.com

Share capital as at 31 December 2020:

Up to the date of preparation of this management report the registered company capital is BGN 24 200 000, distributed among 24 200 000 non-cash, non-bearer shares, at nominal value of BGN 1 each, of which 24 193 721 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.

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

Shareholder' s name	Holds number of shares		Owns %	
	At the date 31.12.2020	At the date 31.12.2019	At the date 31.12.2020	At the date 31.12.2019
Nikolay Mihaylov	16 276 755	16 205 831	67,26	66,97
"Galini – N" LTD	2 178 000	2 178 000	9,00	9,00
Trace Group Hold PLC - redeemed treasury shares	6 279	2 922	0,03	0,01
Other Physical and Legal entities	5 738 966	5 813 247	23,71	24,02

The entity has a two – level system of management, consisting of Supervisory Board and Management Board:

Members of the Supervisory Board:
Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng. – Chairman of the Supervisory Board
Manol Denev – member of the Supervisory Board

Mariela Runteva – independent member of the Supervisory Board

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

Executive director is Dipl. Eng. Boyan Delchev.

Members of the Audit Committee up to 31.12.2020 are:
Hristo Savchev - Chairman
Prof. Hristina Nikolova, PhD
Diana Rangelova

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

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

As at 31.12.2020 the subsidiaries of the Group are:

- TRACE - BG JSC, SOFIA, BULGARIA – 100.00% owned by Trace Group Hold PLC
  Principal activity: Construction, current repairs and maintenance of highways, roads, streets and surrounding infrastructure; Construction and reconstruction of roads and road structures, current repair and winter maintenance;
- TRACE SERBIA JSC, NIS, SERBIA - 100.00% owned by Trace Group Hold PLC
  Principal activity: Construction and reconstruction of roads and road structures, current repairs and winter maintenance;
- INFRA COMMERCE LTD, SOFIA, BULGARIA– 100% owned by Trace Group Hold PLC
  Principal activity: Trade activities in Bulgaria and abroad, trade representation and trade intermediation;
- TRACE PROPERTIES LTD, SOFIA, BULGARIA – 100% owned by Trace Group Hold PLC
  Principal activity: Travel and tourism, and trade activities in Bulgaria and abroad, hospitality, as well as all types of auxiliary services;
- TRACE COMPANY LTD, MOLDOVA – 100% owned by Trace Group Hold PLC
  Principal activity: Construction, current repair and maintenance of highways, roads, streets, urban and municipal communications and infrastructure surrounding them, maintenance of roads, road structures and facilities; construction of underground and aboveground railway roads, construction of tunnels; construction of railway and road facilities; design-engineering and trade activity;
- TRACE SVILENGRAD LTD, SOFIA, BULGARIA - 100% owned by Trace Yambol JSC
  Principal activity: Construction, maintenance and maintenance of highways, roads, streets and infrastructure surrounding them;

- ARIA RESIDENCE LTD – 60% owned by Trace Group Hold PLC
  Principal activity: Investments in real estate in order to be implemented projects in this field; purchase, construction and/or furnishing of real estate for sale purpose, rental business, as well as execution of other administrative activities for management of such properties; Real estate transactions;
- TRACE YAMBOL JSC, YAMBOL, BULGARIA – 99.48% owned by Trace Group Hold PLC
  Principal activity: Construction and reconstruction of roads and road structures;
- USM JSC, STARA ZAGORA, BULGARIA – 99.69% owned by Trace Group Hold PLC
  Principal activity: Rendering of services, by means of building mechanisation;
- TRACE BUILD LTD - 100% owned by Trace Group Hold PLC through Trace Serbia JSC
  Principal activity: Construction of residential and non-residential buildings

II. Principal activity review

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

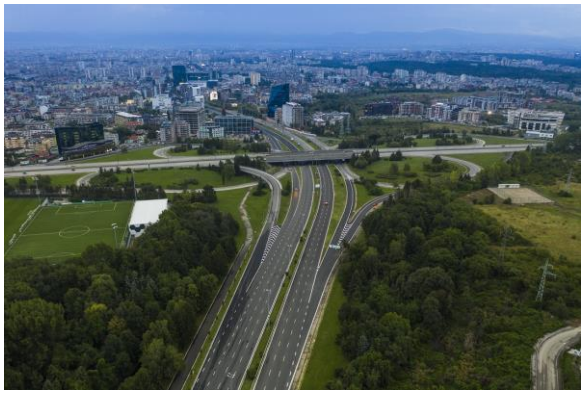
The entities in Trace Group are engaged in all types of activities related to engineering and infrastructure – construction, rehabilitation, maintenance, design and all additional activities. The portfolio of Trace activities includes investment, international trade and logistics as well.

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

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

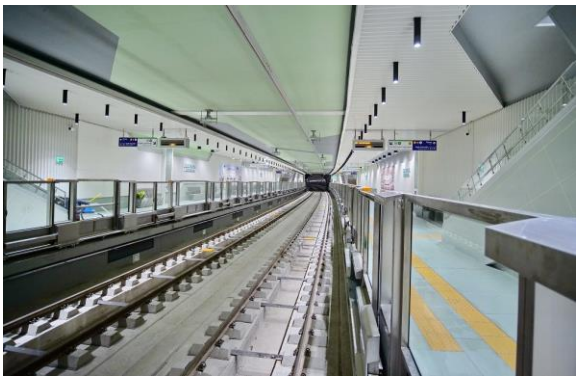
TRACE takes part in the implementation of the major projects in the Bulgarian republican infrastructure, among which are completion of "Trakia" and "Hemus" highways. The group participates in the construction of the Serbian part of Corridor 10 Highway.

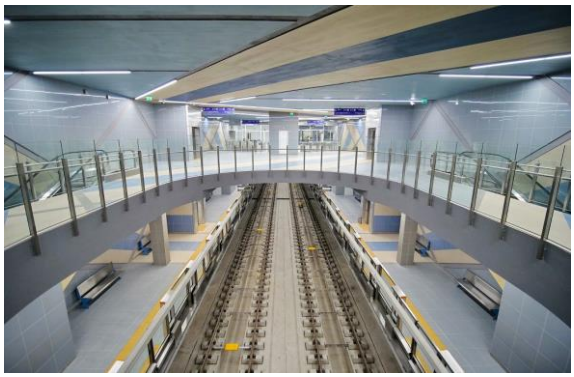
The entities in TRACE organization structure carry out projects for reconstruction and repair works on road network and on urban infrastructure as well. They implement current repair works and winter maintenance of the road network on the territory of the Republic of Bulgaria and Republic of Serbia. The grouop has resources for construction and maintenance of traffic organization system, vertical and horizontal marking, and possesses technical and human resources to perform emergency restoration actions in areas affected by natural disasters.



- ✓ **Construction of metro (subway);**

"Trace Group Hold" PLC has been actively involved in "Sofia Metro" project since the very beginning of its construction. Twelve of the existing metro stations and the alongside underground railway have been implemented by "Trace Group Hold" PLC





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

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

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

Currently the company implements modernization of the railway road, catenary, signalling and telecommunication systems in Plovdiv station and construction of a communication and transmission system under the railway area of Plovdiv station. In a process of execution is a project for modernization and rehabilitation of Nish - Brestovac railway section in Republic of Serbia.

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

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

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

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

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

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

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

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

In 2020 started the next in row project for "Atana" - Trace multipurpose building, located in Druzhba residential area, Sofia. Its total built-up area is 32 187.23 sq. m. "Atana" city complex has been designed in a modern and functional manner with three residential and one office section, restaurant, commercial spaces, opportunities for sports and other entertainment activities. Investor of the project is "Trace Properties" LTD, "Engproject" Ltd is the design company.

- ✓ **Gas and power facilities, including gas stations;**
- ✓ **Trade in construction products and supplies.**

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

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

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

"Trace" manages to achieve steady growth, managing its local subsidiaries with extensive experience and knowledge, covering the entire territory of Bulgaria, with offices located in the economically significant regions of the country. The foreign subsidiaries and branches – in the Republic of Serbia, in the Czech Republic, in North Macedonia and in Ukraine – also contribute for the company's development and growth. "Trace" manages the production, financial, and human resources and potential of the group through its interconnected entities.

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

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

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

2. Investment portfolio

Investments in subsidiaries – capital entities

Type	31.12.2020
	Interest
Trace BG JSC, 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%

Trace Company LTD, Moldova	100%
Aria Residence LTD, Bulgaria	60%
Trace Build LTD, Serbia	100%

Investments in associates

Type	31.12.2020
	Interest
GT Trans BG LTD	37%

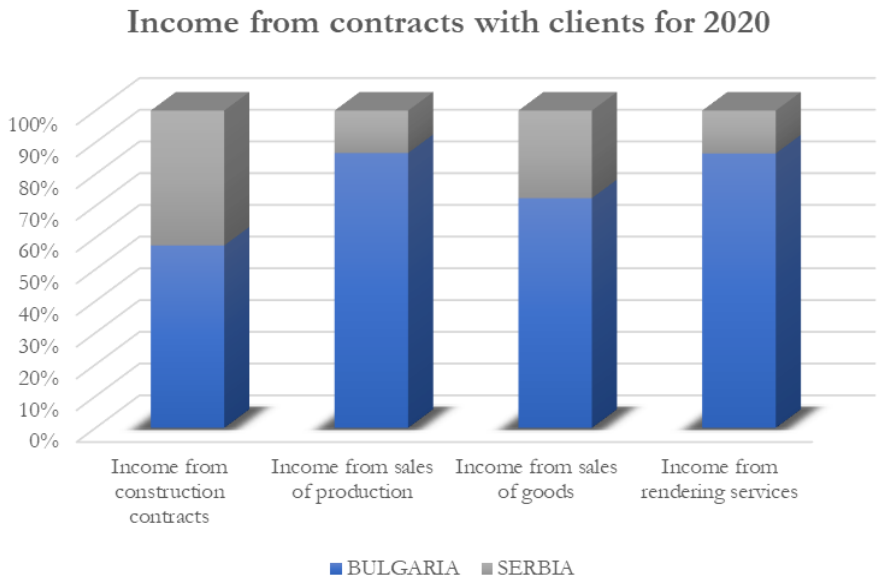
3. Operating results

Net sales revenue structure:

The realized net sales revenue in 2020 /without finance income/ amount to BGN 224 072 thousand and decrease to 29,24% compared with the previous period (2019: BGN 316 650). They include Income from Clients contracts amount to BGN 221 635 thousand and Other income amount to BGN 2 437 thousand. Segregated by segments, 59,70% of all of them have been realized in our country and 40,25% - in the Republic of Seebia and 0,05% have been realized by Entity's branches abroad.

The attached table presents the types of income, excluding financial ones, their relative share and their change compared to 2020.

Type of income	31.12.2020 BGN'000	Relative share 31.12.2020	31.12.2019 BGN'000	Relative share for 31.12.2019		Change %
Income from construction contracts	198 283	88.49%	285 760	90.24%	↓	(30.61)%
Income from sales of production	14 808	6.61%	17 078	5.39%	↓	(13.29)%
Income from sales of goods	8 270	3.69%	9 283	2.93%	↓	(10.91)%
Income from rendering of services	274	0.12%	691	0.22%	↓	(60.35)%
Other income	2 437	1.09%	3 838	1.21%	↓	(36.50) %
Total	**224 072**	**100.00%**	**316 650**	**100.00%**	↓	***(29.24)%***



Revenue, generated under Income from construction contracts, amounting to BGN 198 283 thousand constitute the main share /without finance income/ of the operating income structure (88,49%). Their value decreases by 30,61% compared to the prior reporting period (2019: BGN 285 760 thousand). Distributed by geographical area, 57,14% of them have been realized on the territory of our country, and the remaining 42,51% - in the Republic of Serbia.

The core projects that formed the 2020 revenue from construction works in the Republic of Bulgaria are:

1. Sofia Metro Extension Project, Third Metro Line – depot "Botevgradsko shosse" Blvd. – "Vladimir Vazov" Blvd. – Central urban area – "Ovcha Kupel" Residential District, second stage – from km 11 + 966,34 /11 + 941,33/ to km 15 + 749,00 with four metro stations", Lot 2 – Section from km 14 + 277,56 to km 15 + 749,00 having length of 1471,44 m with 2 metro stations and a railway stop;
2. New construction, complete repair, rehabilitation, reconstruction, ongoing repair works of the street network, municipal roads, republican roads / on agreement protocol with the Republican Road Infrastructure Fund, ongoing repair and new construction of asphalt pavements on the territory of Stara Zagora Municipality;
3. Ongoing repair works at the street network and road structures within First zone of Sofia Municipality, Lozentes District;
4. Preparation and specification of a working investment project and execution of construction and installation works for Rehabilitation of „Bulgaria" Blvd. from „Fritjof Nansen" Blvd. to Sofia Ring Road and „Daskal Stoyan Popandreev" Blvd. from Sofia Ring Road to the bridge over Boyanska River, including 5 additional projects;
5. Contract for execution of project: "Reconstruction of "Todor Kableshkov" Blvd. from "Bulgaria" Blvd. to "Louis Eyer" Str., "Triaditsa" district.

The main projects, forming the generated revenue under construction works in the Republic of Serbia in 2020 are:

1. E75 Highway, Section: Grdelica (Gorno pole) – Caricina Dolina, LOT 2: Road and bridges from "Predejane" Tunnel to "Caricina Dolina", ICB No: CORRX.E75.EIB.PACK1-LOT2.ICB);
2. Maintenance (rehabilitation) or State Road IB 39, Vlasotince – Svodje Section, from km 58+876 to km 46+362, L=12.514 km;
3. Contracts for ongoing repair and winter maintenance on the territory of South 1 (Nish-Prokuple), Saouth 2 (Pirot), South 3 (Nish) and Nish;
4. LOT 1 and LOT 2 Rehabilitation of existing roads from the the national road network, connection to E 80 highway;
5. Ongoing repair and maintenance (modernization) of state road, Nish-Brestovats section

The consolidated revenue from sales of production amount to BGN 14 808 thousand in 2020 and record decrease with 13,29% compared to the same in 2019 (2019 – BGN 17 078 thousand). Viewed geographically, 86,62% from them have been realized in Bulgaria and the rest 13,38% - in the Republic of Serbia. This group contains revenue from the sale of asphalt mixtures that amount to BGN 12 050 thousand, which almost keep their levels in comparison to 2019 (2019 – BGN 12 816 thousand), revenue from sales of inert materials, which amount to BGN 2 247 thousand and decrease with 42,03% (2019 – BGN 3 876 thousand), etc. The production of inert materials has been realized mainly in own projects and for this reason its realization is weaker outside the group.

Revenue from sales of goods amount to BGN 8 270 thousand and decrease by 10,91% compared with the prior reporting period (2019: BGN 9 283 thousand). The largest relative share in the group represent revenue from sale of fuels and oils, which amount to BGN 4 267 thousand and increase by 18,17% (2019 - BGN 3 611 thousand). During the year have been realized revenues from sales of materials for road construction amounting to BGN 2 181 thousand, inert materials - BGN 339 thousand, etc. Distributed by geographical area, 72,42% of them have been realized in our country, and the rest - in the Republic of Serbia.

Revenue from sales of rendering services amount to BG 274 thousand and decrease in comparison with the previous period with 60,35% (2019 – BGN 691 thousand). They include cover revenue from services related to mechanization – BGN 114 thousand, revenue from transport services – BGN 61 thousand, etc. and 86,50% from them have been formed in Bulgaria. In essence, these are services related to supporting activities to the entities and partners in terms of overall preparation and organization of construction contracts, analysis of the necessary resources for their implementation, organization for the use of construction equipment and other. activities.

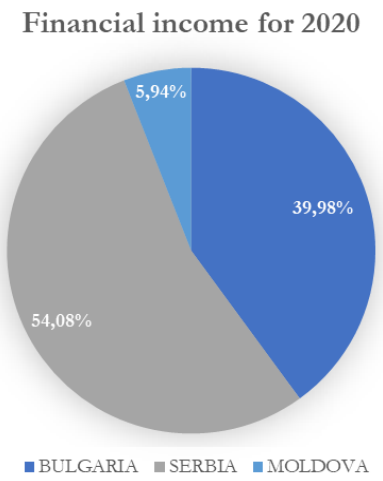
Other sales income amount to BGN 2 437 thousand and record decrease with 36,5% in comparison with the previous reporting period (2019 – BGN 3 838 thousand). They include income from operating lease of own assets in the amount of BGN 463 thousand, which decrease with 9,04% (2019 – BGN 509 thousand); income from sales of materials amout to BGN 602 thousand, which present materials sold to subcontractors, in order to ensure their activities and provide materials in the required quality. The group also includes income from written off liabilities in the amount of BGN 786 thousand, reimbursed provisions for liabilities in the amount of BGN 485 thousand, revenues from sales of fixed assets in the amount of BGN 598 thousand with a carrying amount of BGN 2 343 thousand, revenues from grants amounting to BGN 1 181 thousand.

The consolidated finance income for 2020 amount to BGN 858 thousand and have decreased with 17,66 % in comparison with the prior reporting period (2019: BGN 1 042 thousand).

The most significant share of them is interest income (51,63%) amounting to BGN 443 thousand, which increase by 57,09% compared to the previous year (2019 - BGN 282 thousand). They include interest on trade receivables in the amount of BGN 290 thousand, formed mainly in our country, other interest income in the amount of BGN 139 thousand, income from positive exchange rate differences in the amount of BGN 67 thousand, and other financial income of value BGN 13 thousand. Distributed by geographical area, 60,14% are from the Republic of Bulgaria, 33,92% - in the Republic of Serbia and 5,94% from the Republic of Moldova.

Type of income	2020	Relative share for 2020	2019	Relative share for 2019	Change %
From transactions with financial instruments	***335***	***39,04%***	***428***	***41,07%*** ▼	***(21,73)%***
Interest income, including :	***443***	***51,63%***	***282***	***27,06%*** ▲	***57,09 %***
• under commercial loans	9		10		
• under deposits	5		-		
• under trade receivables	290		267		
• others	139		5		
Foreign exchange gains	***67***	***7,81%***	***321***	***30,81%*** ▼	***(79,13)%***
Other financial income	***13***	***1,52%***	***11***	***1,06%*** ▲	***18,18 %***
Total	**858**	**100,00%**	**1 042**	**100,00%** ▼	***(17,66)%***

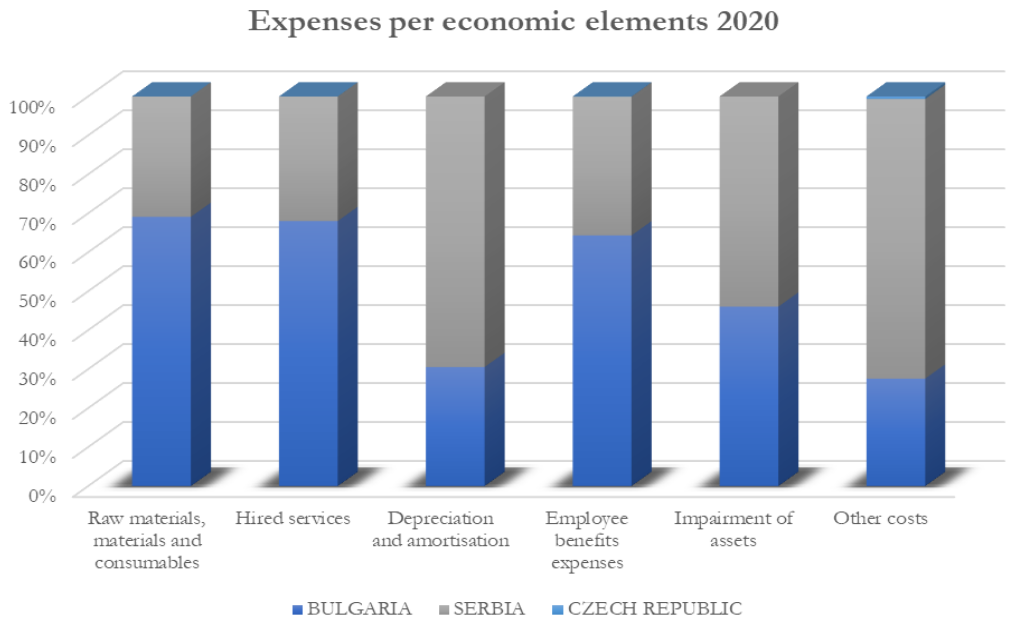
The below graph presents the finance income per geographical segments:



Expenses by economic elements structure

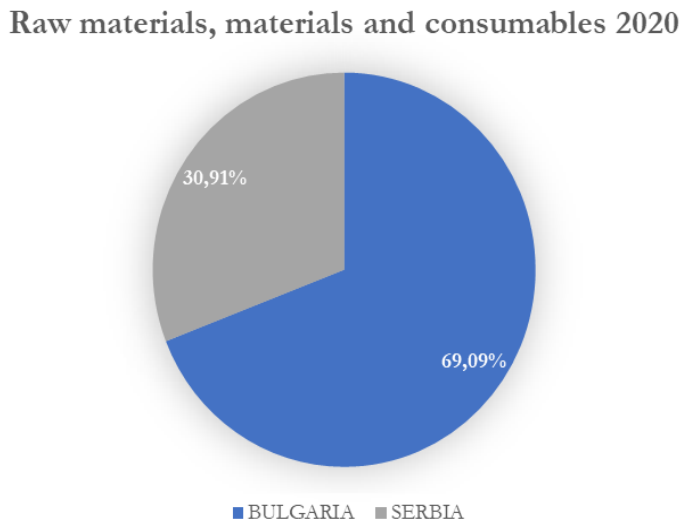
The consolidated expenses by economic elements amount to BGN 201 358 thousand and record a 29,36% decrease compared with the prior reporting period (2019: BGN 285 051 thousand).

Type of expenses	2020	Relative share for 2020	2019	Relative share for 2019		Change %
Expenses per economic elements	***201 358***		***285 051***			
• Raw materials, materials and consumables	36 773	18,26%	56 782	19,92%	▼	(35,24)%
• Hired services	116 004	57,61%	177 526	62,28%	▼	(34,66)%
• Depreciation and amortisation	6 017	2,99%	5 848	2,05%	▲	2,89 %
• Employee benefits expenses	26 822	13,32%	30 846	10,82%	▼	(13,05)%
• Impairment of assets	456	0,23%	2 026	0,71%	▼	(77,49)%
• Other costs	15 286	7,59%	12 023	4,22%	▲	27,14 %
Total	**201 358**	**100,00%**	**285 051**	**100,00%**	▼	***(29,36)%***



The group includes expenses for raw materials and consumables in the amount of BGN 36 773 thousand, which decrease by 35,24% compared to the comparable period (2019 - BGN 56 782 thousand). The most significant share of them are the costs for raw materials - BGN 29 904 thousand, which decrease compared to 2019 by 36,43% (2019 - BGN 47 042 thousand). During the year, expenses for fuels and lubricants amount to BGN 3 980 thousand, which also decrease compared to the comparable period by 25,08% or BGN 1 332 thousand. (2019 - BGN 5 312 thousand). The availability of own transport vehicles and machines implies costs for their maintenance, such as costs for spare parts (BGN 1 107 thousand), etc. The purchase of main materials and raw materials in the group is carried out through the subsidiary of the holding company Infra Commerce LTD, which provides supply of basic materials and raw materials and guarantees good quality at optimal prices.

The cost of electricity amounts to BGN 576 thousand and has decreased with 29,93% compared with the prior reporting period (2019: BGN 882 thousand). No significant changes are observed in the absolute value of the remaining cost of materials in comparison with the prior reporting period. In general, the decrease in the costs for raw materials and supplies is related to the decrease in the volume of construction works and production in the country and abroad. However, their relative share in the total value of costs by elements almost retains its levels for 2020, which is 18,26%. Distributed by geographical area 69,09% of them have been formed in the Republic of Bulgaria, and 30,91% - in the Republic of Serbia.

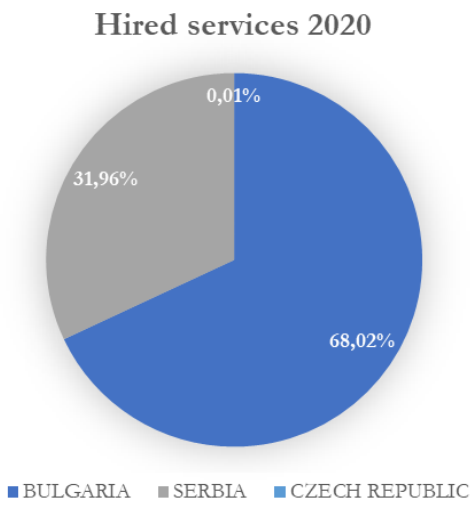


In the consolidated expenses per economic elements the main share is occupied by the expenses for hired services. During the current period they amount to BGN 116 004 thousand. and decrease both in absolute value by BGN 61 522 thousand compared to the previous year (2019: BGN 177 526 thousand) and as well as in relative share in the expenses by elements – 57,61% in 2020 compared to 62,28% in 2019. The expenses per external services include: expenses for subcontractors, hired transport, repairs, insurance, subscriptions, laboratory tests, design, advertising, consulting and other types of contracts, security, taxes and fees, etc.

The subcontractor services amount to BGN 95 683 thousand or 82,48% of the total expenses of hired services. They decrease by 34,92% or BGN 51 346 thousand compared to the comparable period (2019: BGN 147 029 thousand). Expenses for transport services also decrease by 48,92% or BGN 3 536 thousand.

On the one hand, this is due to the smaller volume of performed construction works, but also it is because of usage of own transport equipment. Rental expenses amount to BGN 2 779 thousand and also mark a decrease of 54,75%. The expenses for security within the group amount to BGN 1 546 thousand and decrease by only 9,80% compared to the previous period, because they are related to protection of real estate and construction materials. During the year, insurance costs in the amount of BGN 1 241 thousand have been realized, which decrease with BGN 259 thousand. They are related to insurance of available equipment and machinery and construction contracts. Consulting and other kind of contracts for hired services during the year amount to BGN 1 784 thousand (2019: BGN 1 545 thousand). The design expenses within the group amount to BGN 1 026 thousand and decrease by BGN 218 thousand (2019: BGN 1 244 thousand). Expenses for hired services and their change compared to the previous period are presented in detail in the explanatory notes to the consolidated financial statements.

Distributed by geographical segments, 68,02% of the expenses for hired services have been realized in our country, 31,96% of them in the Republic of Serbia and 0,01% - in the Czech Republic. Compared to 2019, the share of expenditures for hired services in Bulgaria decreases to those realized in the Republic of Serbia.



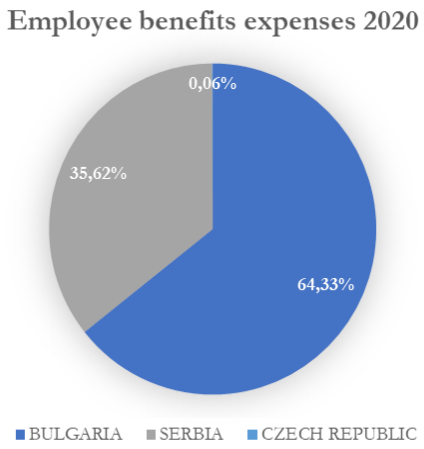
Depreciation expenses amount to BGN 6 017 thousand and increase compared to the previous year by 2,89% (2019 - BGN 5 848 thousand). BGN 888 thousand of them represent expenses for depreciation of assets with right of use according to IFRS 16 Leasing and decrease by 13,79% compared to the comparable period. Expenses for depreciation of own assets amount to BGN 5 129 thousand and increase by 6,45%.

During the year have been acquired tangible fixed assets. Five of them are more significant - combined excavators, 1 pc. vertical rotary crusher, machine for demarcation of horizontal road markings, etc. Capitalized expenses have also been incurred for investment activity of the company - construction of Logistics Center "Probuda" in "Ilientsi" district and construction of own administrative building in "Druzhba" district in Sofia.

The book value of the fixed assets within the group as of 31.12.2020 amount to BGN 72 863 thousand. The most significant share in the fixed assets are those owned by the parent company, which ensure activities of the subsidiary companies in the group. The holding company pursues a centralized investment policy by concentrating the main corporate assets in the group, which are leased to subsidiaries on

the principle of necessity and in case of enough occupation. The effective asset management and their optimal occupattion is one of the main management tasks.

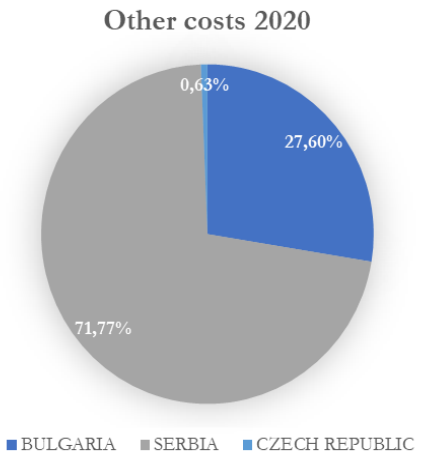
Remuneration costs paid to the personnel amount to BGN 26 822 thousand. Compared to the previous year, they decrease with 13,50% (2019 - BGN 30 846 thousand). Distributed by geographical segments, expenses for salaries in the country are 64,33% and 35,62% - in the Republic of Serbia.



Expenses for impairment of assets amount to BGN 456 thousand and decrease by 77,49% compared to the comparable period (2019 - BGN 2 026 thousand). They include expenses from impairment of cash – BGN 105 thousand, impairment of receivables – BGN 327 thousand and impairment of financial assets – BGN 15 thousand. Distributed by geographical segments, 46,05% of them have been realized in Bulgaria and 53,95% - in the Republic of Serbia.

Other operating expenses amount to BGN 15 286 thousand and increase by 27,14% in comparison to the previous period (2019 – BGN 12 023 thousand). The increase is due to reported expenses for provisions on liabilities in the amount of BGN 11 954 thousand, of which 84,75% are of Serbian origin and the remaining 15,25% are generated from our country. In essence, they represent accrued amounts related to warranty period of construction contracts. The group also includes expenses for business trips in the amount of BGN 295 thousand, which decrease by 35,73% compared to the previous year, expenses for written-off receivables in the amount of BGN 651 thousand, expenses due to lack and waste in the amount of BGN 407 thousand. During the year, expenses have been made donations in the amount of BGN 813 thousand, 95,94% of them to "Trace for People" Foundation.

Distributed by geographical segments, 27,60% of the other operating expenses have been generated in our country, 71,77% in the Republic of Serbia and 0,63% in the Czech Republic.



Finance cost structure

The consolidated finance costs amount to BGN 1 283 thousand and decrease by 14,98% compared with the financial reporting 2019 (BGN 1 509 thousand). The most significant component of the finance costs are the costs related to bank guarantees that amount to BGN 506 thousand, which almost keep their levels in absolute value compared to the previous year (2019 - BGN 521 thousand). Of these, 84,39% have been formed from contracts in the Republic of Serbia, and the remaining 15,61% - from contracts in Bulgaria. Interest expenses amount to BGN 334 thousand and decrease by 29,39% (2019 - BGN 473 thousand). Their change is mainly due to a reduction in interest rates on loans from financial enterprises (2020 - BGN 115 thousand, 2019 - BGN 166 thousand). The expenses for interests connected to leasing contracts amount to BGN 101 thousand and also decrease by 27,86%, mainly due to the finalization of some leasing contracts. The expenses formed by exchange rate differences amount to BGN 174 thousand and also decrease by 25,96% (2019 - BGN 235 thousand), as 69,54% of them have been realized in the Republic of Serbia and in the Republic of Moldova. The group also includes other financial costs in the amount of BGN 263 thousand, which represent expenses for bank fees and financial expenses related to the current loan agreements with banks. They decrease by 6,07% (2019 - BGN 280 thousand), as 81,37% of them have been realized in our country.

Type of expenses	2020	Relative share for 2020	2019	Relative share for 2019	Change %
Interest expenses, including:	***334***	***26,03%***	***473***	***31,35%***	***(29,39)%***
• Loans granted by financial institutions	115		166		
• Leases	101		140		
• Trade liabilities	44		128		
• Others	74		39		
Expenses from transactions with financial instru	***6***	***0,47%***	-	***0,00%***	
Foreign exchange losses	***174***	***13,56%***	***235***	***15,57%***	***(25,96)%***
Expenses, related with bank guarantees	***506***	***39,44%***	***521***	***34,53%***	***(2,88)%***
Other finance costs	***263***	***20,50%***	***280***	***18,56%***	***(6,07)%***
Total	**1 283**	**100,00%**	**1 509**	**100,00%**	***(14,98)%***

The subsidiaries within the group service several loans to various financial institutions - Unicredit Bulnbank AD, DSK Bank EAD / Express Bank AD, UBB AD, Eurobank Bulgaria AD. As of 31.12.2020 the total amount of utilized funds on loans from banks amount to BGN 980 thousand.

Personnel

The number of personnel in the group as of 31.12.2020 according to the employees list covers 890 individuals, of which 502 are located in Bulgaria and 338 - in the Republic of Serbia. The average personnnel number is 773 employees. The distribution of the employees list by categories is as follows:

	List as of 31.12.2020	
	BULGARIA	**SERBIA**
Total personnel employed	**502**	**338**
Managers	74	3
Analytical specialists	78	27
Associate specialists	46	93
Support personnes	24	8
Qualified workers	53	41
Personnel, engaged in services	15	145
Operators of machines, equipment	143	70
Low-skilled personnel	69	1

Financial result

In summary of the data from the consolidated financial statements for 2020, "Trace Group Hold" PLC and its subsidiaries realize total revenues in the amount of BGN 224 930 thousand, while the total expenses are in the amount of BGN 209 273 thousand. The associated companies form a share in the amount of BGN 513 thousand. The financial result before taxes generate a profit in the amount of BGN 16 170 thousand. Tax expenses amount to BGN 3 916 thousand, of which BGN 4 793 thousand is for current corporate tax. The net profit after taxes for the group amounts to BGN 12 254 thousand.

III. Financial and non-financial indicators analysis

1. Financial indicators and ratios

The financial position of the group for the financial reporting 2020 is reflected in the following economic indicators:

№	Indicators	2020	2019	Difference	
		Value	Value	Value	%
1	Non-current assets (total)	89 424	91 192	(1 768)	-1.94%
2	Current assets, including	164 821	164 859	(38)	-0.02%
3	Inventory	10 022	8 774	1 248	14.22%
4	Current receivables	113 630	121 633	(8 003)	-6.58%
5	Current financial assets	702	1 492	(790)	-52.95%
6	Cash and cash equivalents	40 467	32 960	7 507	22.78%
7	Total assets	254 245	256 051	(1 806)	-0.71%

8	Equity	132 144	119 227	12 917	10.83%
9	Financial result	12 284	18 422	(6 138)	-33.32%
10	Non-current liabilities	21 340	15 373	5 967	38.81%
11	Current liabilities	100 861	121 319	(20 458)	-16.86%
12	Total liabilities	122 201	136 692	(14 491)	-10.60%
13	Total revenue	224 930	317 692	(92 762)	-29.20%
14	Sales revenue	221 635	312 812	(91 177)	-29.15%
15	Total expenses	209 273	295 371	(86 098)	-29.15%

№	Ratios	2020	2019	Difference	
		Value	Value	Value	%
	Profitability:				
1	Return on equity	0.09	0.15	(0.06)	-39.84%
2	Return on assets	0.05	0.07	(0.02)	-32.85%
3	Return on liabilities	0.10	0.13	(0.03)	-25.41%
4	Net profit margin	0.06	0.06	(0.00)	-5.89%
	Efficiency:				
5	Of costs	1.07	1.08	(0.00)	-0.07%
6	Of income	0.93	0.93	0.00	0.07%
	Liquidity:				
7	Current ratio	1.63	1.36	0.28	20.26%
8	Quick ratio	1.53	1.29	0.25	19.29%
9	Acid test	0.41	0.28	0.12	43.73%
10	Absolute liquidity	0.40	0.27	0.13	47.68%
	Financial leverage:				
11	Financial leverage	1.08	0.87	0.21	23.98%
12	Debt	0.92	1.15	(0.22)	-19.34%

Profitability (return) coefficients show the rate of return on capital and are subject of investor interest. In essence, profitability coefficients are quantitative characteristics of the entity's return on sales, on equity, on the actual assets and liabilities. Their levels are directly dependent on the values of the realized profits of the entity. Since in 2020 net profit decrease by 33,05% compared to 2019 (2020 – BGN 12 254 thousand; 2019 – BGN 18 303 thousand), all profitability indicators show recession. Return on equity is 0,09, return on assets is 0,05, return on liabilities is 0,10. The net profit margin maintains its levels of 0,06 points compared to the previous year, due to saving the ratio between realized financial result and sales revenues compared to the previous year.

Efficiency ratios are quantitative characteristics of the interrelation of the group's revenues and expenditure. The factor, which mainly influences their alteration, is the change in the revenue and expense structure, which almost stay the same in comparison to 2019. Based on the data from 2020 the cost efficiency ratio is 1,07 as the previous year was 1,08. The income efficiency ratio decreases with 0,07 points and retains its value of 0.93 points. Due to almost the same rates of reduction of revenues and costs, efficiency ratios do not change significantly. The calculation results of the cost efficiency ratios allow to determine the company how much revenue receives from activities when use a unit of cost for the same activity. In the activity for 2020 there are BGN 1.07 revenues and BGN 0.93-point costs, and in 2019 the ratio has been BGN 1.08 revenues and BGN 0.93 costs.

Liquidity ratios reflect the entity's ability to convert available assets into liquid assets, as well as its ability to service its debts in a timely manner with available assets. The total current ratio is 1,36 and increases compared to the previous reporting period by 0,28 points (2019 – 1,36). It is calculated as a ratio between current assets and curent liabilities and in case of values above one, the degree of risk of the company falling

into a state of inability to meet its liabilities is too small. The ratios of acid and absolute liquidity are 0,41 and 0,40 and increase by 43,73% and 47,68% respectively compared to the previous period.

The financial leverage coefficient is the ratio between equity and total liabilities. In 2020 the value of equity is 1,08 and increase with 23,98%. Since the equity value in 2020 increases compared to 2019 by 10,83%, and the total value of liabilities decrease by 10,6%, the financial leverage increase by 23,98% compared to the previous year (2020 – 1,08; 2019 – 0,87).

Debt ratios show the amount of liabilities, recorded against BGN 1 of equity. The debt ratio is 0,92 in 2020 and decrease by 0,22 points or 19,34% in comparison to the prior reporting period.

2. Corporate and social responsibility

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

The main challenges faced by "Trace Group Hold" PLC during the year marked by the Covid crisis were those reported in the construction sector, namely: in terms of investment, human capital, environmental requirements and market access.

There is still uncertainty about the duration of the virus threat and its depth on the economic impact. From an investment point of view, it is necessary to approach carefully, with a clear vision on the risk assessment. In these circumstances, in the short-term Trace rearranged its priorities with prospects for development, following the principles of Corporate and social Responsibility, i.e., by means of a policy guaranteeing health and safety of the employees in the holding group. The main priorities in 2020 were:

- Liquidity control. Despite the registered decrease in the volumes and turnovers, the entity's cash flow remained stable and allowed the human and material resources to be kept, although this process led to additional costs.

- Responsibility to employees. This is the main priority of the entity's management.

- Reorganization of the workplace in view of the measures taken by the Bulgarian and Serbian states in order to preserve life and health of people and their families:

* Implementation of rules for working in emergency circumstances;

* Provision of preparations and disinfectants;

* Home office option;

* Organization of the construction sites in such a manner to be respected all the rules of the National Crisis Management Staff. This led to the successfully completion of the metro stations, which are part of Sofia Third Metro line project, etc.

- Implementation of a number of digital solutions and digitization in the working processes of the entity:

The construction sector, as one of the least digitized, has been forced to speed up its digitization processes in order to be able to carry out day-to-day activities during the anti-epidemic measures. „Trace Group Hold" PLC is a company that strives and tries to keep up with the modern trends and currents in the international market.

*Implementation of Google's business service - Google Workspace, which is used by the largest and most successful companies in the global economy such as HSBC, Netflix and many others. In this way, Trace

employees were able fulfil their duties, in time of crisis, in an absolutely digital manner from a remote workplace regardless of the devices they use;

*Thanks to Google Meet service, daily communication between the employees in the entity continued through conference calls;

*The ERP system allowed to digitize the accounting and financial analysis; also, all kind of documentation exchange regarding construction projects have been digitized.

Regular payment of salaries and insurances, without any delay:

- In the difficult economic situation as a result of COVID-19 business requires fast reactions and flexibility. The entity by its decisions in 2020, proceed to simplify the processes in the company regarding human potential through alleviating costs and minimizing losses, so that the company's commitments as an employer to be properly fulfilled.
- * On the occasion of Easter holiday in 2020 each employee received an additional remuneration;
- - * On the occasion of Christmas holiday, food vouchers were provided for each employee.
- In 2020 "Trace Group Hold" PLC received two awards:
- * SPECIAL AWARD in the National Competition "Building of the Year 2020" for Metro Station "ORLOV MOST";
- * GOLD AWARD in the category "Construction of transport infrastructure" of the Bulgarian Construction Chamber.

Environmental protection

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

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

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

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

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

- Electricity and heat energy efficient usage;
- Waste minimization;
- Prevention of pollution by reducing and minimizing harmful emissions to air and water;
- Using a new generation of techniques and facilities to carry out its activities;

- Monitoring of air, water and soil pollution;
- Implementation of ERP system for management and process digitalization;

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

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

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

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

• Approved scheme for spatial planning in case of changing land usage
• Preparation and verification of the design documentation
• Obtaining building permit
• Project's realization
• Putting the projects into operation
• Conditions determined by issued decisions on environmental assessment and / or environmental impact assessment

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

The economic dimensions of Trace socially responsible behavior, built over 20 years, are in the company's resilience in times of crisis, its reputation, competitive advantage, and attracting investors

3. Disclosing of non-financial information

As required by European Parliament Directive 2014/95/EU on the submission of non-financial information and the provisions of the Accountancy Act, some companies have an obligation to publish non-financial information on their own or as part of the management activity reports. The obligation arises for large public interest entities which, by 31 December of the reporting period, exceeded the 500-average number of employees in the financial year. Enterprises of public interest are: public companies and other issuers of securities; credit institutions; financial institutions; insurance and reinsurance companies, pension insurance companies and the funds managed by them; investment intermediaries; commercial companies that

produce, transport and sell electricity and heat; commercial companies importing, transporting, distributing and transiting natural gas; commercial companies providing water, sewage and telecommunications services; "Bulgarian State Railways" EAD and its subsidiaries.

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

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

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

IV. Major risks

In the course of daily business, the entity could be exposed to a variety of financial risks, so overall risk management is focused on minimizing potential adverse effects that could affect the financial results.

Credit risk

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

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

Liquidity risk

The liquidity risk is expressed in the negative situation that the company will not be able to meet unconditionally all its obligations according to their maturity. It pursues a conservative liquidity management policy, which constantly maintains an optimal liquidity reserve and a good ability to finance its business. Currently, the maturity and timely implementation of payments is monitored by the financial and accounting department, supporting the necessary information on available cash and pending payments.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial assets and liabilities held by the entity will fluctuate due to changes in market interest rates.

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

Currency risk

The company is exposed to currency risk insofar as all branches operate in countries with a variable exchange rate of the local currency. But the bulk of its transactions and operations are mainly carried out in BGN and / or EUR.

V. Significant events after the reporting period

On March 4, 2021 a transformation of "USM" JSC, a subsidiary of "Trace Group Hold" PLC, through its separation and establishment of a new company, was entered in the Commercial register. The capital of "USM" JSC has been reduced to BGN 918 925. The newly established company is "TRACE MECHANIZATION" JSC, which UIC is 206418268.

"Trace Mechanization" JSC has the following scope of activities: Rental of machinery, provision of mechanization services, as well as other activities not prohibited by the law, as activities that are subject to licensing or permitting regime shall be performed after obtaining a relevant license or permission. The sole owner of the capital of "Trace Mechanization" JSC is "TRACE GROUP HOLD" PLC. The company is managed by a Board of Directors consisting of three individuals: Tonyo Hristov Stoev, Ivan Dimitrov Hristov and Mariana Georgieva Katerova. The capital of "Trace Mechanization" JSC is BGN 50 000 (fifty thousand), divided into 5 000 (five thousand) available ordinary, registered voting right shares with a nominal value of BGN 10 (ten) each.

Trace 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 Mamaia resort". The contracting authority is the Municipality of Constanta, Romania. The contract value is 62 400 067.07 Romanian lei. The implementation period is 18 months. The project includes road works, incl. marking, landscape architecture and landscaping, installation of street benches and lighting.

In connection to the implementation of forthcoming infrastructure projects in the Republic of Romania on 23.04.2021 a branch of the entity was registered Bucharest - Trace Group Hold PLC Bucharest branch.

VI. Business development

"Trace Group Hold" PLC shall continue its policy of expanding its activities nationally and internationally. At a national level, our company will continue to participate in tender procedures related to implementation of infrastructure projects included in the programming period of the operational programs of the European Union with focus on: railway and road construction, underground construction (metro projects), water sector, landfills, railway and road construction; public works and development of the municipalities, financed from the state budget and European programmes, building construction projects and energy efficiency projects, initiatives with private investors, with interest in infrastructure, logistics and industrial construction, as well as in public-private projects.

Building construction shall play and important role in the company's activities as an investment and executive activity as well. Trace has a short-term intention to participate in the construction of residential, administrative and office buildings in our country and on the territory of other countries where the group has a presence.

"Trace Group Hold" PLC has strengthened its position in the field of road maintenance in the Republic of Serbia, particularly in the maintenance and rehabilitation of road infrastructure in the regions of Southeastern Serbia, and in 2020 the entity entered the railway construction sector as well. In addition to road and railway infrastructure, the company plans to enter the high-rise construction sector.

Trace business initiatives and projects in Romania are also developing successfully. The company has already signed construction contracts with the municipality of Focsani and municipality of Constanta, whose forthcoming implementation is due to begin. Trace's business presence in Romania continues by studying all the possibilities for participation in upcoming tender procedures, which will expand company's presence in Romania.

The efforts of the company through its international responsible teams are focused on market research in Central and Eastern Europe and Russia.

VII. Research and development

The entity does not engage in Research and Development.

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

1. Treasury shares. Share Redemption.

On 05.12.2019 started share redemption procedure, determined by a decision of the Public Offering of Securities Act (POSA) dated on 26.06.2019. For the period 01.01.2020 – 31.12.2020 in total 3 357 shares were acquired at an average price of BGN 3.00/share. As of 31.12.2020 "Trace Group Hold" PLC possesses a total of 6 279 treasury shares.

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

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

<u>The Supervisory Board is composed of</u>:
Nikolay Ganchev Mihaylov – Chairman of the SB
Manol Peychev Denev – Member of the SB
Mariela Ivanova Runteva – Independent member of the SB

<u>Management Board is composed of:</u>
Dessislava Ivanova Lubenova – Chairman of the MB
Boyan Stoyanov Delchev – Member of the MB and CEO
Rositsa Yordanova Dineva – Georgieva – Member of the MB

Both Supervisory and Management board have a mandate 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 Management Board in the establishment of a risk management system, including an internal control and internal audit, the financial information system and controls their functioning. It controls the regulatory

compliance, set out in the entity's statutes. The Supervisory Board treats equally all shareholders and works to protect their interests. The Supervisory Board appoints and controls the entity's Management Board.

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

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

	Number of shares	Value	% Share
Nikolay Ganchev Mihaylov	16 276 755	16 276 755	67.26%
Manol Peychev Denev	0	0	0.00%
Mariela Ivanova Runteva	0	0	0.00%
Dessislava Ivanova Lubenova	1 202 056	1 202 056	4.97%
Boyan Stoyanov Delchev	0	0	0.00%
Rositsa Yordanova Dineva - Georgieva	0	0	0.00%

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

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

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

Supervisory Board

Entity	Nikolay Mihaylov	Manol Denev	Mariela Runteva
"Trace Group Hold" PLC	Chairman of the SB, holding 66.97% of the entity's capital	Deputy Chairman of the SB	Member of the SB

"Engproject" LTD	Holds directly 20% and through "Galini-N" LTD – 80%		
"Galini" LTD	Sole owner and Manager		
"Galini – N" LTD	Sole owner and Manager		
"Trace BG" JSC		Chairman of the BoD	
"GT Trans BG" LTD		Manager	
"Trace Group Hold PLC – Prague Branch"		Manager	
"Trace Group Hold PLC – Kyiv Branch"		Manager	

Management Board

Entity	Dessislava Lubenova	Boyan Delchev	Rositsa Dineva
"Trace Group Hold" PLC	Chairman of the MB, Executive Director	Member of the MB, CEO	Member of the MB
SBAL "Spine center"	Owns above 25% of the shares. Executive director		
Foundation "Trace for People"	Executive director		
Novita JSC	Owns above 25% of the shares.		
Bordoni LTD	Owns above 25% of the shares.		
Aero plaza JSC	Owns above 25% of the shares.		
Diginaltix LTD	Owns above 25% of the shares.		
Road design JSC	Owns above 25% of the shares.		
Lepitsa land LTD	Owns above 25% of the shares.		
Kramex JSC	Owns above 25% of the shares.		
Treskavets LTD	Owns above 25% of the shares.		
Himik JSC	Owns above 25% of the shares.		

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

The Statement is disclosed in a separate Appendix to the Management Report – Appendix №2.

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

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

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

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

In 2020 construction services have the largest share in the revenues. In this connection the major clients of Trace Group entities in Bulgaria and abroad are: Metropoliten EAD, National company railway infrastructure, Road Infrastructure Agency, Sofia Municipality, Road Infrastructure Agency, Municipality of Stara Zagora, Municipality of Pomorie, Municipality of Varshets, Municipality of Lovech, Koridori Serbia OOD, IP "Putevi Serbia", Municipalities on the territory of the Republic of Serbia, OMV Serbia OOD, JP Komunalac Pirot, etc.

Part of the contracts for construction works with the mentioned employers have been concluded through Companires on law on obligations and contracts, where "Trace Group Hold" PLC is a leading partner in the consortium agreement.

In 2020 construction services have the largest share in the revenues. In this connection the major clients of Trace Group entities in Bulgaria and abroad are:

1. Sofia Municipality
2. Metropoliten EAD
3. Municipality of Stara Zagora
4. National company railway infrastructure
5. Municipality of Pomorie
6. Road Infrastructure Agency
7. Municipality of Lovech
8. Municipality of Varshets
9. TRACE SRBIJA AD NIS
10. KORIDORI SRBIJE d.o.o. Beograd
11. J.P. PUTEVI SRBIJE Beograd

Main suppliers in 2020 are companies that are subcontractors in the construction contracts and suppliars of materials and construction machinery:

1. Infrainvest LTD

2. Building Comfort LTD
3. Granitara LTD
4. Loby Car Trans and Co LTD
5. Yana -2007 LTD
6. Fiostalpine Railway Systems AY SYSTEMS BULGARIA LTD
7. Bulgarian concrete elements LTD
8. Insa Oil LTD
9. Bulgarian concrete elements LTD
10. UBB Interlease EAD
11. OMV SRBIJA D.O.O. BEOGRAD
12. MILETIC PETROL DOO PARACIN PARACIN
13. TELEKOMUNIKACIJA D.O.O. BLACE
14. G.D.P-"INVESTPRODUKT" DOO LEBANE LEBANE
15. DRUMOVI A&D DOO PIROT
16. MONTERA DOO OGRANAK Beograd- Zemun
17. SMART-GRADNJA SZR NIS

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

In 2020 the following construction contracts have been concluded, which are significant to the activities of "Trace Group Hold" PLC:

- Contract for Modernization of the railway road, catenary, signalling and telecommunication systems in Plovdiv station and construction of a communication and transmission system under the railway area of Plovdiv station within a project: "Development of the railway junction Plovdiv". The value of the contract amounts to BGN 93 314 120, 58 without VAT. The Employer is "National Company Railway Infrastructure".
- Contracts for implementation of three lots, which are part from the project: Rehabilitation of existing sections of the Republican roads connecting to Corridor X Nis - Dimitrovgrad (Highway E80): - LOT 1: Rehabilitation of existing sections of Republican roads class IIB No. 427, class IIA no. 223 and class IIA no. 224; ID 8110911.LOT1 - LOT 2: Rehabilitation of existing sections of Republican roads class IB No. 39 and Class IIA No. 221; ID 8110911.LOT2 - LOT 3: Rehabilitation of existing sections of Republican roads class IIA No. 223 and class IIB no. 429; ID 8110911.LOT3. The total length of the sections in the project is 76.5 km. The Employer is Corridors of Serbia Ltd. Belgrade, Republic of Serbia. The value of the contracts for the three lots is a total of 20 million euros. The implementation period is 540 days.
- Contract for "Rehabilitation of the design parameters in Yastrebovo station from km 21 + 534 to km 22 + 502 with a length of 968 meters on the IX railway line" in the amount of BGN 6 790 108 without VAT. The Contracting authority is the State Enterprise "National Railway Infrastructure Company".
- Contract for execution of project: "Reconstruction of "Todor Kableshkov" Blvd. from "Bulgaria" Blvd. to "Louis Eyer" Str., "Triaditsa" district. The value of the contract is BGN 11 018 085.85 with VAT. The financing is from the budget of the Republic of Bulgaria. The Employer is Sofia Municipality. The implementation period covers 138 calendar days.
- Construction of "Atana" - Trace multipurpose building, located in Druzhba residential area, Sofia in close proximity to Druzhba Metro Station, with quick access to Tsarigradsko Shosse

Blvd. and Sofia Airport. Its total built-up area is 32 187.23 sq. m. "Atana" city complex has been designed in a modern and functional manner with three residential and one office section, restaurant, commercial spaces, opportunities for sports and other entertainment activities, underground and above-ground garages with two-way ramp and elevators for cars, parking lots for EPS and bicycles.

- Contract for implementation of project: Engineering (Design, author's supervision and construction) - Reconstruction of the water supply and sewerage network in Stara Zagora in two lots, Lot 2 - Reconstruction of the water supply and sewerage network in Stara Zagora - northern part. The Employer is "Water Supply and Sewerage" Ltd., Stara Zagora. The value of the contract is BGN 21 954 334.50 without VAT.
- Contract for implementation of a project: Design and execution of construction works for "Reconstruction of the transport infrastructure within Municipality of Focsani, Romania in order to be increased the attractiveness and accessibility of public transport, bicycle transport and pedestrian traffic." The Contracting authority is the Municipality of Focsani, Romania. The value of the contract is 56 272 034.01 Romanian lei.

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

Information on related party transactions is disclosed in the Explanatory notes to the Annual Individual Financial Statements for 2020, under the "Other disclosures" Section, "Related parties' transactions and balances" note.

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

2020 passed under the sign of Covid 19 pandemic, which put all sectors of the economy to challenges, that did not happen so far. The economy is in crisis and cash flows are volatile. 2020 was a difficult year not only for us. Due to the economic situation, the investment projects started by Trace, both in Bulgaria and in Serbia, did not lead to the expected efficiency. As a result of Covid-19, the launch of large projects was delayed and all deadlines for tender procedures was changed.

Usually in crises, the funds allocated for infrastructure projects are reduced, and in 2020 this rule was confirmed. In accordance to EC's decisions, immediately after the lockdown of the European countries due to the COVID-19 pandemic, all member states redirected non-negotiated funds from the European Structural and Investment Funds for the period 2014-2020 to measures intended to deal with the virus.

The main challenges faced by „Trace Group Hold" PLC are those that have been reported in the construction sector as well, namely: those related to investments, human capital, environmental requirements and access to markets.

There is still uncertainty about the duration and impact of the pandemic and the depth of the economic impact. The extraordinary epidemic situation affects the entity and its work efficiency.

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

No transactions were carried off-balance sheet in 2020.

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

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

Investments in subsidiaries – capital entities

Type	31.12.2020
	Interest
Trace BG JSC, Bulgaria	100%
Trace Properties LTD, Bulgaria	100%
Trace Serbia JSC, Serbia	100%
Infra Commerce LTD, Bulgaria	100%
Trace Company LTD, Moldova	100%
Trace Yambol JSC, Bulgaria	99.48%
USM JSC, Bulgaria	99.69%
Aria Residence LTD, Bulgaria	60%
Trace Build LTD, Serbia	100%

Investments in associates

Type	31.12.2020
	Interest
GT Trans BG JSC	37%

In 2020 the following changes have occurred in the shares of "Trace Group Hold" PLC:

"Trace Group Hold" PLC sold to an unrelated company 100% of its own shares in the capital of "Trace International" LTD. The circumstances in connection to the sale of "Trace International" LTD were entered in the Commercial Register on 14.01.2020.

"Trace Group Hold" PLC acquired 269 shares of the capital of "Trace-Road Construction" JSC, which lead to increase in the ownership of the subsidiary capital to 100%.

On April 1, 2020 "Trace Company" S.L.R. (limited liability company) was registered in the Registry of the Republic of Moldova. The capital of the company is 20 000 (twenty thousand) Moldovan lei, which is 100% (one hundred percent) owned by "Trace Group Hold" PLC. The company registered office and address of management is located in the Republic of Moldova, Chisinau municipality – Office 3, 1/1 Pruncul Str., Vatra, Chisinau municipality. Andrian Majeru is the manager of "Trace Company" S.L.R. "Trace Company" S.L.R. is engaged in the field of construction, current repair and maintenance of highways, roads, streets, urban and municipal communications and infrastructure along them, maintenance of roads, road structures and facilities; construction of underground and aboveground railway lines, construction of tunnels; construction of railway and road facilities; design, engineering and trade activity; performing all types of services using construction and other equipment, cargo and other activities.

On 20.05.2020 in the Commercial Register and in the Register of Non-Profit Legal Entities at the Registry Agency was entered the transformation of "Trace - Road Construction" JSC into a sole proprietor

joint stock company. The sole owner of the company's capital is "Trace Group Hold" PLC. The capital of "Trace - Road Construction" JSC amounts to BGN 8 845 605, distributed in 196 569 ordinary registered voting right shares with a nominal value of BGN 45 each.

The name of „Trace Sofia" JSC was changed to "Trace BG" JSC. Rositsa Yordanova Dineva and Manol Peychev Denev were dismissed as members of the Board of Directors. The newly elected Board of Directors consists of Biser Grigorov Ivanov, Manol Tanev Kavrakov, Georgi Iliev Ivanov, Maria Naneva Surcheva.

As of June 22, 2020 „Trace - Road Construction" JSC has been transformed through a merger into "Trace BG" JSC. All the property of „Trace - Road Construction" JSC, UIC 833175762 merged to the absorbing company" Trace BG" JSC, UIC 175254451, which is its universal successor. The transforming company "Trace - Road Construction" JSC, UIC 833175762 was finished without liquidation. Pursuant to Art. 262u of the Commercial Act, the capital of the absorbing company has not been increased.

On 16.07.2020 "TRACE GROUP HOLD" PLC sold to M - Strong LTD / unrelated company/ its 12 500 (twelve thousand five hundred) company shares from the capital of M - Strong LTD, a company registered in the Commercial Register in Wiesbaden, Federal Republic of Germany. The sell price for the shares is 10 000 (ten thousand) euros.

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

Obtained loans from "Trace Group Hold" PLC

	Type of loan	Amount /thousand BGN/	Utilized limit as of 31.12.2020/thousand BGN/	Maturity/Deadline for utilization	Interest %	Collateral
Unicredit Bulbank	Bank guarantees	65 000	29 106	02.08.2026	0,70%	Mortgages, pledge on tangible fixed assets, pledge on accounts, cash.
Unicredit Bulbank	revolving	13 000		02.02.2021	1 month ADI+2,95%	Mortgages, pledge on tangible fixed assets, pledge on accounts, cash.
Unicredit Bulbank	Bank guarantees			02.08.2026	0,70%	
Bank DSK AD	Bank guarantees	25 426	5 436	31.12.2031	1,20%	Mortgages, pledge on tangible fixed assets, pledge on accounts, cash.
Bank DSK AD	Investment	5 000	3 452	25.06.2025	1 M Euribor+ 2,869%	Mortgage, pledge on receivables, pledge on account
Eurobank Bulgaria AD	Investment	245	25	30.06.2021	3 M RIR +3,00%	Mortgage, pledge on receivables, pledge on account
Bank DSK AD (Expressbank	Investment	784	44	28.02.2021	1M Euribor +2,25,00%	Pledge on tangible fixed assets

AD)						
Bank DSK AD (Expressbank AD)	Bank guarantees	12 959	12 959	30.08.2031	1,20%	Pledge on tangible fixed assets., pledge on receivables, pledge on accounts
UBB AD	Bank guarantees	17 000	5 137	30.09.2026	0,70%	Ипотеки, залози на ДМА, залози на вземания, залози на сметки
UBB AD	revolving	3 000		30.09.2021	1-month RIR+ 2.% BGN /1 M Euribor+2.5 % EUR	Pledge on tangible fixed assets., pledge on receivables, pledge on accounts
UBB AD	Bank guarantees			30.09.2026	0,70%	
UBB AD	Investment	900	394	20.10.2023	1-month.RIR +3,15%	Mortgages, pledge on receivables, pledge on accounts
Unicredit Bulbank	Bank guarantees advance payment	11 706	11 706	29.02.2024	1,00%	Bank guarantee, promissory notes, pledge on receivables

Loans among related parties

Lender	Borrower	Type of loan	Amount in BGN thousand	Repayment term	Interest %	Unpaid principal as of 31.12.2020 Thousand BGN
"Trace Group Hold" PLC	"Trace Properties" LTD		1 000,00	02.02.2021	4,00%	0,00
"Trace Group Hold" PLC	Trace BG JSC	Commercial	10 000,00	02.02.2021	4,00%	0,00
"Trace Group Hold" PLC	Trace BG JSC	Commercial	3 000,00	30.09.2021	4,00%	0,00
"Trace Group Hold" PLC	Trace BG JSC	Commercial	5 000,00	02.02.2021	4,00%	0,00
"Trace Group Hold" PLC	"Infra Commerce" LTD	Commercial	1 800,00	30.11.2020	4,00%	1 221,60
"Trace Group Hold" PLC	"Trace Serbia" JSC	Commercial	978,00	31.10.2021	4,00%	914,00
"Trace Group Hold" PLC	Infra Commerce LTD Belgrade Branch	Commercial	1 800,00	02.02.2021	4,00%	808,00
"Trace Group Hold" PLC	DZZD Plovdiv Project	Commercial	430,00	15.06.2020	3,00%	0,00

"Trace Group Hold" PLC	Trace Company LTD	Commercial	18,00	02.04.2021	4,00%	18,00
"Trace Group Hold" PLC	Trace Company LTD	Commercial	3912,00	02.08.2022	4,00%	0,00
"Trace Group Hold" PLC	DZZD Water and supply company Stara Zagora	Commercial	46,00	30.06.2021	3,00%	15,40
"Trace Group Hold" PLC Belgrade Branch	"Trace Serbia" JSC	Commercial	4 320,00	31.12.2021	4,00%	4 320,00

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

Loans, granted by subsidiaries, as of 31.12.2020

Lender	Borrower	Amount /thousand BGN/	Repayment term	Interest %	Unpaid principal /thousand BGN/
"Trace Commerce" LTD	Todorov PLC	100,00	Required, garnished accounts of Todorov PLC	20,00%	81,00
"Trace Commerce" LTD	FC Vereya SNC	10,00	30.06.2017 - required	6,50%	7,00
"Trace Commerce" LTD	Association BFT	80,00	31.03.2020	6,3 %	80,00
"Trace Serbia" JSC	FC Dinamo Vranya	25,00	08.10.2016	11,00%	17,00
„Trace Group Hold" PLC	Smart Build Digital LTD	600,00	30.10.2020	4,50 %	450,00
„Trace BG"JSC	Association BBAPB	10,00	31.07.2021	2,00%	10,00

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

No new shares were emitted in 2020.

11. Ratio analysis of the achieved financial results, reflected in the Financial Statements for the financial reporting period, and previously disclosed estimates of these results.

No estimates of the annual financial results have been disclosed in 2020.

12. Analysis and evaluation of the financial resources management policy, stating the ability to settle

obligations, the possible threats and measures, which the issuer has taken or is about to undertake to eliminate those.

"Trace Group Hold" PLC ensures the regular collectability of its receivables and settlement of its obligations in the course of its activity.

In order to optimise the group's resources and to ensure financial independence, the Holding controls the cash flows in its structure. When the available resources are not sufficient, the Holding ensures external financing from banking institutions. The available recourses are channelled to finance the structure's development in accordance with the Management's strategic decisions. The Group uses resources from financial institutions to finance part of the investments.

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

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

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

In 2020, the process of restructuring the group continued in the direction of implementing the strategy of uniting similar activities into a single organizational system and management with a view to enhancing competitiveness.

The main goals of the merge are to achieve better economic results by:

- Optimising the construction processes and production by pooling assets and personnel; eliminating duplicate activities and functions;
- Ensuring a better workload of the entity's own assets and achieving a positive financial result by introducing a centralised management policy;
- Improving the supply management of raw materials and hired services by centralising the processes;
- Reducing the administrative staff and optimising the administrative expenses;
- Creating a unified cash and resource management.

Information about the changes in the economic group are indicated in Investment portfolio item.

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

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

- Internal control through the current reporting of the projects' implementation and monthly control, and analysis, of the realisation of the subsidiaries' business programs;
- Problem identification and measures for their elimination;
- Identifying the risks in the execution of the business program;
- Independent financial audit;
- Financial Audit thought an Audit Committee.

The current financial and accounting activities of the entity are subject to periodic control and analysis, performed by the Management and the Management Board. The entity has an established internal

financial control system, which ensures the effective functioning of the financial reporting systems and the disclosure of information; identifies the entity's operational risks and assesses their efficient management.

The internal financial control is performed by the Financial Board, which includes members of the Supervisory Board and the Management Board, as well as key managers of several departments in the group. The Board meets once a week and considers major issues related to the activities of the company, its branches and subsidiaries. Financial Board adopts monthly and annual business programs for the activity (construction, production units, mechanization and all other areas) and considers their current implementation. A practice for constant control of the implementation of the projects in accordance with a previously approved budget has been established. Constant control practice on the project implementation in accordance with a previously approved budget has been established. At the same time, a periodic analysis on the current financial results of the companies in the group is performed. There is a monthly control and analysis of the implementation of the adopted business programs. The main task of the board is to identify the risks for each unit, to analyse the deviations and to regulate measures for their termination. In order to provide a solid basis for making informed decisions in a faster and timely manner, it has been developed and implemented a unified and integrated software system for planning and managing resources in the group of Trace. This system covers all processes in the company departments, teams and subsidiaries. In 2020 ERP information system continued its scope, which provided opportunities for business process management in the group through daily gathering of information. The system almost works in its entire capacity, and it is expected to cover all major activities in the company group next year. The main management advantage by using this system is the creation of an opportunity for real-time information analysis, mobility, option for ongoing process control and an opportunity for planning and growth.

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 MB and SB and have the requisite qualifications and professional experience.

In order to ensure an independent and objective evaluation of the Financial Statements, the annual audit on the activities of "Trace Group Hold" PLC is conducted by an independent Registered Auditor (CPA), in compliance with the requirements of the Law on Independent Financial Audit. All sets of Financial Statements are prepared in accordance with the Accounting Act, the International Accounting Reporting Standards and the POSA.

16. Information on the changes in the Management and Supervisory Bodies that came in effect during the financial reporting year.

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

At an extraordinary meeting of the General Meeting of Shareholders, held on 30.09.2020 a change in the members of the company Supervisory Board was voted. Anton Nikolov Dontchev was dismissed as an independent member of the Supervisory Board, and Mariela Ivanova Runteva was elected in his place. The Supervisory Board is also composed of Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng. And Manol Denev.

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

17. Information on the amount of the remuneration, rewards and / or benefits, paid by "Trace Group Hold" PLC and its subsidiaries, to every member of the Management and Supervisory Bodies during the financial reporting year.

Type	Value in thousand BGN
Management Board	970
Supervisory Board	1 522
Total	**2 492**

18. Information on the held by the members of the Management and Supervisory Bodies, Procurators and Senior Management shares of the issuer, including the shares held by each of them individually and as a percentage of the shares of each class, as well as the granted by the issuer options on the securities – type and number of securities on which the options are established, the price of exercising the options, purchase price, if any, and the options' term.

Information under this point is disclosed in the "Information on the members of the Management Bodies" Section of this Report.

The entity has not granted any option on shares.

19. Information on the agreements that have come to the entity's knowledge (including and those after the end of the financial year), as a result of which changes may occur, in future periods, in the relative portion of the shares or bonds, held by the current shareholders and bondholders.

The entity is not aware of any agreements as a result of which changes may occur in the relative number of share or bonds, held by the current shareholders and bondholders.

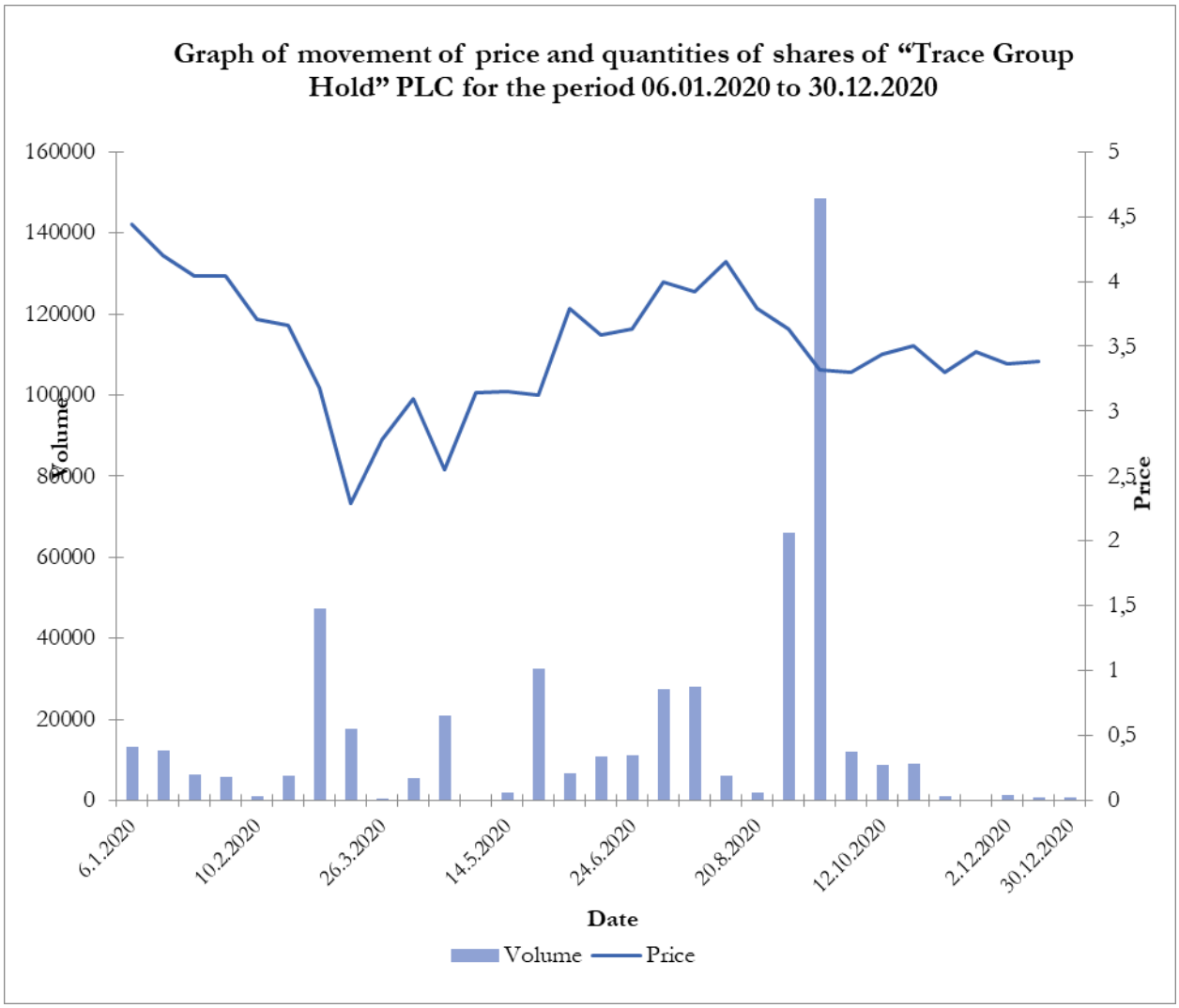
20. Information on pending judicial, administrative or arbitral proceedings, concerning the receivables or liabilities of the issuer, of at least 10 per cent of its equity; information on each proceeding shall be presented separately if the total amount of the issuer's receivables or liabilities under all proceedings, exceed 10 per cent of its equity.

1. Commercial case 1680 in Sofia City Court with claimant Sofia Municipality for penalties under contract СО15-РД-55-355 / 11.06.2015 with financial interest of BGN 910 125,05.
2. Commercial case 1633/2019 District Court of Varna with claimant "Trace Group Hold" PLC against Traffic Holding LTD with material interest of BGN 433 702,35. In the same case a counterclaim was filed with claimant Traffic Holding LTD with material interest BGN 440 816,06.
3. Civil case 32 /Ст 33/2017 on the list of Prague City Court, Czech Republic Prague Airport, Ruzyne (claimant), „Trace Group Hold" PLC, as a participant in Prague Airport Consortium 2013 (defendant), Amount of the claim in BGN 11 571 200.46 In the same case, a counterclaim was filed by „Trace Group Hold" PLC with a material interest of CZK 17 316 755.
4. Civil case 11389/2015 on the inventory of Sofia Citi Court with claimant Metropolitan EAD, „Trace Group Hold" PLC as a third-party assistant to the defendant's country, with a material interest of BGN 500 000.
5. Commercial case № 437/2020 according to the inventory of the Sofia City Court; claimant „Trace Group Hold" PLC; defendant is Road Infrastructure Agency; with material interest of BGN 1 004 849.17.
6. Commercial case № 2471/2020 dated 14.12.2020 according to the inventory of the Sofia City Court; claimant: Sofia Tech Park AD, Sofia; defendant: „Trace Group Hold" PLC, Planex EOOD, Ivo Petrov - Architects OOD, Pleven; with material interest having an estimated value of BGN 233 560.87.

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

Ivana Todorova Moutafova
Tel. +359 2 / 80 66 697; e-mail: imutafova@trace.bg
12, "Nikola Obrazopisov" Str., 1408, Sofia

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



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

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

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

The capital of "Trace Group Hold" PLC amounts to BGN 24 200 000, distributed among 24 200 000 ordinary, non-bearer shares as at 31.12.2020, out of which 24 193 721 are voting shares, while 6 279 shares do not provide voting rights.

In accordance with the Shareholders' book as at 31.12.2020, issued by the Central Depositary PLC, the capital structure of "Trace Group Hold" PLC is as follows:

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

Shareholder' s name	Holds number of shares		Owns %	
	At the date 31.12.2020	At the date 31.12.2019	At the date 31.12.2020	At the date 31.12.2019
Nikolay Mihaylov	16 276 755	16 205 831	67,26	66,97
"Galini – N" LTD	2 178 000	2 178 000	9,00	9,00
Trace Group Hold PLC - redeemed treasury shares	6 279	2 922	0,03	0,01
Other Physical and Legal entities	5 738 966	5 813 247	23,71	24,02

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

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

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

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

The following persons hold more than 5% of the shares of "Trace Group Hold" PLC as at 31.12.2020:

Shareholder as at the date	Name / Shareholder' s name	Owns %	Holds number of shares
31.12.2020	Nikolay Ganchev Mihaylov	67,26	16 276 755
31.12.2020	"Galini – N" LTD, registered under company file № 15261/2006 at the Sofia city court, domiciled and registered address: № 12, "Nikola Obrazopisov" Str., Lozenets Residential District, 1408, Sofia	9.00	2 178 000

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

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

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

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

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

There are no limitations on the voting rights of the shareholders of "Trace Group Hold" PLC. The right to vote at the General Meeting of Shareholders can be exercised personally or through a proxy, from all persons, who have purchased their shares and who are subscribed in the Shareholders' book, the latest in a 14 days period prior to the date of the Meeting. The representatives must possess proxy letter, prepared in compliance with the requirements of the Public Offering of Securities Act (POSA). A template of the proxy letter is published, as part of the documentation of the General Meeting. In conformance with the statutory notices for disclosure of interests, the Management Board monitors for cases where a shareholder has acquired over ½ or over 2/3 of the shares of "Trace Group Hold" PLC, and consequently has not placed a commercial offer, nor has he/ she sold his / her shares in the 14 days period, following their purchase. The names of such shareholders shall be disclosed explicitly to the Quorum Commission in order for them to be restricted from participation at the General Meeting of Shareholders, and consequently by their votes (voting rights) to be regarded as decisions to the clear detriment of the entity.

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

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

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

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

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

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

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

General Meeting

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

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

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

Management Board

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

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

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

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

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

Supervisory Board

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

The Supervisory Board establishes and controls strategic guidelines for the development of the entity, provides guidelines for determining the vision and controls their implementation.

The Supervisory Board monitors compliance with the laws and rules laid down in the Articles of association of the entity.

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

The Supervisory Board has regular meetings at least once every three months conducted by its chairman, at the initiative of each of its members or by the Management Board.

10. Significant contracts, signed by the entity, which come in effect, are modified or are terminated as a result of a change in the entity's control in executing statutory commercial offerings, and the consequences of those, with the exception of the cases when the disclosure of such information may result in significant losses to the entity; exceptions to the preceding sentence are allowed in cases where the entity is obliged by the Law to disclose such information.

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

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

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

Dipl. Eng. Boyan Delchev
CEO

CONSOLIDATED STATEMENT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH ARTICLE 100 N, PARAGRAPH 8 OF POSA

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

"Trace Group Hold" PLC and its subsidiaries in the group comply, as appropriate, with the National Corporate Governance Code (NCGC) and carry out their activities in accordance with the principles and provisions of the Code.

"Trace Group Hold" PLC and its subsidiaries do not apply corporate governance practices that are outside the National Corporate Governance Code (NCGC).

"Trace Group Hold" PLC is part of a group of entities within the meaning of paragraph 1, item 2 of the Additional Provisions of the Accountancy Act and the entity is a parent company, directly holding more than 50% of the shares in the General Meeting of its subsidiaries.

At 31.12.2020, "Trace Group Hold" PLC holds, directly, interests in the capital of the following subsidiaries, part of its economic group:

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

Trace Serbia AD (JSC)	Construction of roads and facilities, repairs and maintenance of specialised construction equipment and maintenance of the water supply and sewerage sector, including gas distribution and water supply networks, WWTP, integrated water cycles, solid waste treatment plants, landfills, public services, implementation of railway infrastructure.	1
Trace Yambol JSC	Construction and maintenance of roads, highways and road facilities, construction of public infrastructure and planning, and improving the sanitation of residential areas	0,9948
USM JSC	Management of construction mechanisation, repairs and maintenance works	0,9969
Infra Commerce LTD	Domestic and foreign trade activity; representation and intermediation of Bulgarian and foreign persons; trade with products and materials used in construction; logistics	100%
Trace Properties LTD	Real estate management	100%
Trace Company LTD	Construction, current repairs and maintenance of roads, urban and municipal networks and the adjacent infrastructures, maintenance of roads and road structures, construction of underground and aboveground railways, construction of tunnels; construction of railway and road facilities; design-engineering and trade activity	100%
Aria Residence LTD	Investments in real estate in order to implement projects in the field of real estate; purchase, construction and / or furnishing of real estate for sale purpose, rental, as well as performance of other administrative actions and activities for properties management; Real estate transactions.	60%
Trace Build LTD	Construction of residential and non-residential buildings	100%

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

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

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

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

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

The entity's Articles of Incorporation do not specify the number of entities in which the members of the Supervisory Board may hold managerial positions as it is considered inappropriate to limit the rights of the persons concerned. The entity relies on the conscientious and responsible behaviour of the Supervisory Board; behaviour that is consistent with the principles of professional ethics and loyalty.

"Trace Group Hold" PLC applies the rotation principle in the appointment of external auditors. The external auditor of the company for the financial year 2020 is Teodora Tsvetanova, registered auditor, diploma №0771, elected by a decision of the General Meeting of the Shareholders dated on 10.07.2020. For the period 2017 - 2019 the external auditor of the company was the auditing company "Zaharinova Nexia" LTD.

The entity aims at maintaining an English-language version of its website, identical to the one in Bulgarian.

Following the laws, the entity presents non-financial information as unregulated information. "Trace Group Hold" PLC founded the "Trace for People" Foundation in 2015. The entity performs its social activities through the Foundation – traceforpeople.com. A Social Responsibility Report, which is part of the Annual Management Report, has being prepared each year.

The entity has no rules, designed to account the interests of stakeholders, but actions are taken to address all issues that affect them. The procedure for exchanging information with stakeholders is regulated by the Integrated Quality Management System.

III. Information, disclosed pursuant to Article 100 n, paragraph 8, item 3 of POSA:

"Trace Group Hold" PLC has an internal control system that ensures the effective functioning of the reporting and disclosure systems. The internal control system is being designed and operates to identify and the risks, inherent in the Entity's activity, and to assist their effective management.

The internal financial control is performed by the Financial Board, which includes members of the Supervisory Board and the Management Board, as well as key managers of several departments in the group. The Board meets once a week and considers major issues related to the activities of the company, its branches and subsidiaries. Financial Board adopts monthly and annual business programs for the activity (construction, production units, mechanization and all other areas) and considers their current implementation. The main task of the board is to identify the risks for each unit, to analyse the deviations and to regulate measures for their termination. The decisions of the Financial board are written in protocols and other company documents, afterwards they shall be obligatory for all entity employee. In this way are established useful practices and models for group management.

"Trace Group Hold" PLC has adopted and applies rules and procedures, regulating the effective operations of the Entity's reporting and disclosure systems. The different types of information, prepared

and disclosed by the Entity, the processes of internal business document flow, the different levels of access of the responsible persons to the types of information and the deadlines for processing and managing information flows have been described in the rules.

The Entity's Management strives to develop active risk management by introducing a risk management system and focusing its efforts on its improvement in accordance with the best international practices. The risk management system defines the authorities and responsibilities of the structural units in the Entity, the organisation and the order 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 financial statements and other regulated information that the Entity is required to disclose in accordance with the statutory regulations.

In order to provide a solid basis for making informed decisions in a faster and timely manner, it has been developed and implemented a unified and integrated software system for planning and managing resources in the group of Trace. This system covers all processes in the company departments, teams and subsidiaries. In 2020 ERP information system continued its scope, which provided opportunities for business process management in the group through daily gathering of information. The system almost works in its entire capacity, and it is expected to cover all major activities in the company group next year. The main management advantage by using this system is the creation of an opportunity for real-time information analysis, mobility, option for ongoing process control and an opportunity for planning and growth.

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.

IV. Information, disclosed pursuant to Article 10, paragraph 1, items "c", "d", "f", "h" and "i" of Directive 2004/25/ED of the European Parliament and the European Commission, dated 21 April 2004, on takeover bids, in accordance with the provisions of Article 100 n, paragraph 8, item 4 of POSA

The interests of "Trace Group Hold" PLC in the capital of other commercial entities are described in detail in p. 4 ***Investment portfolio***, which is a part of the annual report on the entity activities for 2020

"Trace Group Hold" PLC does not have any shares, providing special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of holders of a certain percentage or number of votes, deadlines to exercise voting rights or systems by which, in cooperation with the entity, the financial rights granted to securities, are separated from the ownership of the securities with regards to the shares issued by "Trace Group Hold" PLC.

The rules for the election of members of the Supervisory Board of "Trace Group Hold" PLC are regulated in the Entity's Articles of Association. In accordance with Art. 15, paragraph 1 of the Articles of

Association 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, para, 1 members of the Management Board are elected by the Supervisory Board. The requirements for those individuals are also disclosed under the same Article.

The authorities of the members of the Supervisory and Management Boards of "Trace Group Hold" PLC are specified in Art. 15, paragraph 8, Art. 16, Art. 17 and Art. 18 of the entity's Articles of Association. 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 Association, 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.

V. Information, disclosed pursuant to Article 100 n, paragraph 8, item 5 of POSA

MANAGING BOARD

1. Functions and duties

1.1. The Managing Board of "Trace Group Hold" PLC manages the Entity in an independent and responsible manner in compliance with the established vision, objectives and strategies of the entity, and the interests of the shareholders.

1.2. The members of the Managing Board shall guarantee their management at the amount, determined by the General Meeting of Shareholders as the equivalent of their quarterly gross remuneration.

1.3. The Managing Board of "Trace Group Hold" PLC has established and follows the risk policy of the Entity. The risk management and internal audit systems are designed and function under the supervision of the Managing Board.

1.4. The Managing Board of "Trace Group Hold" PLC adheres to the statutory, regulatory and contractual obligations of the Entity in compliance with the adopted Articles of Incorporation and Rules of Procedure of the MB.

1.5. The financial - information system of the Entity is established and operates under the control of the Managing Board and in compliance with the guidelines, provided by the Supervisory Board.

1.6. The Managing Board of "Trace Group Hold" PLC coordinates its actions with the Supervisory Board when such are associated with the Entity's business plan, the transactions of substantial nature, as well as other activities, stipulated in its statutes.

1.7. The Managing Board has defined the policy of information disclosure and investor relations of the Entity, and monitors for compliance with it. The Board provides shareholders with the required information in the time frames and format, stipulated in the Entity's statutes.

1.8. During their mandate, the members of the Managing Board are guided by the generally accepted principles of integrity and managerial, and professional competence. The Managing Board adheres to the Code of Ethics that has been amended in February 2019.

1.9. The Managing Board reports on its activities to the Supervisory Board.

2. Election and dismissal of members of the Managing Board

2.1. The Supervisory Board elects and dismisses the members of the Managing Board in accordance with the law and the Entity's statutes, as well as in compliance with the principles of continuity and sustainability of the work of the Managing Board.

2.2. The management contracts, concluded with the members of the Managing Board, determine their duties and tasks, the criteria for the amount of their remuneration, their loyalty obligations to the Entity and the grounds for their dismissal.

3. Structure and competence

3.1. The number of members and structure of the Managing Board are defined in the Articles of Incorporation of "Trace Group Hold" PLC.

3.2. The competences, rights and obligations of the members of the Managing Board follow the statutory requirements, the statutes and the operational rules of "Trace Group Hold" PLC, and the standards on good professional and managerial practice.

3.3. The members of the Managing Board of "Trace Group Hold" PLC have the appropriate knowledge and experience, requisite for the position that they hold.

The Chairman of the Managing Board – Desislava Lubenova – is awarded a Master's Degree in "Economics and Human Resource Management" and "Theory and Methodology of mass information" by the University of National and World Economy. She has vast professional experience in financing activities and investments, as well as in corporate management. She has been Executive Director of an infrastructure company – a holding structure of 12 entities; she has been involved in the management of a number of road construction companies as a member of the BoD.

Eng. Boyan Delchev is Deputy Chairman and Executive Director. He has been awarded a Master's Degree in "Engineering / Construction of buildings and plants". He is one of the prominent project managers of "Trace Group Hold" PLC in the fields of subway (metro) and railway construction. Sections of the Sofia Metro and the adjacent metro stations have been built under his management. He has been involved in the management of the construction works on the rehabilitation of the railway line Plovdiv – Bourgas. He has been Executive Director of one of the largest entities of "Trace Group Hold" PLC – "Trace Sofia" LTD. Eng. Delchev has been honoured by the Sofia Municipality with a plaque for his contribution to the construction of the Sofia Metro. He has also won and the most prestigious award of "Trace Group Hold" PLC – "Builder of the Year 2012".

Rositsa Dineva – Georgieva, member of the Managing Board, is also the Financial Director of "Trace Group Hold" PLC. She is awarded a Master's Degree in "Analysis and control of corporate activity". As an employee in the holding group, she has gained experience by being in the positions of accountant, chief accountant, CFO. She took different positions in several subsidiaries as a Member of BoD.

After their election, the new members of the Managing Board get acquainted with the main legal and financial issues, related with the Entity's activities.

3.4. The entity's Articles of Incorporation do not limit the number of entities in which members of the Managing Board may hold managerial positions, but their appointment falls within the competences (control) of the Supervisory Board and is consistent with their duties as members of the MB.

3.5. The Managing Board shall ensure a proper distribution of the tasks and duties among its members. The task and duties are regulated by Rules of Procedure, adopted by the MB.

4. Remuneration

4.1. The amount and structure of the remunerations of the members of the Managing Board of "Trace Group Hold" PLC are regulated in the management contracts. The management contracts are compiled in accordance with the Remuneration Policy, adopted by the General Meeting of the Entity.

4.2. In accordance with the statutory requirements and the good corporate governance practice, the amount and structure of the remuneration of the members of the Managing Board of "Trace Group Hold" PLC take into account:

4.2.1. The duties and the contribution of each member of the Managing Board and the results achieved by the Entity;

4.2.2. The ability to select and retain qualified and loyal members of the Managing Board;

4.2.3. The need to reconcile the interests of the members of the Managing Board with the long-term interests of the Entity.

4.3. The remuneration of the members of the Managing Board also includes a variable component that is linked to the financial result of the Entity;

4.4. The statutory requirements regulate the procedure for providing and using additional incentives by the members of the Managing Board.

4.5. The disclosure of information about the remuneration of the members of the Managing Board of "Trace Group Hold" PLC is presented in the annual report of the Entity, in accordance with the legal norms and the Entity's statutes. Shareholders have easy access to information about remunerations. "Trace Group Hold" PLC publishes its annual report on the X3News web portal and on its website, in the "For Shareholders" section, "Financial Information" sub-section.

5. Conflict of interests

5.1. The members of the Managing Board avoid and prevent actual or potential conflict of interest.

5.2. The procedures to avoid and identify any conflicts of interest are regulated by the Code of Ethics.

5.3. The members of the Managing Board shall immediately disclose conflicts of interest and ensure shareholders with access to information on transactions between the Entity and the members of the Managing Board, or with the persons affiliated with it.

5.4. Every conflict of interest shall be reported to the Supervisory Board.

SUPERVISORY BOARD

1. Functions and duties

1.1. The Supervisory Board appoints and controls the Managing Board of the entity;

1.2. The Supervisory Board establishes and controls the strategic guidelines for the entity's development, it provides guidelines in determining the vision and monitors their implementation;

1.3. The Supervisory Board provides guidelines to the Managing Board for the design of the risk management system, including the internal control and internal audit, the financial – information system, and monitors their operations;

1.4. The Supervisory Board monitors for adherence with the laws and rules, defined in the Entity's Articles of Incorporation;

1.5. The Supervisory Board treats equally all shareholders and acts to protect their interest.

1.6. In accordance with the Articles of Incorporation of "Trace Group Hold" PLC, the members of the Supervisory Board can be re-elected for unlimited mandates. The number of consecutive mandates of the members of Supervisory Board ensures the Entity's effective work and adherence with the statutory requirements.

2. Election and dismissal of members of the Supervisory Board

2.1. The members of the Supervisory Board are elected and dismissed by the General Meeting of the Shareholders in accordance with the statutory requirements, the Entity's Articles of Incorporation, and the principles for continuity and sustainability of the Supervisory Board's work;

2.2. With regards to remunerations – the Supervisory Board follows a policy to guarantee the effective management of the entity and in the interest of the entity;

3. Structure and competence

3.1. The composition of the Supervisory Board, elected by the General Meeting of Shareholders, guarantees the independence and impartiality of the assessments and actions of its members with regards to the Entity's operations.

3.2. The structure of the Supervisory Board complies with Article 116 (a), paragraph 2 of POSA and the number, and skills of the independent members, and guarantees the shareholders' interests.

3.3. The Chairman of the Supervisory Board is not an independent member, in so far as he owns 67,26% of the entity's capital. Nevertheless, the structure of the Supervisory Board is in conformity with the requirements of Article 116 a, paragraph 2 of POSA.

3.4. The members of the Supervisory Board of "Trace Group Hold" PLC are elected through a transparent procedure that ensures, among all others, timely and sufficient information with regards to the personal and professional qualities of the member candidates.

4. Remuneration

4.1. The amount and structure of the remuneration of the members of the Supervisory Board of "Trace Group Hold" PLC have been regulated in the Remuneration Policy adopted by the General Meeting of the Entity and in the management contracts.

4.2. The remuneration of the independent members of the Supervisory Board is permanent and it is not related (linked) with their participation in meetings, the execution of their tasks to monitor the activities of the Managing Board and their effective involvement in the Entity's activity. The rules for the payment of remunerations are regulated by the Policy, adopted by the GM;

4.3. The members of the Supervisory Board do not receive additional remuneration in the form of shares.

4.4. Information on the remuneration of the members of the Supervisory Board of "Trace Group Hold" PLC is disclosed in the annual report of the Entity, in accordance with the legal norms and the Entity's statutes. Shareholders have easy access to information about remunerations. "Trace Group Hold" PLC publishes its annual report on the X3News web portal and on its website, in the "For Shareholders" section, "Financial Information" sub-section.

5. Conflict of interests

5.1. The members of the Supervisory Board avoid and prevent actual or potential conflict of interest. The procedures to avoid conflicts of interest are regulated by the Code of Ethics;

5.2. The members of the Supervisory Board shall disclose conflicts of interest and ensure shareholders with access to information on transactions between the Entity and the members of the Supervisory Board or the affiliated with them individuals.

6. Committees

6.1. An Audit Committee, elected in compliance with statutory requirements, is operating in the Entity. The Audit Committee consists of three people and assists the Managing Bodies in performing their control functions and in the risk identification system.

6.2. The structure, engagements and work organisation of the Audit Committee are regulated by the Audit Committee's Rules of Procedure, approved by the GMS.

6.3. The "Financial Committee" is a subsidiary body of the Supervisory Board that is defined in accordance with an internal regulatory act. The "Financial Committee" takes decisions on all financial matters concerning the entity, and its subsidiaries, and on all current issues that are of significant importance to the entities.

GENERAL MEETING OF SHAREHOLDERS

1. Organising and holding a General Meeting

1.1. All shareholders of "Trace Group Hold" PLC are entitled to participate in the General Meeting of Shareholders and to express their opinion.

1.2. Shareholders, entitled to vote, have the opportunity to exercise their voting rights at the General Meeting of the Entity and through representatives.

1.3. The corporate management of "Trace Group Hold" PLC performs effective control, creating the necessary organisation for the voting of the authorised persons in accordance with the instructions of the shareholders or in the ways authorised by the law.

1.4. The corporate management of "Trace Group Hold" PLC has prepared rules for the organisation and conduct of the regular and extraordinary General meetings of the shareholders of the Entity. These rules ensure equal treatment of all shareholders and the right of each shareholder to express his / her opinions on the items on the agenda of the General Meeting.

1.5. The corporate management of "Trace Group Hold" PLC organises the procedures and order for holding the General Meeting of Shareholders in a way that does not make the voting unnecessary or expensive.

1.6. The corporate management of "Trace Group Hold" PLC encourages the participation of shareholders in the General Meeting of Shareholders, including and by ensuring the option of remote presence through technical means (including the Internet) where this is possible, and necessary, and does not contradict to item 2.1.4. of the National Corporate Governance Code, and when a regulation for such is established and there is a reliable and secure technical option for such.

1.7. The members of the corporate management of "Trace Group Hold" PLC participate in the general meetings of the shareholders of the Entity, unless they are exigently hindered.

2. Materials for the General Meeting of Shareholders

2.1. The texts in the written materials, prepared by "Trace Group Hold" PLC and related to the agenda of the General Meeting, are specific and clear, and do not mislead shareholders. All proposals for major corporate events are presented as separate items on the agenda of the General Meeting, including proposals for profit distribution.

2.2. "Trace Group Hold" PLC maintains a special section on its website related to the shareholders' rights and their participation in the General Meeting of Shareholders.

2.3. The corporate management of "Trace Group Hold" PLC assists the shareholders, authorised by court decisions, to include additional issues on the agenda of the General Meeting.

2.4. The corporate management of "Trace Group Hold" PLC guarantees the right of shareholders to be informed about the decisions taken at the General Meeting of Shareholders.

VI. Information, disclosed pursuant to Article 100 n, paragraph 8, item 6 of POSA

"Trace Group Hold" PLC applies a diversity policy with regards to the age, gender, education and professional experience of the administrative, management and supervisory bodies of the entity. The members of the Managing and Supervisory Boards are elected, without discrimination, based on their personal and professional qualities.

Any discrimination, regardless of the reasons for such, is incompatible with the Entity's traditions in ensuring a decent workplace and integrity at work.

The main goals in implementing the equality and diversity policy are:

- Recruiting people with diversified abilities and a wide range of professional skills. In order for innovative and creative decisions to be taken, it is important that the managers and personnel are themselves innovative and creative. In an ever more competitive environment, innovation is a prerequisite for increasing effectiveness and finding new market niches.

- Improving the entity's reputation and overall performance vis-à-vis shareholders and the general public;

- Promoting motivation of ethno-cultural diversity and difference between people;

- Addressing the shortage of highly qualified personnel

The diversity policy ensures diversity in the members of the management bodies, which in turn vouches for a reliable management and control system – a key element of good corporate governance.

The composition of the managing bodies is in line with the specificity and scope of the entity's activity, and ensures a high level of joint expertise.

The members of the Supervisory and Managing Boards of "Trace Group Hold" PLC have vast professional experience, acquired from previously held positions and projects executed in compliance with their personal competences, in which they have demonstrated great managerial skills, high

professional and moral qualities. Their professional skills are acquired and enriched through educations, trainings and qualifications.

The Supervisory Board consists of three members.

Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng. is a Chairman of the Supervisory Board of "Trace Group Hold" PLC and Head of the "Roads" Department in the Faculty of Transportation Engineering at the University of Architecture, Civil Engineering and Geodesy – Sofia. He is awarded an educational and Doctor of Philosophy degree with a dissertation on "Economic efficiency of the capital investments in road construction." He has a Management specialisation at the Economic University – Varna and the Austrian Economic Chamber. He is a lecturer in the University of Architecture, Civil Engineering and Geodesy – Sofia. Prof. Prof. Mihaylov defended a PhD, Economic Sciences dissertation, entitled "Corporate governance as a driving force for improving the entity's performance of the enterprise", at the Institute of Economic Research at BAS in 2016. Prof. Mihaylov is the Chairman of the Bulgarian Forum of Transport Infrastructure. He is a member of the Managing Board of the Bulgarian Construction Chamber. He is a co-chairman of the "Investment and Infrastructure Projects" Committee at the Confederation of Employers and Industrialists in Bulgaria. He is chairman of the Managing Board of "Trace for People" Foundation, a member of the Managing Board of the "Burov" Foundation and a member of the Board of Trustees of NATFA "Krastyo Sarafov" at the Thracian University, Stara Zagora. He has won the "Burov" award for industrial management in 2010. He is awarded with the "Engineer of the Year – 2012" prize of the Association of Road Engineers and Consultants. In 2015, Prof. Mihaylov was awarded the Russian "Prometheus" medal for his outstanding contribution in science and education. Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng. is awarded the honorary title of Doctor Honoris Causa for a long-term cooperation and significant contribution to the infrastructure improvement of Trakia University - Stara Zagora.

Manol Denev is a member of the Supervisory Board of "Trace Group Hold" PLC. Within the Holding, he holds the position of Business Development Manager. He is awarded a Master's Degree in "International Tourism" by the University of National and World Economy, Sofia. He is fluent in English and Russian. His professional experience in the financial field – economic and foreign trade – was acquired through the managerial positions that he has held.

Mariela Runteva is an independent member of the Supervisory Board of "Trace Group Hold" Plc. She completed a master's program at the Faculty of "Journalism and Mass Communications, Advertising" at Sofia University "St. Kliment Ohridski". She started her journalistic career as a trainee at the Bulgarian News Agency, she has been a news anchor in "Statis" Jsc and editor at "News and Journalism" section in Stara Zagora TV program. In the period 2006-2012 she has been a shareholder and Chairman of the Board of Directors of "Statis" Jsc. In parallel, from 2002 to 2010 she has been one of the owners of "PR Studio" Ltd., whose scope of activity covers organization of public events, election campaigns, corporate PR. For several years she has been working for "Trace Group Hold" Plc, Sofia, with a commitment to company's corporate policy. She has been a freelance journalist working on various projects, organizing forums, advertising and PR activities, publishing, television projects - Zona M, Republic of Moldova, Infotainment TV. Mariela Runteva has been part of Municipality of Stara Zagora team, which participated in the international competition "Challenge for Mayors" of "Bloomberg Philanthropies" Foundation of the former mayor of New York Michael Bloomberg. The team was qualified for the finals in competition with 155 European cities. She has been working on a project of "America for Bulgaria" Foundation, "Zagorka Green Fund", Ministry of Labour and Social Policy, etc.

The members of the Managing Board are people, holding different higher education degrees and skills – economic, financial and engineering –, each with additional qualification in the fields of business management.

The holding complies with the principle of gender equality in the election of the Managing and Supervisory Boards, and in the appointment of personnel at managerial positions. The number of women holding managerial positions in the entity, such as Mrs. Desislava Lyubenova – Chairman of the Managing Board, Mrs. Rositsa Dineva – Member of the Managing Board and Financial Director, Mrs. Diana Rangelova and Mrs. Hristina Nikolova – Members of the Audit Committee, prove this.

The diversity policy, applied in respect of those who are part of the managing bodies, prohibits any age discrimination (age restrictions).

Representatives of different minority ethnic groups are employed in the "Trace" group. The company is open to employing disadvantaged people. The aim is to provide young people with opportunities for personal and professional growth.

The "male – female (employees)" ratio in the parent is 50 / 50. Due to the specificity of the activity, the "male – female (employees)" ratio for the entire group is 20 / 80 (women / men).

The Internal Labour Manual of "Trace Group Hold" PLC regulates the employees' rights and protection in the event of discrimination by the employer.

Dipl. Eng. Boyan Delchev

CEO

Non-Financial Statement

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

I. INTRODUCTION

Pursuant to Art. 41 of the Accountancy Act, as a public interest entity and one which exceeds the criteria for an "average number of employees up to 500 persons during the financial reporting year" as at 31.12.2020, "Trace Group Hold" PLC includes a non-financial statement in compliance with Art. 48 of the Accountancy Act in its consolidated management report.

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

II. BUSINESS MODEL

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

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

"Trace Group Hold" PLC develops its business activities in the following construction areas:

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

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

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

"Trace Road construction" JSC and "Trace Serbia" JSC are entities specialized in the construction of road infrastructure.

- ✓ **Construction of metro (subway);**

"Trace Group Hold" PLC has been actively involved in "Sofia Metro" project since the very beginning of its construction. Ten of the existing metro stations and the alongside underground railway have been implemented by "Trace Group Hold" PLC. Two more metro stations, part of the Third line of "Sofia Metro" project., have been completed and are to be put into operation.

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

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

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

"Trace BG" JSC is the main entity that possesses complex resources - human, machine and technology, for the implementation of all activities in the construction of railway infrastructure area.

Currently the company implements modernization of the railway road, catenary, signalling and telecommunication systems in Plovdiv station and construction of a communication and transmission system under the railway area of Plovdiv station. In a process of execution is a project for modernization and rehabilitation of Nish - Brestovac railway section in Republic of Serbia.

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

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

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

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

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

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

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

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

In 2020 started the next in row project for "Atana" - Trace multipurpose building, located in Druzhba residential area, Sofia. Its total built-up area is 32 187.23 sq. m. "Atana" city complex has been designed in a modern and functional manner with three residential and one office section, restaurant, commercial spaces, opportunities for sports and other entertainment activities. Investor of the project is "Trace Properties" LTD, "Engproject" Ltd is the design company.

- ✓ **Gas and power facilities, including gas stations;**
- ✓ **Trade in construction products and supplies.**

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

The portfolio of Trace activities further includes investment, international trade and logistics.

ORGANIZATION CHART

The parent company, "Trace Group Hold" PLC, has a two-level management system and is managed by a Supervisory Board, composed of three members, and a Management Board, also composed of three members.

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

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

"Trace Group Hold" PLC is a holding company with the following organization chart:

ENTITY	PRINCIPAL ACTIVITY	SHARE IN THE CAPITAL
Trace Group Hold PLC	Acquisition, management, valuation and sale of interests in Bulgarian and foreign entities; building and construction works; project and site management in the fields of high-rise, road and railway construction.	Parent company – consolidating
Trace BG JSC	Construction, reconstruction, rehabilitation and maintenance of subways (metro), railway infrastructure and construction of facilities; construction of public infrastructure and planning, and improving the sanitation of residential areas; execution of projects, related to energy efficiency improvement, construction of water supply and sewerage systems, water treatment plants, emergency and rehabilitation works in the event of industrial accidents or natural disasters, construction and maintenance of civil and military airports.	100%
Trace Serbia AD (JSC)	Construction of roads and facilities, repairs and maintenance of specialised construction equipment and maintenance of the water supply and sewerage sector, including gas distribution and water supply networks, WWTP, integrated water cycles, solid waste treatment plants, landfills, public services, implementation of railway infrastructure.	1
Trace Yambol JSC	Construction and maintenance of roads, highways and road facilities, construction of public infrastructure and planning, and improving the sanitation of residential areas	0,9948
USM JSC	Management of construction mechanisation, repairs and maintenance works	0,9969
Infra Commerce LTD	Domestic and foreign trade activity; representation and intermediation of Bulgarian and foreign persons; trade with products and materials used in construction; logistics	100%
Trace Properties LTD	Real estate management	100%
Trace Company LTD	Construction, current repairs and maintenance of roads, urban and municipal networks and the adjacent infrastructures, maintenance of roads and road structures, construction of underground and aboveground railways, construction of tunnels; construction of railway and road facilities; design-engineering and trade activity	100%
Aria Residence LTD	Investments in real estate in order to implement projects in the field of real estate; purchase, construction and / or furnishing of real estate for sale purpose, rental, as well as performance of other administrative actions and activities for properties management; Real estate transactions.	60%
Trace Build LTD	Construction of residential and non-residential buildings	100%

The production bases and warehouses of "Trace Group Hold" PLC are located in the key transport and communication centres, thus allowing the execution of the awarded projects to be completed in the shortest time periods and at a high quality. Broadening the breadth of the market sector, the entity equips its production bases with top-of-the-line specialised equipment. Main facilities of "Trace Group Hold" PLC are:

- Ten asphalt bases, of which two modular mobile ones;
- Installation for production of polymer modified bitumen. Installation for production of bitumen emulsion;
- Installations for the production of stone flour;
- Six aggregate quarries;
- Ten crushing installations for the production of stone fractions, of which 4 mobile ones;
- Two machines for laying concrete;
- Earthmoving machinery;
- Asphalt-laying technique;
- Geismar system for laying railroad S2PV;
- Diesel locomotive series 55 and 12 platform wagons.

"Trace for People" Foundation, registered at the Ministry of Justice of the Republic of Bulgaria as a non-governmental organisation, acting entirely in public interest, is also part of the group.

DEVELOPMENT STRATEGY

In the context of a coronavirus disease (COVID - 19) worldwide and the imminent economic recession, it is very difficult to predict the projects that would be launched, as well as whether they would continue and to what extent. The expert's forecasts are that construction industry in Europe is expected to decline significantly due to closure of many construction sites, cessation of workers movement and the supply of materials and equipment, which were severely disrupted by the coronavirus pandemic (Covid-19). In these conditions, management of the construction projects becomes even more complicated because companies try to comply with new drastic measures for safety and health. On the other hand, European Commission proposes that part of the extraordinary costs needed to fight against the coronavirus to be borne by the European Regional Development Fund and the Structural Funds, which would inevitably lead to a decrease in resources for infrastructure and thus reduce the market which we operate in.

Management of the holding company made great efforts to continue successful implementation of the signed contracts, without seriously impairing their effectiveness. We have taken steps to actually reorganize and optimize our business and activities of our subsidiaries in Trace group. The future investment intentions are to be specified with a view to preserving the financial resources and insuring against a possible drop in prices.

Taking into account the critical circumstances, "Trace Group Hold" PLC follows its policy for expanding its activities nationally and abroad. At a national level, our group continues to participate in tender procedures related to implementation of infrastructure projects included in the programming period of the operational programs of the European Union with focus on: underground construction (metro projects), water sector, landfills, railway and road construction; public works and development of the municipalities, financed from the state budget and European programmes; building construction projects and projects for buildings renovation to increase energy efficiency; initiatives with private investors, with interest in infrastructure, logistics and industrial construction, as well as in public-private projects.

An important role for the entity has been determined for building construction project, as an investment and construction activity. Trace intentions in the short term are to participate in the construction of residential, administrative and office buildings in Bulgaria and on the territory of other countries where the group has business presence.

On the territory of the Republic of Serbia, the entity has strengthened its position in the field of road maintenance in the regions of Southeastern Serbia, and in 2020 Trace entered the railway construction sector in the state. In addition to road and railway infrastructure field, our company aims to enter the building construction sector.

Trace initiatives to implement projects in Romania have also been developed successfully. The company has already signed construction contracts with the municipality of Focshani and the municipality of Constantsa. The construction works are yet to start. Trace continues its studies for participation in further tenders in Romania, which shall lead to expand Trace's presence there.

The efforts of the international team of the entity are focused on construction market research in Central and Eastern Europe and Russia.

III. POLICIES

1. QUALITY, ENVIRONMENTAL, HEALTH AND SAFETY AT WORK POLICY

It is a Management's priority for "TRACE GROUP HOLD" PLC to continuously improve the quality of work by building a clear policy and strategy, aiming at gaining the trust and satisfying the requirements and expectations of clients and all stakeholders.

The Management's efforts are aimed at:

- Maintaining a system of continuous improvement and efficiency of the planning and management of key activities, related to the quality, environment, health and safety at work;
- Maintaining highly qualified personnel;
- Process optimisation;
- Conforming, implementing and ensuring compliance of all activities with the applicable legal and regulatory requirements related to the quality, environment, health and safety at work;
- A proper approach in the selection of the entity's suppliers and subcontractors;
- Non-admission of preconditions for objections and complaints by clients related to our main activity;
- Prevention of injuries and diseases;
- Continuous improvement in the management and implementation of the OSH;
- Continuous improvement and prevention of pollution;
- Ensuring opportunities for the full realisation of each worker / employee of the entity, within his / her competences and authorities, as to create a sense of gratitude and satisfaction;
- Periodic reviews, conducted personally by the Management, in order to assess the adequacy, effectiveness and efficiency of the functioning integrated system;
- Timely undertake corrective and preventive actions in cases of deviations from documented process management rules or when there is a potential risk of such deviations.

To achieve these goals, "TRACE GROUP HOLD" PLC has created conditions for strict compliance with the requirements of the Integrated quality management system, health and safety at work, and for the active participation of the Management and Executive personnel in its development and improvement.

2. SOCIAL RESPONSIBILITY POLICY

The group of Trace follows and promotes compliance with the internationally recognised human rights, and considers the preservation of integrity and the health, rights and welfare of its employees and the environment as elements of primary and fundamental importance in the execution and development of its activities.

THE SOCIAL RESPONSIBILITY POLICY, adopted by the entities in the group of TRACE in implementation of their core activities, is focused on corporate strategic management, contributing to sustainable economic development, fair working relations with the personnel, their families, the local community and society in general, with a view to improving the quality of life.

The guiding principles of "Trace Group Hold" PLC regarding social responsibility includes:

- Respecting human rights and fundamental freedoms as set out in the Universal Declaration of Human Rights;
- Protecting generally accepted human values;
- Ensuring the health and safety of their employees;
- Personnel development and motivation;
- Creating new working places;
- Ensuring security of payments;
- Maintaining adequate labour remuneration and ensuring timely payment of salaries and wages to the personnel, and payment of taxes and social security contributions in respect of workers and employees;
- Formulating the rules for constructive business ethics and ensuring their compliance;
- Carrying out charity activities, including improvement of the local infrastructure, in a responsible manner;
- Maintaining beneficial interactions with the public and local authorities, as well as with non-governmental organisations, business associations, educational and expert institutions, and others;
- Disclosing information about entity's activities in the mass media.

IV. ACTIVITIES AND IMPLEMENTATION

ENVIRONMENT

"Trace Group Hold" PLC maintains an Integrated Quality Management System in accordance with the requirements of international standards ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007

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

The process management system, influencing quality, environment, health and safety at work covers: Implementation of projects in Bulgaria, participation in international tender procedures, organized in Bulgaria and abroad. Construction, maintenance, reconstruction, rehabilitation and assignment of projects from: transport infrastructure /roads, highways, airports and railway infrastructure/, public development works, hydrotechnical construction, environmental landscaping,

energy infrastructure, building construction and adjacent infrastructure, electronic communications facilities. Consulting and engineering activities. Acquisition and management of company shares and shares from the capital of entities in Bulgaria and abroad.

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

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

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

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

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

"Trace Group Hold" PLC is one of the first Bulgarian construction companies to start using the "Cold Recycling on-site" method. This is a modern method for recovering compromised pavements. It allows using 100% of the available material on site and this is a huge advantage as it leads to a reduction in total number of construction works; harmful emissions; construction deadlines and value. For the implementation of this kind of method, the company has at its disposal the most advanced mechanization and offers a wide range of technologies - traditional and innovative.

The specialized machinery and trucks meet European and world environmental standards. The entity invests in last generation equipment and aims at introducing innovative production in order to protect the ecological balance. At the same time, "Trace Group Hold" PLC by its subsidiary "Trace BG" JSC has concluded contracts for the redemption of waste oils and greases, as well as for tire recycling of cars and heavy vehicles.

In the implementation of each infrastructure project, an environmental concept is developed and followed, which sets out the activities to minimize pollution and harmful effects on the environment. Through it it is possible to identify, evaluate and manage the important aspects of the environment, to prevent the pollution of the environment in the implementation of the subject of the respective public procurement. The concept of environmental protection shall take into account the main activities in the implementation of the project and the operation of the sites at the stage of their design, construction and operation, namely:

- Approved land-use planning plan for changing land use
- Preparation and coordination of project documentation
- Obtain building permit
- Realization of projects
- Commissioning the construction sites (projects)

- Conditions established through environmental decisions and / or environmental impact assessment

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

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

Trace has conducted contracts for the disposal of waste, generated in the execution of the entity's principal activity. Waste is managed in accordance with the requirements of the applicable legislation and no problems have been encountered so far.

HEALTH AND SAFETY AT WORK

The entity monitors the main indexes, concerning accidents at work.

Information from the last 3 years, which shows a trend of stability in the absence of accidents at work, is presented below:

COMPARISON OF INJURIES AND OCCUPATIONAL DISEASES BY YEAR

	2018	2019	2020
Number of accidents at work	15	15	18
Number of injuries (accidents)	15	0	**0**
Number of occupational diseases	0	0	**0**

The identified health and safety requirements at work are implemented at all levels in the entity organisation.

The conditions and order for conducting "health and safety at work" trainings and instructions to employees are carried out in compliance with the requirements of ORDINANCE № RD-07-2, dated 16.12.2009, on the conditions and order for conducting periodic training and instruction to workers and employees under the rules for ensuring healthy and safe working conditions, through initial and periodic training, and training of health and safety officials.

When starting to work in the group the newly recruited employees are required to familiarise themselves with the following documents:

- Rules of the Internal Labour Code;
- Action plans in the event of disasters, emergencies, accidents and fires;
- Fire regulations;
- Risk assessment with respective card for the job performed.

The entities have a set of safety instructions for all types of activities when carrying out construction and assembly work.

SOCIAL RESPONSIBILITY

CHILD LABOUR

"Trace Group Hold" PLC does not use or encourage child labour.

The entity's policy prohibits the use of child labour. This policy is in accordance with the applicable statutory requirements, defined in the Labour Code, the Child Protection Act, and other current regulatory requirements.

ENFORCED AND COMPULSORY LABOUR

All workers and employees of "**Trace Group Hold" PLC and its subsidiaries** work on a voluntarily basis.

In order to ensure the voluntary nature of work, the entity is committed to ensure that all workers and employees are aware of their rights and obligations, arising from their employment contracts. An "Internal Work Order Manual" has been developed and the personnel is familiar with it. Each employment contract sets out the terms and conditions of employment, namely: salary, working hours, annual paid leave, position, and notice period upon termination of the employment relationship.

FREEDOM TO ASSOCIATE

All workers and employees of "Trace Group Hold" PLC have the right to form, participate and organise trade unions of their choice, and to negotiate collectively with the company, on their own behalf. The personnel is informed that they are free to participate in an organisation of their choice and that this will not lead to negative consequences or repressive measures on behalf of the entity. The functioning and management of these workers' organisations is free and not restricted by the entity's intervention.

DISCRIMINATION

"Trace Group Hold" PLC does not discriminate in recruiting personnel; there is no discrimination in the remuneration, access to training, promotion, termination of contract or retirement on grounds of racial, national or social origin, class, family background, religion, disability, sex, sexual orientation, family responsibilities, marital status, trade union membership, political views or another condition that may lead to discrimination.

The entity does not interfere with the exercise of the personnel's right to observe principles, practices or meet needs based on racial, national or social origin, religion, disability, gender, sexual orientation, family responsibilities, trade union membership, political views or other conditions that may lead to discrimination. The entity's employees are of different religious affiliation and this does not interfere with their joint and team work. The entity is open to employing disadvantaged people. The aim is to provide young people with opportunities for professional and personal development.

The gender equity principle in the selection of Management and Supervisory bodies, as well as in the appointment of managerial positions, is respected. Proof of this is a number of women holding a leading position in the entity, such as Ms. Dessislava Lubenova - Chairman of the Management Board, Ms. Rositsa Dineva - Member of the Management Board and FCO, Ms. Boyka Georgieva and Ms. Hristina Nikolova - members of the Audit Committee.

The entity does not tolerate threatening, abusive, exploitative or sexual harassment behaviour, including gestures, language and physical contact at work.

MALE – FEMALE COMPARISON

	2018	2019	2020
Total personnel	**1064**	**1147**	**872**

Of which male	**889**	**948**	**722**	
Of which female	**175**	**199**	**146**	
Personnel, appointed at managerial positions	**113**	**104**	**72**	
Of which male	**92**	**84**	**62**	
Of which female	**21**	**20**	**10**	

There are no age or gender pay gaps. Salaries and wages are defined based on the position hold by the respective personnel, after such are agreed with the Executive Director, and are in accordance with the Salaries and Wages Regulations.

The Management team, project managers, and all individuals, appointed at managerial positions, treat all personnel with dignity and respect. The disciplinary practices are specified in the Internal Work Regulations.

"Fines" are not provided under the Labour Code, and thus "Trace Group Hold" PLC does not impose, nor does it intent to impose, such. Only the disciplinary measures, defined under Art. 188 of the LC are enforced in cases when the labour discipline of "Trace Group Hold" PLC is breached. There are three disciplinary measures – notice, dismissal notice and disciplinary dismissal.

WORKING HOURS

"Trace Group Hold" PLC complies with the applicable legislation and industry standards on the working hours and public holidays. The standard workweek does not exceed 40 hours. Personnel are provided with at least one day off on every six consecutive business days.

The extraordinary circumstances due to the spread of Covid 19 necessitated to be carried out reorganization of the workplace in view of the measures taken by the Bulgarian and Serbian states in order to preserve life and health of people and their families:

* Implementation of rules for working in emergency circumstances;

* Provision of preparations and disinfectants;

* Home office option;

* Construction sites organization in such a manner to be respected all the rules of the National Crisis Management Staff. This led to the successfully completion of the metro stations, which are part of Sofia Third Metro line project, etc.

REMUNERATION, FINANCIAL INCENTIVES

Remuneration at "Trace Group Hold" PLC meets the legal or industry minimum standards, sufficient to meet the core needs of the personnel and to ensure discretionary income.

"Trace Group Hold" PLC is fair to its employees and workers in the payment of agreed wages and social security contributions. The entity motivates its employees, specialists and workers both by paying additional remuneration, as well as by paying such in the form of shares in the entity's capital. Shares are granted to employees, specialists and workers, based on the achieved by them results in execution of their duties.

In the difficult economic situation as a result of COVID-19 business requires fast reactions and flexibility. The entity by its decisions in 2020, proceed to simplify the processes in the company regarding human potential through alleviating costs and minimizing losses, so that the company's commitments as an employer that ensires payment of salaries and insurances, without any delay to be properly fulfilled.

- On the occasion of Easter holiday in 2020 each employee received an additional remuneration;
- On the occasion of Christmas holiday, food vouchers were provided for each employee.

The Holding company has arrangements with:

- Banking institutions for obtaining loans and insurance on preferential terms;
- Health care institutions and free annual physical examination;

DONATION

As a public and socially responsible company, over the years, "Trace Group Hold" PLC has actively supported a number of charities and causes in the fields of social activities, ecology, cultural and historical heritage and education, which are in line with the corporate culture of Trace.

"Trace for People" Foundation unities the efforts of the Group's entities in the fields of social and corporate responsibility. The Foundation is managed by a Public Council, members of which are prominent public figures – Prof. Nikolay Mihaylov, PhD (Econ), Dipl. Eng, Acad. Stefan Vodenicharov, Acad. Anton Donchev, Vladislav Slavov.

2020 initiatives were specified according to the crisis situation that emerged as a result of the pandemic.

ANTI-CORRUPTION POLICY

No form of bribery or corruption is tolerated in "Trace Group Hold" PLC. The entity abstains from any actions and behaviour that could be perceived as active or passive bribery. The policy is applicable to all types of corruption practices, including:

Active bribery – granting, promising, or offering bribes;

Passive bribery - requesting, consenting to receive or accepting bribes;

Bribery of a public or State official;

Unjustifiable enrichment – misuse of the entity's assets;

Unregulated private use of goods and assets.

The entity has adopted a Code of Ethics, which is mandatory for all personnel.

Entities of the Group of Trace adhere to the rules of pure donation or sponsorship on a case-by-case basis under full transparency and carry out donation activities through the "Trace for People" Foundation, which prepares a public activity report each year.

At a group level, there is no system for risk assessment related to corruption, but all processes and procedures are conducted in a way that excludes all forms of corruption in the entities. All transactions of the entities in the Group of Trace are individually evaluated in advance and those of significant value are approved by both the management of each of the entities and by the management of the Holding company.

CAREER DEVELOPMENT AND TRAINING

Personnel's motivation is an important factor in the achievement of the development targets, set in the company. The Management of "Trace Group Hold" PLC has a clear development strategy for personnel achievement as follows:

- Professional development of the specialists and workers by conducting trainings, which target to maintain and improve their qualifications, as well as close specialisation in specific professional fields;
- Providing the time and opportunities to increase one's education and to acquire higher qualifications;
- Stimulating the initiative to learn foreign languages, work with specialised software, implement new technologies, acquire new equipment;
- Stimulating the innovative thinking, allowing creative people to apply their ideas in practice;
- Career growth in the system of the group, in accordance with the personal and professional interests of each proven employee and manager.

PERSONNEL DEVELOPMENT AND MOTIVATION

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

"Trace Group Hold" applied a Cloud-based platform for business process management in order to improve work efficiency.

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

Trace's ERP software allows interconnection of all units and systems in the entity - from production to accounting and financial operations; facilitates reporting by making it easier, faster and more efficient. Correspondence related to Trace's construction sites and projects is digital and simultaneous, as each employee, according to his role, receive automated access to the electronic dossier of the projects.

The construction sector, as one of the least digitized, has been forced to speed up its digitization processes in order to be able to carry out day-to-day activities during the anti-epidemic measures. „Trace Group Hold" PLC is a company that strives and tries to keep up with the modern trends and currents in the international market relying exclusively on world-renowned and premium digital solutions aimed at improving the processes in the entity.

Thus facilitates some processes, shortens the path of information and improves entity's management awareness. The work of employees was facilitated by implementation of innovative solutions such as Google's business service - Google Workspace, Google Meet and file sharing between teams with options to work together on one file without risk of loss of information.

Dipl. Eng. Boyan Delchev

CEO

CONSOLIDATED REPORT ON PAYMENTS TO GOVERNMENTS

The "Trace Group Hold" group performs activities in the mining industry, and in particular mining of underground natural resources, exploitation of mineral raw materials and mining and blasting activities, and it is obliged to prepare a consolidated report on payments to governments and publish it together with its annual consolidated management report in accordance with Art. 53 in conjunction with Art. 59 of the Accountancy Act.

The following subsidiaries of the Group engaged in mining activities in 2020:

Trace BG JSC (Trace – Road Construction JSC until 22.06.2020), Bulgaria (mining of underground natural resources)

Trace Yambol JSC, Bulgaria (mining of underground natural resources)

Trace Serbia AD (JSC), Serbia (exploitation of mineral raw materials)

The Group discloses hereafter the information, required by the Accountancy Act (Chapter seven, Section V).

1. Payments under concession agreements

The Group has been granted concessions for the extraction of underground natural resources – construction materials – marble, marble limestone, limestone and dolomites – pursuant to the 5 agreements, concluded in the Republic of Bulgaria. The concession agreements were signed by and between the Concession grantor – the Council of Ministers of the Republic of Bulgaria – and the Concessionaire – entities in the Group in 2001, 2005 and 2011.

In accordance with the agreements, the entities of the Group are granted with the exclusive right to develop and extract construction materials from fields in the Republic of Bulgaria, located in Topolovgrad, Zmeevo, Vinarovo (2) and Boyanovo, within the concession area, and to acquire the extracted materials.

Construction materials from fields located in the Republic of Bulgaria are extracted by open-pit mining, within the concession area, under the following conditions:

- Frame of the concession area – 831 thousand square meters;
- Mining term – between 25 and 35 years, with the term starting as of the date on which the respective concession agreement enters into force;

Concession payments, amounting to BGN 337 thousand, were paid to the Ministry of Energy of the Republic of Bulgaria in 2020. Part of those payments include and the amounts paid to an escrow account to satisfy the obligation of the entities for subsequent reclamation of the exploited concession areas.

2. Payments under approvals for exploitation of mineral raw resources

In accordance with the legislation of the Republic of Serbia, an entity of the Group has obtained approval to exploit mineral raw materials from the Ministry of Mining and Energy in 2008 (№310-02-00235/2008-06) and in 2017 (№310-02---00-/21017-02), and approval to execute mining and blasting works on lands, owned by the entity (№310-02-00616/2009-06), granted by the same Ministry in 2010.

The approvals received by the entity grant it the exclusive right to exploit mineral raw resources

and perform mining and blasting works on the field, located in the village Dolac, Municipality of Bela Palanka, Republic of Serbia, within the owned by the entity area.

Construction materials from fields located in the Republic of Serbia are extracted by open-pit mining, within the concession area, under the following conditions:

- Frame of the concession area – 180 000 thousand square meters;
- Mining term – termless, with the term starting as of the date on which the approval is obtained;

BGN 123 thousand have been paid to the Ministry of Mining and Energy of the Republic of Serbia in 2020, in the form of quarterly instalments. The quarterly instalments are calculated based on the extraction realised within the respective quarter.

3. Taxes paid

In 2020, the entities of the Group performing activities in the mining industry, and in particular mining of underground natural resources, exploitation of mineral raw materials and mining and blasting works, have paid BGN 20 thousand corporate income tax and other taxes to the National Revenue Agency of the Republic of Bulgaria and BGN 1 621 thousand have been paid to the Tax Office of the Republic of Serbia, of which:

- BGN 20 thousand – taxes on entertainment costs, paid in 2020 (BGN 0 thousand for Serbia);
- BGN 508 thousand – advance payments of the corporate tax payable for 2020 (BGN 0 thousand for Bulgaria);
- BGN 500 thousand – paid corporate tax on annual tax returns for 2019 (BGN 0 thousand for Bulgaria);
- BGN 613 thousand – paid withholding tax for 2020 (BGN 0 thousand for Bulgaria);

The entities, engaging in mining activities, have also paid BGN 87 thousand for local taxes and fees to Municipalities in the Republic of Bulgaria and BGN 151 thousand – to Municipalities in the Republic of Serbia.

4. Payments under projects

The entities in the Group, engaging in mining activities, have not completed any projects and respectively have not conducted any payments to parties that are Governments, within the meaning of the Law, in 2020.

Dipl. Eng. Boyan Delchev

CEO